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Y4 FINANCIAL OR BUSINESS INTERESTS OF OFFICERS
.R 86/2 OR EMPLOYEES OF THE SENATE

F 49/
PT. 5

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. 291

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

FEBRUARY 17, 1964

PART 5
Testimony of Fred B. Black, Jr.

Printed for the use of the
Committee on Rules and Administration



U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1964

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HEARINGS
BEFORE THE
COMMITTEE ON
RULES AND ADMINISTRATION
COMMITTEE ON RULES AND ADMINISTRATION

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[Executive hearings of February 17, 1964, released to the public February 21, 1964.]

PART 2

Testimony of Fred B. Black, Jr.

Printed for the use of the
Committee on Rules and Administration

U.S. GOVERNMENT PRINTING OFFICE
1964

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ATTORNEYS FOR DEFENSE _____
Fred B. Black, Jr., 4041 15th Avenue NW, Washington, D.C.; accom-
panied by Hans A. Kasper, counsel _____

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FINANCIAL OR BUSINESS INTERESTS OF OFFICERS OR EMPLOYEES OF THE SENATE

MONDAY, FEBRUARY 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, Cannon, Pell, Curtis, and Cooper.

Also present: Hugh Alexander, chief counsel; Gordon F. Harrison, staff director; 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; William Ellis Meehan, investigator; Samuel Scott, investigator; and Alice Clark, staff.

The CHAIRMAN. Have a seat, gentlemen.

Mr. Black, it is necessary that I read this opening remark in order that you understand the authority under which this committee is operating and your rights before this committee.

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

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

Senate Resolution 212 authorizes and directs the Senate Committee on Rules and Administration to make a study and investigation with respect to any financial or business interest or activities of any officer or employee or former officer or employee of the Senate, for the purposes of ascertaining: (1) whether any such interests or activities have involved conflicts of interest or other improprieties and (2) whether any additional laws, rules, or regulations are necessary or desirable for the purpose of prohibiting or restricting any such interests or activities.

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

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

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

the course of his testimony. Should the witness not fully understand any question, the witness might ask for clarification. Counsel, however, shall not coach the witness or answer for the witness.

We will now proceed to hear the testimony of Mr. Fred Black.

Mr. Black, will you please stand and place your left hand on the Bible and raise your right hand and be sworn?

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. BLACK. I do.

The CHAIRMAN. Thank you, sir.

Have a seat.

Counsel, you may proceed.

**TESTIMONY OF FRED B. BLACK, JR., WASHINGTON, D.C.,
ACCOMPANIED BY HANS A. NATHAN, COUNSEL**

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

Mr. BLACK. My full name is Fred B. Black, Jr., 4054 52d Terrace NW., Washington, D.C.

Mr. McLENDON. Is your personal counsel present with you this morning?

Mr. BLACK. He is.

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

Mr. BLACK. Hans A. Nathan, 729 15th Street, Washington, D.C.

Mr. McLENDON. Mr. Black, what is your business or profession?

Mr. BLACK. I am a management consultant.

Mr. McLENDON. How long have you been in that business?

Mr. BLACK. Since 1938.

Mr. McLENDON. What State are you from originally?

Mr. BLACK. The State of Missouri.

Mr. McLENDON. Where did you first begin the business of—as management consultant?

Mr. BLACK. In the State of Missouri.

Mr. McLENDON. How long were you engaged in that business in that State before you came to Washington?

Mr. BLACK. From then until now.

Mr. McLENDON. You mean you still do business in Missouri?

Mr. BLACK. Yes, sir.

Mr. McLENDON. Did you have a trade name that you used in Missouri?

Mr. BLACK. I had one—a trade name starting in 1955, called Blyco Corp.

Mr. McLENDON. You still use that name in Washington?

Mr. BLACK. Yes, sir.

Mr. McLENDON. Was that a corporation?

Mr. BLACK. Yes, sir.

Mr. McLENDON. Is there any distinction between the business that you do as an individual and the business that is done in the name of the corporation?

Mr. BLACK. Not now; no.

Mr. McLENDON. Was there any at any time?

Mr. BLACK. At one time, there was.

Mr. McLENDON. Beginning with the year 1960, have you used the corporation or have you done business in your individual name?

Mr. BLACK. Both.

Mr. McLENDON. In connection with any matters in which you and Robert G. Baker were associated, have you always used your personal name, or have you sometimes used the name of Blyco?

Mr. BLACK. Personal name.

Mr. McLENDON. Insofar as this committee is concerned, then, any transaction between you and Baker was handled by you as an individual?

Mr. BLACK. Yes, sir.

Mr. McLENDON. How long have you known Robert G. Baker?

Mr. BLACK. I met Mr. Baker some time in the year 1959.

Mr. McLENDON. Do you recall the circumstances under which you met him?

Mr. BLACK. Yes. I was invited to a lunch for Mr. Baker arranged by Mr. Frank Roberts. Mr. Baker didn't show up. Mr. Baker called and apologized and asked me for lunch another day, and then he did show up. And that is when I met him.

Mr. McLENDON. Who is this gentlemen you referred to?

Mr. BLACK. Frank Roberts is a vice president of Sperry Rand Corp. in New York. At that time he was vice president of Chrysler Corp.

Mr. McLENDON. And what was the purpose of his suggestion—what was the reason for his suggestion that you and Baker meet with him?

Mr. BLACK. Baker was a good friend of his, I was a good friend of his, and he thought the two good friends should meet.

Mr. McLENDON. He wanted to get the two of you better acquainted, is that correct?

Mr. BLACK. Acquainted.

Mr. McLENDON. Acquainted.

At that time he had been having any business dealings with Baker, to your knowledge?

Mr. BLACK. I have no knowledge of that.

Mr. McLENDON. Do you know anything about his relations to Baker other than what you have just told us?

Mr. BLACK. No, sir.

Mr. McLENDON. Beginning in 1959, and continuing on up to the present time, your association with Baker has been continuous, has it not?

Mr. BLACK. Yes, sir.

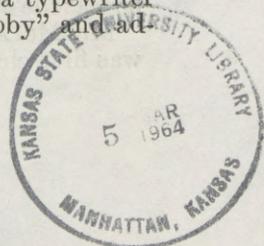
Mr. McLENDON. And have you gotten to be fast friends?

Mr. BLACK. Well, I am a good friend of his. He will have to answer for himself.

Mr. McLENDON. You are intimate enough to make gifts to him, I believe.

Mr. BLACK. What do you consider gifts?

Mr. McLENDON. Will you refer to the letter there, in some exhibits we have handed you, dated January 15, 1962, signed on a typewriter by Robert G. Baker with the handwritten name of "Bobby" and addressed to you.



Do you have it?

Mr. BLACK. I have it.

Mr. McLENDON. What is the Christmas generous gift that that letter refers to?

Mr. BLACK. I don't remember. It must have been a case of whisky.

Mr. McLENDON. Don't you recall it at all?

Mr. BLACK. No.

Mr. McLENDON. You would not ordinarily denominate a case of whisky as being very generous, would you?

Mr. BLACK. From me, it would be.

Mr. McLENDON. Well, let me refresh your recollection.

Wasn't that a very expensive coat that you gave his wife?

Mr. BLACK. I beg your pardon?

Mr. McLENDON. I say, wasn't that gift a very expensive coat that you gave Mr. Baker's wife?

Mr. BLACK. No, indeed, it was not.

Mr. McLENDON. His wife was named Dotty, wasn't she?

Mr. BLACK. Dorothy, yes.

Mr. McLENDON. You can't tell the committee anything more about what that generous gift was?

Mr. BLACK. It had to be a case of whisky.

Mr. McLENDON. It had to be?

Mr. BLACK. That is about all I ever gave anybody.

Mr. McLENDON. All right.

Mr. Black, when was the first time that you heard of the proposal to organize a corporation which finally became the Serv-U Corp.?

Mr. BLACK. When was the first time I heard of it?

Mr. McLENDON. The first time you heard of it.

Mr. BLACK. The latter part of 1961, 1961, I believe.

Mr. McLENDON. Do you remember who was the first person that ever mentioned it to you?

Mr. BLACK. Gene Hancock.

Mr. McLENDON. Who was the next one?

Mr. BLACK. There were three at the same time—Gene Hancock, George Simon, and Ernest Tucker.

Mr. McLENDON. Hancock, Simon, and Tucker.

Do you recall where you were when you first heard of it?

Mr. BLACK. In my office.

Mr. McLENDON. What were the circumstances that resulted in these three people meeting in your office?

Mr. BLACK. I was asked if I would like to become associated with a vending company called Potomac Vending.

Mr. McLENDON. Who arranged the appointment?

Mr. BLACK. That I cannot tell you. I don't know.

Mr. McLENDON. If you never heard of it before, you certainly didn't invite them, did you?

Mr. BLACK. I did not.

Mr. McLENDON. Can you tell the committee which one of these people invited you or asked you to confer with them?

Mr. BLACK. I have to assume—it could have been Tucker, because he was the only one of the three I knew at that time.

Mr. McLENDON. And that was late in 1961, because the corporation was first chartered as the Potomac Vending Co., was it not?

Mr. BLACK. That is correct.

Mr. McLENDON. What was said to you by either one or all three of these men on that occasion?

Mr. BLACK. I was invited to become a stockholder in the company.

Mr. McLENDON. Well, tell us what the company was to be.

Mr. BLACK. It was to be a vending company. And I assumed that we were going to do business on the east coast. They had the name Potomac Vending.

Mr. McLENDON. Didn't they tell you what their plans were?

Go ahead and tell the committee just what conversation took place.

Mr. BLACK. It is too long ago.

Mr. McLENDON. I know. But you certainly remember—people don't just drop down and say, "I want you to join a company." Go ahead and tell us what took place.

Mr. BLACK. Major, I just cannot tell you. I just don't remember what was said, except that I was offered in, and I said "Yes."

Mr. McLENDON. Offered in something that didn't exist at that time?

Mr. BLACK. No. Potomac Vending was supposed to be part of Automatic Vending Service out of Florida. It was supposed—they were supposed to go together. Potomac Vending was to be organized, and then as I understood it, was going to become a part of Mr. Hancock's present company.

Mr. McLENDON. In Florida?

Mr. BLACK. In Florida.

Mr. McLENDON. Did Hancock say that?

Mr. BLACK. I don't remember who said it. I don't remember how I got the idea. But it was evidently given to me at that time. I have that remembrance.

Mr. McLENDON. You used the expression a moment ago that you supposed that this proposed company was going to do business on the east coast.

Mr. BLACK. Right.

Mr. McLENDON. Where did you get that impression?

Mr. BLACK. From its name.

Mr. McLENDON. From its name. Had the company actually been incorporated at the time of this conversation?

Mr. BLACK. I understand so, but I cannot be sure of the date, sir.

Mr. McLENDON. You made no memorandum of the conference?

Mr. BLACK. No.

Mr. McLENDON. You say they invited you to become a stockholder?

Mr. BLACK. Right.

Mr. McLENDON. Tell us some of the detail about how much stock you would buy.

Mr. BLACK. I bought 1,500 shares for \$1,500.

Mr. McLENDON. I know you did. But at this conference, what was said about what your part was to be?

Mr. BLACK. That was it.

Mr. McLENDON. You mean they had already planned it to the point that they were able to say to you that you would be a stockholder to the extent of 1,500 shares?

Mr. BLACK. That is correct.

Mr. McLENDON. At a dollar a share?

Mr. BLACK. Right.

Mr. McLendon. Who else did they say would be stockholders?

Mr. Black. At that time they didn't tell me who else was going to be there.

I subsequently, of course, learned who else would be in it.

Mr. McLendon. So with just the little information you have given the committee, you agreed that day to buy 1,500 shares?

Mr. Black. Yes.

Mr. McLendon. Did you give them a check that day?

Mr. Black. I don't think it was that day. I gave them a check in February.

Mr. McLendon. February 7, 1962?

Mr. Black. 1962.

Mr. McLendon. \$1,500?

Mr. Black. Right.

Mr. McLendon. Now, what further developments had occurred between the time that you had this conference in your office with these three people, and the date that you gave your check for \$1,500?

Mr. Black. Well, you tell me what you mean by what were the further developments.

Mr. McLendon. With reference to organizing the company, setting it up.

Mr. Black. I had nothing to do with it. Didn't even inquire about it or hear about it until such time as they came to me and asked for my check. As a matter of fact, I didn't even think any more about it, Major.

Mr. McLendon. Mr. Black, are you telling this committee that after being told by these three men that they were going to organize the Potomac Vending Co., and you agreed to buy \$1,500 worth of stock, that you waited until February and gave them your check for \$1,500 without knowing any more about the company?

Mr. Black. Nothing else happened.

Mr. McLendon. Aren't you mistaken about that? Didn't they change the charter of the corporation to Serv-U Vending Co.?

Mr. Black. That is when I gave them the check, right after they had changed the name.

Mr. McLendon. What did they tell you about that?

Mr. Black. That they could not use the name Potomac Vending. They were ready to go into business, and they wanted my check.

Mr. McLendon. Did they have any further discussion with you as to where they were going to do business?

Mr. Black. Not at that time, no.

Mr. McLendon. Well, how soon after that did they discuss where they were going to do business?

Mr. Black. I would say within a couple of weeks after that, I was told that they wanted to do business on the west coast.

Mr. McLendon. Who told you that?

Mr. Black. I have to assume, again, Mr. Tucker.

Mr. McLendon. Don't you have any clear recollection about it?

Mr. Black. Not as to who told me.

Mr. McLendon. Well, between the time that you had this meeting in the office in the fall of 1961 and the time you gave your check for \$1,500 on February 7, 1962, had you talked to Baker about it?

Mr. Black. Oh, I must have, yes. I am sure I did.

Mr. McLENDON. Well, can't you tell us anything about what you and Baker said?

Mr. BLACK. He said he was going to become a member of the same organization for the same amount of money.

Mr. McLENDON. What was said about how the stock was to be issued?

Mr. BLACK. Nothing was said at the time. I asked Mr. Tucker to hold mine.

Mr. McLENDON. What did Baker say about it?

Mr. BLACK. I have no idea what Baker said to Mr. Tucker. He didn't say anything to me at all.

Mr. McLENDON. Well, you know that the stock that was beneficially owned by Baker was also issued to Tucker, do you not?

Mr. BLACK. Oh, yes.

Mr. McLENDON. And yours was issued to Tucker?

Mr. BLACK. Right.

Mr. McLENDON. And you mean to say that you and Baker didn't discuss that?

Mr. BLACK. No; I have never discussed Mr. Baker's part at all. Tucker still owns mine.

Mr. McLENDON. I know that.

He still owns Baker's too, doesn't he?

Mr. BLACK. So far as I know.

Mr. McLENDON. What was the reason you had for putting your stock in Tucker's name?

Mr. BLACK. I didn't really have any reason at all for doing it. I just wasn't bothered about it. I didn't know where it was going to go, or what was going to happen to it. I was pretty busy.

Mr. McLENDON. Mr. Black, you are an intelligent man.

Mr. BLACK. Thank you.

Mr. McLENDON. You don't mean to leave the impression on this committee that you put \$1,500 worth of stock in somebody else's name without a reason, do you?

Mr. BLACK. I trust Mr. Tucker.

Mr. McLENDON. Is that the only reason?

Mr. BLACK. That is the only reason there could have been.

Mr. McLENDON. You trust yourself, too, do you not?

Mr. BLACK. Oh, yes.

Mr. McLENDON. Why didn't you put it in your own name?

Mr. BLACK. I asked Mr. Tucker to hold it.

Mr. McLENDON. Why? Can you give us any reason?

Mr. BLACK. No; I don't think any reason was necessary. That is what I wanted to do.

Mr. McLENDON. Maybe the committee would think it is necessary.

Mr. BLACK. That is the committee's business, Major.

Mr. McLENDON. All right.

Now, which of these gentlemen knew that you were employed by North American at the time?

Mr. BLACK. Everyone.

Mr. McLENDON. All of them.

Mr. BLACK. Yes, sir.

Mr. McLENDON. How do you know that they knew you were employed by North American?

Mr. BLACK. It is very well known that I represent North American. I am sure something was said about it at the time.

Mr. McLendon. This first meeting?

Mr. BLACK. Not to my knowledge said in my presence. But I am sure they discussed it among themselves.

Mr. McLendon. Why do you say that?

Mr. BLACK. Well, I was asked very shortly thereafter to provide an introduction into North American for Serv-U Corp.

Mr. McLendon. What do you mean by shortly thereafter? You mean immediately after you gave the check for the stock?

Mr. BLACK. A matter of maybe a couple of days or so. It might have been a week.

Mr. McLendon. Who asked you to arrange for a conference with officials of the North American?

Mr. BLACK. Mr. Hancock.

Mr. McLendon. And what was Hancock's position at the time?

Mr. BLACK. He was president of Serv-U Corp.

Mr. McLendon. Did you attend the stockholders' meeting at which he was elected?

Mr. BLACK. No; I did not.

Mr. McLendon. Did you ever attend a stockholders' meeting?

Mr. BLACK. December 22 of last year, 1963.

Mr. McLendon. So although you were one of the original stockholders you never attended a meeting until September—

Mr. BLACK. December 22.

Mr. McLendon. And at that meeting in December 1963, you were elected a director, were you not?

Mr. BLACK. I was elected chairman of the board and a director.

Mr. McLendon. Did you promptly resign?

Mr. BLACK. Yes.

Mr. McLendon. Why?

Mr. BLACK. I didn't think much of the idea. I didn't think my boss would like it very much.

Mr. McLendon. And you refer to your boss as North American?

Mr. BLACK. Mr. Atwood. I understand he will be in front of you tomorrow.

Mr. McLendon. Yes, he will.

So then the president of the corporation, Mr. Hancock, shortly after the company was organized, officers elected, asked you to arrange so that he could go to see the officials of North American?

Mr. BLACK. That is correct.

Mr. McLendon. For what purpose?

Mr. BLACK. To solicit business.

Mr. McLendon. Vending machine business?

Mr. BLACK. Yes, sir.

Mr. McLendon. What did you do as a consequence of that request?

Mr. BLACK. I asked Mr. Atwood if I could introduce Mr. Hancock into North American at the proper level, and after some consideration on his part evidently I was told I could introduce him to Mr. Smithson. That I did.

Mr. McLendon. Mr. Atwood was the president of the company, was he not?

Mr. BLACK. He is president and chairman of the board of North American Aviation.

Mr. McLENDON. And you knew him well, of course.

Mr. BLACK. Yes, sir.

Mr. McLENDON. And would you repeat one more time exactly what you asked Mr. Atwood?

Mr. BLACK. I asked him for permission to introduce Mr. Hancock of Serv-U to Mr. Smithson of North American Aviation. This I did by letter, not in person.

Mr. McLENDON. Do you have a copy of the letter?

Mr. BLACK. I don't have a copy of it. You must have it if I had it.

Mr. McLENDON. You have not given us a copy of that letter, I am told by the staff.

Do you know whether you still have the letter?

Mr. BLACK. I don't have the letter. I sent the letter to Mr. Smithson with a copy to—I sent the original to Mr. Hancock, and a copy to Mr. Smithson.

Mr. McLENDON. You kept a file copy, I suppose?

Mr. BLACK. I suppose that I did. If you don't have it, I don't know where it is.

Mr. McLENDON. Well, the staff people did not find it in your documents that were turned over to us.

So you asked Mr. Atwood, then the president of the company, to afford Mr. Hancock a conference for the purpose of negotiating a contract for vending machines in North American?

Mr. BLACK. No.

Mr. McLENDON. What did you ask him?

Mr. BLACK. Wrong word. I asked Mr. Atwood for permission to introduce Mr. Hancock to Mr. Smithson, for the reason to have a discussion to see if they could bid on vending machine business in North American Aviation.

Mr. McLENDON. For the purpose of ascertaining whether they, meaning Serv-U—

Mr. BLACK. Serv-U, could bid.

Mr. McLENDON. Did you tell Mr. Atwood what Serv-U was?

Mr. BLACK. Yes.

Mr. McLENDON. What did you tell him?

Mr. BLACK. I told him it was a vending machine operation.

Mr. McLENDON. Did you tell him that you were a stockholder in it?

Mr. BLACK. I did not.

Mr. McLENDON. You didn't disclose that?

Mr. BLACK. No.

Mr. McLENDON. Did you tell him that Bobby Baker was a stockholder in it?

Mr. BLACK. Not to my knowledge; no.

Mr. McLENDON. Did you tell him that Hancock was a stockholder?

Mr. BLACK. Well, I told him Hancock was president.

Mr. McLENDON. Did you tell him who the other stockholders were?

Mr. BLACK. No; I did not, not at that time.

Mr. McLENDON. Did you tell him Mr. Levinson was a stockholder?

Mr. BLACK. No.

Mr. McLENDON. Sigelbaum?

Mr. BLACK. No.

Mr. McLENDON. Torres?

Mr. BLACK. No.

Mr. McLENDON. In other words, you just told the president of North American that Serv-U was in the vending machine business, and that Mr. Hancock was its president. That is the gist of what you told him?

Mr. BLACK. That is correct.

Mr. McLENDON. Did he say that he would arrange for Mr. Hancock to see Mr. Smithson?

Mr. BLACK. No.

Mr. McLENDON. What did he say?

Mr. BLACK. He didn't make any rejoinder at all at that particular time. When I asked him a second time, he said have him visit with Mr. Smithson.

Mr. McLENDON. How did you make the second request—by letter or telephone?

Mr. BLACK. No. When he was in Washington, I was talking to him.

Mr. McLENDON. You spoke to him here in Washington?

Mr. BLACK. Yes.

Mr. McLENDON. At that time, when you talked to him face to face, did you tell him anything more about what Serv-U was?

Mr. BLACK. Nothing other than it was a vending machine operation.

Mr. McLENDON. You are sure that you did not disclose to him who the stockholders were, or any of them?

Mr. BLACK. Never to Mr. Atwood. But Serv-U disclosed by letter to North American the names of the stockholders.

Mr. McLENDON. That was later.

Mr. BLACK. Yes—it was when—

Mr. McLENDON. But it didn't disclose your name?

Mr. BLACK. No.

Mr. McLENDON. And it didn't disclose Baker's name, did it?

Mr. BLACK. Not so far as I know.

Mr. McLENDON. And although you were under contract of employment from North American, you never disclosed that you and Baker were stockholders?

Mr. BLACK. I am not under a contract for employment with North American. I am under a contract for consultation services with North American. I have no benefits from North American at all.

Mr. McLENDON. Well, you are paid for that; are you not?

You are paid for those services; are you not?

Mr. BLACK. Oh, yes—as an independent contractor.

Mr. McLENDON. I understand that.

What was the date of this second request that you made to Mr. Atwood or Mr. Smithson when you saw him here face to face in Washington?

Mr. BLACK. I don't remember, Major.

Mr. McLENDON. Well, if I show you the contract that was signed with North American, the date of it, would that help you any?

Mr. BLACK. It would not help me a bit.

Mr. McLendon. But it is bound to have been before the contract was signed?

Mr. Black. Oh, yes.

Mr. McLendon. And at no time, even up to the time the contract was signed with North American for vending services by Serv-U, did you ever disclose your connection with Serv-U?

Mr. Black. I did not.

Mr. McLendon. Do you know of your own knowledge that Mr. Atwood or Mr. Smithson or Mr. Kellough—do you know of your own knowledge whether any one of those people knew Bobby Baker was a stockholder?

Mr. Black. Not to my knowledge.

Mr. McLendon. Do you know whether they knew Baker?

Mr. Black. Mr. Atwood has met Mr. Baker—met him socially at my house.

Mr. McLendon. What was the occasion?

Mr. Black. I gave a dinner party.

Mr. McLendon. Before or after the contract was signed between Serv-U and North American?

Mr. Black. Well, I probably gave dinner parties before and after.

Mr. McLendon. I am talking about this one—where Atwood met Baker.

Mr. Black. I don't remember which party he met him at, Major. He has probably met him at two or three there.

Mr. McLendon. Do you recall introducing Baker to him?

Mr. Black. Do I recall introducing Baker to Atwood?

Mr. McLendon. Yes.

Mr. Black. Yes, of course, I recall it. But I don't recall what day or what date it was.

Mr. McLendon. And you can't tell the committee whether it was before or after the contract was signed?

Mr. Black. Oh, I am sure I introduced him to him long before the contract was signed. As a matter of fact, I am sure I introduced him probably in 1960 or the early part of 1961.

Mr. McLendon. Now, the first contract between Serv-U and North American was with what they call North American Aid.

Do you know what that was?

Mr. Black. All contracts are with North American Aid.

Mr. McLendon. What is that?

Mr. Black. North American Aid is an organization of the employees at North American who receive the benefits from the vending operation.

Mr. McLendon. Is it incorporated?

Mr. Black. I am sorry, Major, I don't know the answer to that. I am not familiar with it to that extent.

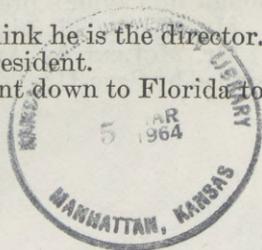
Mr. McLendon. Do you know if Mr. Kellough was the president of the North American Aid?

Mr. Black. I don't think he is.

Mr. McLendon. You are not sure about that?

Mr. Black. No. Well, I am pretty sure. I think he is the director. I am not positive. I think Mr. Bill Cahn is the president.

Mr. McLendon. And was it Kellough who went down to Florida to look at Mr. Hancock's vending operation?



Mr. BLACK. Major, I could only answer that with what I have read. I didn't know he went. But according to the papers, he did.

Mr. McLENDON. And then—the first contract bears the date of January 30, 1962.

Mr. BLACK. The first contract bears what date?

Mr. McLENDON. January 30, 1962.

Mr. BLACK. I am not familiar with that. I have never seen the contracts.

Mr. McLENDON. You have never seen them?

Mr. BLACK. No.

Mr. McLENDON. And then the second contract was made with the space and information system of North American, was it not?

Mr. BLACK. That is my understanding.

Mr. McLENDON. What did you have to do with that?

Mr. BLACK. Not a thing.

Mr. McLENDON. Did you discuss it with anybody out there?

Mr. BLACK. No.

Mr. McLENDON. And that was at Downey, Calif.?

Mr. BLACK. Yes; that is where Space and Information Division is located.

Mr. McLENDON. And the third was with the Rocketdyne plant of North American, at Los Angeles, was it not?

Mr. BLACK. San Fernando Valley.

Mr. McLENDON. What did you have to do with that?

Mr. BLACK. Not a thing.

Mr. McLENDON. Did you discuss that, either one of these contracts, with either one of these officials of North American?

Mr. BLACK. No.

Mr. McLENDON. Do you remember on one occasion when you were in Mr. Taylor's office, the president of—executive vice president—and you called Kellough into the conference?

Mr. BLACK. Mr. Taylor is not the executive vice president of North American Aviation. He is an assistant to the president and a vice president. And I was in his office. And I asked Mr. Kellough to come to the office.

Mr. McLENDON. What for?

Mr. BLACK. To discuss with Mr. Kellough whether or not Serv-U was doing, is doing, a very good job or not, or what their position was as far as service is concerned.

Mr. McLENDON. Let's get that straight.

At that time, Serv-U had already executed at least two contracts with North American.

Mr. BLACK. I don't know that. You would have to give me the dates.

Mr. McLENDON. And Mr. Kellough was called into Taylor's office, who was an executive vice president, was he not?

Mr. BLACK. No; he is an assistant to the president.

Mr. McLENDON. Assistant to the president. And you asked Kellough in Taylor's presence whether Serv-U's services were all right?

Mr. BLACK. That is correct.

Mr. McLENDON. And was it after that that another contract was signed by Serv-U?

Mr. BLACK. I have no idea, Major. I don't know the date we are talking about, and I don't know the date of the Rocketdyne contract with Serv-U.

Mr. McLENDON. Will you explain to the committee why you were interested in finding out from Mr. Kellough about Serv-U's services?

Mr. BLACK. I would be delighted to. I was responsible for their introduction into North American. I wanted to be sure they were doing a good job. And I still inquire every time I get a chance.

Mr. McLENDON. So you find some responsibility for the company having made the contract with Serv-U?

Mr. BLACK. I feel all the responsibility in the world.

Mr. McLENDON. And you felt the responsibility to inquire whether their service was good?

Mr. BLACK. Yes, sir.

Mr. McLENDON. And did you suggest that they award another contract to Serv-U?

Mr. BLACK. I did not.

Mr. McLENDON. You didn't say that to Mr. Kellough or Mr. Taylor?

Mr. BLACK. No, indeed.

Mr. McLENDON. You did not.

Senator CANNON. If counsel will yield to me—may I ask, what did they say when you asked whether the service was good?

Mr. BLACK. They said it was a lot better than they had had from Automatic Canteen. They were getting more money from Serv-U for the work they were doing, they were getting better coffee, as he specifically talked about, better service, machines were not breaking down like they had in the past, service calls were very short, very few of them. I was very pleased with what Mr. Kellough had to say.

Mr. McLENDON. They praised Serv-U very highly?

Mr. BLACK. Yes, sir.

Mr. McLENDON. Well, in view of that fact, didn't it occur to you that maybe the time had come for you to disclose your capacity?

Mr. BLACK. I saw no reason to disclose or not disclose it. Had this committee not met on this, I probably wouldn't have disclosed it yet today.

Mr. McLENDON. Well, Mr. Black, returning to—before we leave this question though, you were acquainted, also, with the officers of the Northrop Corp., were you not?

Mr. BLACK. Yes, sir.

Mr. McLENDON. Who were they?

Mr. BLACK. Would you mind repeating that, Major?

Mr. McLENDON. I say who were the top officers of Northrop Corp.?

Mr. BLACK. The two I know the best are Tom Jones, the president, and Robert Miller, the senior vice president.

Mr. McLENDON. Were you under contract with the Northrop Corp. for any kind of services?

Mr. BLACK. No, sir.

Mr. McLENDON. Did you call on those two gentlemen, or one of them and solicit business for Serv-U?

Mr. BLACK. I called on both of them—not to solicit business, but to ask for Serv-U to have a chance to bid on their vending contracts that were coming up.

Mr. McLendon. You called them to solicit an opportunity for Serv-U to bid?

Mr. Black. Correct.

Mr. McLendon. And did you tell them that they were at liberty to call Mr. Taylor, of North American, as a reference?

Mr. Black. I don't know whether I spoke about Mr. Taylor or not. I told them they were at liberty to check with North American as to how Serv-U was doing, see whether they were qualified to make a bid.

Mr. McLendon. Did they do that in your presence?

Mr. Black. No.

Mr. McLendon. In consequence of this request made by you to the officers of Northrop, did Hancock or Armstrong visit them and solicit the business for Serv-U?

Mr. Black. Yes.

Mr. McLendon. And did they finally get a contract with Northrop?

Mr. Black. Yes.

Mr. McLendon. Did you have anything more to do with it, other than to ask that Hancock be afforded an opportunity to bid?

Mr. Black. No.

Mr. McLendon. Did you know when the contract was signed?

Mr. Black. No.

Mr. McLendon. Did you tell Mr. Miller and Mr. Jones of Northrop of your interest in Serv-U?

Mr. Black. That, Major, I don't know whether I did or not. I may have, but I could not honestly answer it one way or the other. I don't remember that I did.

Mr. McLendon. You knew that Mr. Miller of Northrop was acquainted with Baker, did you not?

Mr. Black. No, I did not know whether he knew Mr. Baker or not.

Mr. McLendon. Don't you recall that you attended a reception or party given by Dr. Walsh, and that you yourself introduced Miller to Baker?

Mr. Black. I could have.

Mr. McLendon. That is possible, is it not?

Mr. Black. Oh, yes, absolutely.

Mr. McLendon. Now, Mr. Black, what did you have to do with deciding what other persons would become stockholders in Serv-U?

Mr. Black. I had nothing to do with it.

Mr. McLendon. Who was responsible for corralling the other stockholders?

Mr. Black. I cannot answer that. I don't know.

Mr. McLendon. Did you know George Simon at that time?

Mr. Black. I never met him until the day he walked in my office.

Mr. McLendon. When was that?

Mr. Black. The first meeting that we had, the latter part of 1961.

Mr. McLendon. That was when Tucker and Hancock were present?

Mr. Black. Right.

Mr. McLendon. Did he identify himself to you?

Mr. Black. Oh, yes.

Mr. McLendon. Who did he tell you he was?

Mr. BLACK. He said his name was George Simon, and he was an accountant in Miami, Fla.

Mr. McLENDON. Did he disclose that he was interested in becoming a stockholder?

Mr. BLACK. I am sure he did. He already was, I guess. They already had formed the company.

Mr. McLENDON. What did he say about his stock interest?

Mr. BLACK. Nothing to my knowledge, except that he was interested in the company growing and being something.

Mr. McLENDON. Did he tell you that he had an undisclosed partner?

Mr. BLACK. No, he did not.

Mr. McLENDON. In stock ownership in Serv-U?

Mr. BLACK. No, sir.

Mr. McLENDON. When did you find out that Jack Cooper was his undisclosed partner?

Mr. BLACK. About 3 weeks before I bought him out.

Mr. McLENDON. Bought out who?

Mr. BLACK. Simon.

Mr. McLENDON. Tell the committee the circumstances that led up to your buying out Simon.

Mr. BLACK. The circumstances are very—they are not much. I just found out that George Simon had Mr. Cooper as part of his interest.

Mr. McLENDON. How did you find that out?

Mr. BLACK. I was told.

Mr. McLENDON. By whom?

Mr. BLACK. That I cannot remember.

Mr. McLENDON. Go ahead.

Mr. BLACK. As a consequence, I bought Mr. Simon's position out, asked him to sell.

Mr. McLENDON. You asked him to sell?

Mr. BLACK. Yes.

Mr. McLENDON. Why?

Mr. BLACK. Because I didn't want him in the business.

Mr. McLENDON. Why not?

Mr. BLACK. Well, unfortunately, Mr. Cooper was getting at that time a lot of the same kind of publicity I have been getting, about evasion of Federal income taxes, name of Trujillo, those sort of things were being injected in Mr. Cooper's trial down in Miami. And I still felt responsible for Serv-U and North American getting together. And I wanted him out. And he went out.

Mr. McLENDON. At that time, no stock had ever been issued to Mr. Simon?

Mr. BLACK. No stock had been issued to Mr. Simon.

Mr. McLENDON. Or to Mr. Cooper?

Mr. BLACK. That is correct. They did have a position.

Mr. McLENDON. They had a commitment that they could own 2,700 shares, wasn't it?

Mr. BLACK. That is correct.

Mr. McLENDON. But none had ever been issued to either one of them?

Mr. BLACK. That is right.

Mr. McLENDON. And you think the reason for that was that they didn't want to disclose their identity?

Mr. BLACK. I have no idea of the reason, Major.

Mr. McLendon. And are we to believe that the effect of your testimony on this point is that you conceived the idea of buying out Simons?

Mr. BLACK. I hope you believe it, because that is what happened.

Mr. McLendon. I am not reflecting on you. I am just trying to find out if anybody else was connected with that decision.

Mr. BLACK. No, it was my decision.

Mr. McLendon. Your decision alone?

Mr. BLACK. That is right.

Mr. McLendon. Well, now, you bought Simon's stock for yourself and someone else, did you not?

Mr. BLACK. I bought it for myself and Baker.

Mr. McLendon. You don't mean to tell the committee that you didn't consult Baker?

Mr. BLACK. Oh, yes, I consulted him before I did it.

But I didn't consult him when I made the decision to put Simons out of the business.

Mr. McLendon. Tell us what you said to Baker, then.

Mr. BLACK. I explained to Baker my theories about Mr. Cooper and Mr. Simon's connection. I said I would like to get them out—would he like to help me get them out. I didn't have that much money.

He said yes.

We did.

Mr. McLendon. Well, go ahead. What was the arrangement between you and Baker?

Mr. BLACK. Well, he paid half of it and I paid half of it. He got a commitment for 2,750 shares of Simon's intended stock, and I got the other 2,750 shares.

Mr. McLendon. You mean you and he agreed that that is the way you would buy it before you bought it?

Mr. BLACK. Oh, yes.

Mr. McLendon. And what were you to do with the stock when you bought it from Simon? How were you to handle it?

Mr. BLACK. Well, it was to be held by Tucker, in Tucker's name.

Mr. McLendon. What discussion did you and Baker have about that?

Mr. BLACK. We didn't have any discussion about it. That is what we decided to do.

Mr. McLendon. Well, you were bound to talk about it.

Mr. BLACK. Just exactly as I have told you. We decided that Tucker would hold—we would buy it and Tucker would hold it.

Mr. McLendon. You mean neither you nor Baker expressed any reason why the stock would be put in Tucker's name?

Mr. BLACK. Our other stock was in Tucker's name.

Mr. McLendon. I know that.

But you haven't given us any reason for that.

Mr. BLACK. There isn't any reason for it. When we finally got the stock, Tucker signed the stock in blank, and we took it to the bank in Oklahoma, where I borrowed money.

Mr. McLendon. But even when you bought Simon's stock, you had no agreement with Baker other than you just said, "Well, we will put it in Tucker's name."

Is that about the gist of it?

Mr. BLACK. That is the way it happened.

Mr. McLENDON. And he didn't object?

Mr. BLACK. No.

Mr. McLENDON. Now, how much money did you pay Simon?

Mr. BLACK. We borrowed \$100,000 from the bank in Oklahoma. And we paid—I sent the check to Serv-U in California for \$100,000. Serv-U, in turn, sent a check to Mr. Simon for the \$100,000. That \$100,000, as I understand now—I told you when I talked to you before, that Simon got a \$7,000 profit. I find out now that he got \$9,000 profit for his position.

Mr. McLENDON. So the \$100,000 that you and Baker paid Simon was for the purchase of the 2,700 shares of stock that he had a right to, but which had not been issued to him, and also paid off the debt of the corporation to Simon?

Mr. BLACK. Correct.

Mr. McLENDON. How much profit did you calculate that Simon had in that deal?

Mr. BLACK. I thought \$7,000, but I understand it is \$9,000.

Mr. McLENDON. And the number of shares that he had, I believe, was 2,700.

Mr. BLACK. No. The number of shares, as I understand, was 2,750 twice.

Mr. McLENDON. I think you are wrong.

Mr. BLACK. I could be. We split Simon's intended shares down the middle—whatever that was.

Mr. McLENDON. All right.

So you wound up after the Simon deal that Tucker had for you and Baker 5,700 shares. That is to say, he had your 1,500 shares that you paid a dollar for, Baker's 1,500 shares, makes 3,000, and then 27 that you bought from Simon.

Mr. BLACK. That is right.

Mr. McLENDON. That made 5,700 shares.

Mr. BLACK. Then, that is right.

Mr. McLENDON. Fifty-seven percent of the total stock ownership.

Mr. BLACK. Right.

Mr. McLENDON. Where did you say you got the money from?

Mr. BLACK. Fidelity National Bank in Oklahoma City.

Mr. McLENDON. Who arranged for the loan?

Mr. BLACK. I did.

Mr. McLENDON. How did you do that?

Mr. BLACK. I went down to see Mr. Grady Harris, president of the bank, asked for the loan, and got it.

Mr. McLENDON. And how was the loan arranged—the notes and so forth?

What was the detail of the arrangement?

Mr. BLACK. Well, the first note was issued to me for a hundred thousand dollars. Then—no—two notes for \$50,000 were arranged; one that I signed for myself, and one that I signed power of attorney for Mr. Baker. And when Mr. Baker executed his own note, the note that I executed from him was sent back to me marked "Paid." So he had a \$50,000 note there, and I had a \$50,000 note, for the purpose of buying the stock.

Mr. McLENDON. Did you borrow \$67,500 yourself?

Mr. BLACK. Yes; \$17,500 was for me.

Mr. McLENDON. In other words, you borrowed—your personal note \$67,500. You borrowed on a note for Baker that you signed under power of attorney for \$50,000.

Mr. BLACK. That is correct.

Mr. McLENDON. Out of that borrowing, you paid Serv-U a hundred thousand dollars. They, in turn, paid Simon a hundred thousand dollars.

Mr. BLACK. Correct.

Mr. McLENDON. Now, was there any collateral put up with the bank for these two notes, the \$67,500?

Mr. BLACK. The stock in Serv-U that Mr. Tucker was holding, and is holding for us, was signed in blank by Mr. Tucker.

Mr. McLENDON. All of it?

Mr. BLACK. All of it. Given to me, and I gave it to Mr. Grady.

Mr. McLENDON. The whole 5,700 shares?

Mr. BLACK. Yes. It is presently in the bank in Oklahoma as collateral.

Mr. McLENDON. Why did you happen to go to the Fidelity National Bank & Trust Co. of Oklahoma for this loan?

Mr. BLACK. Well, I had done business with them before on another note.

Mr. McLENDON. You mean on personal borrowings?

Mr. BLACK. Yes.

Mr. McLENDON. You had already established a line of credit with the bank?

Mr. BLACK. Yes. I borrowed \$175,000 there before.

Mr. McLENDON. Before this borrowing. Was that \$175,000 to which you are now referring—is that the loan from which you got money to purchase stock in another bank?

Mr. BLACK. Yes; in Tulsa, Okla.

Mr. McLENDON. I will come to that again in a minute.

Mr. BLACK. All right.

Mr. McLENDON. On these two notes, \$67,500, and the \$50,000, did Baker later sign one of those notes personally?

Mr. BLACK. Yes; the \$50,000 note.

Mr. McLENDON. And did you endorse it?

Mr. BLACK. No.

Mr. McLENDON. So that the bank held Baker's note for \$50,000 eventually, and your note for \$67,500?

Mr. BLACK. That is correct.

Mr. McLENDON. And the only security was the Serv-U stock?

Mr. BLACK. Yes.

Mr. McLENDON. Who acquainted the Fidelity National Bank of Oklahoma City with the facts and circumstances concerning Serv-U so that they could appraise the value of the stock?

Mr. BLACK. I suppose you would say I did. The Fidelity National Bank, prior to the buying of the Simon's stock, had loaned Serv-U in excess of \$250,000 to purchase machinery with, to go into the North American plants.

Mr. McLENDON. Well, tell us about that, since you mention it. Elaborate on that. You say that bank loaned Serv-U \$275,000?

Mr. BLACK. Something in that order.

Mr. McLENDON. And what was that for?

Mr. BLACK. For the purchase of machinery—machines and equipment, rolling stock, for Serv-U Corp.

Mr. McLENDON. Who handled that?

Mr. BLACK. That was handled between Hancock, Armstrong, and the bank.

Mr. McLENDON. Did you introduce the bank—introduce Serv-U people to the bank? Who made the contact with the bank?

Mr. BLACK. I think I did.

Mr. McLENDON. And that note appears to be dated December 1, 1962.

Mr. BLACK. Which?

Mr. McLENDON. The \$275,000 note.

Mr. BLACK. I think you are wrong on your—

Mr. McLENDON. Look in your documents there, and see if you don't find a copy of the note for \$275,000, dated December 1, 1962.

Mr. BLACK. This note must be a different note, because there should have been notes before that.

Mr. McLENDON. Mr. Black, these documents all came out of your files. I wish you would look at that and see if you can give us the answer.

Mr. BLACK. Well, this note is evidently a new note, or one that has been redone, because the first borrowing was done the early part of 1962. This cannot be the original note, Major.

Mr. McLENDON. You think this is a renewal—the copy that we have dated December 1, 1962?

Mr. BLACK. It either has got to be a renewal, or it has got to be a new one, because we have had several borrowings from the Fidelity National Bank—renewals and new borrowings. This cannot possibly be the first one. Altogether we have borrowed over a half a million dollars from Fidelity.

Mr. McLENDON. Yes; I know.

Mr. BLACK. So this cannot possibly be—

Senator CURTIS. Who is "we"?

Mr. BLACK. Serv-U Corp.

Mr. McLENDON. When you say "we" you mean Serv-U, you and Baker—the three of you—borrowed half a million dollars?

Mr. BLACK. Between the three of us I expect we borrowed a lot more than that.

Mr. McLENDON. Are you able at this time to tell the committee the order in which these loans appeared? If you refer to these documents you notice the \$67,500 note is dated May 7, 1962. Do you see that?

Mr. BLACK. May 7, for \$67,500.

Mr. McLENDON. Yes. And the \$275,000 note was dated December 1, 1962, right about the time the corporation was being organized.

Mr. BLACK. December 1, 1961. You are a year away.

Mr. McLENDON. A year away?

Mr. BLACK. Yes. The company was organized in 1961.

Mr. McLENDON. In December of 1961.

Mr. BLACK. Yes.

Mr. McLENDON. Well, when was the first borrowing made by the corporation itself?

Mr. BLACK. I believe in January or February of 1962. I am surprised you don't have those notes there. If I had them—didn't Mr. Tucker have them?

Mr. McLENDON. No.

Mr. BLACK. Well, certainly the bank had to have them.

Mr. McLENDON. We can get it from the bank, I think.

Mr. BLACK. I am sure of that. But I thought you had them. The \$275,000 was a later borrowing.

Mr. McLENDON. All right. Now is it your testimony that the \$275,000 was the first borrowing that was made from the bank in Oklahoma City?

Mr. BLACK. No. I don't know how much the first borrowing was.

Mr. McLENDON. What I am trying to find out is were there personal loans made to you and Baker before the corporation borrowed money?

Mr. BLACK. No; the corporation borrowed money before we did.

Mr. McLENDON. And that was in the amount of \$\$275,000?

Mr. BLACK. I don't know, Major. I don't remember. I don't think so. I think it was more than that.

Mr. McLENDON. And you were responsible for negotiating that loan?

Mr. BLACK. I was responsible for asking for it.

Mr. McLENDON. Well, you procured it for the corporation, did you not?

Mr. BLACK. Well, the actual money was paid by the bank to the Serv-U Corp., with Hancock and Armstrong doing the negotiating.

Mr. McLENDON. Were there any personal endorsements on the note?

Mr. BLACK. Oh—

Mr. McLENDON. Were there any personal endorsements on this \$275,000 note?

Mr. BLACK. You are still referring to the note of December 2, 1962?

Mr. McLENDON. Yes.

Mr. BLACK. There is a continuing guarantee from all stockholders of Serv-U. From the very first time Fidelity loaned any money to Serv-U, there has been from then and until now a continuing guarantee by—a personal guarantee by all stockholders.

Mr. McLENDON. Is that in writing?

Mr. BLACK. Oh, yes.

Mr. McLENDON. Now did that apply just to the loans made to the corporation, or did it apply to the loans made to you and Baker?

Mr. BLACK. It had nothing to do with my loan and nothing to do, I am sure, with Baker.

Mr. McLENDON. This \$275,000, regardless of when it was borrowed was borrowed for the purpose of buying equipment for Serv-U, was it not?

Mr. BLACK. Oh, yes.

Mr. McLENDON. And that equipment was used on the west coast in connection with the performance of the contract with North American and Northrop Co.?

Mr. BLACK. Correct.

Senator CURTIS. What was the date of that borrowing, and what was the date of the first contract?

Mr. McLENDON. The first contract was dated January 30, 1962. The \$67,500 note and the \$50,000 note are both the same day, May 7, 1962, which would be subsequent to the contract.

Mr. BLACK. Major, are you confused? You are answering Senator Curtis there—the \$67,500 note and the \$50,000 note haven't anything to do at all with the borrowing of the Serv-U Corp.

Mr. McLENDON. I understand that. They were personal notes.

Mr. BLACK. That is correct.

Mr. McLENDON. The first note that we have on the \$275,000 is dated December 1, 1962.

Mr. BLACK. There are lots more notes before that. Quite a number.

Mr. McLENDON. All right.

Senator COOPER. I note, Mr. Chairman, that there is a letter in the files here from Fidelity Bank dated September 21, noting that they had advanced \$180,413.87, on September 15, which seems to be in response to the request of August 23 of Serv-U for two loans, one for \$180,413.87 and a second note—that was to be loaned on September 15. A second note of \$76,453.02 to be executed and made available on the 15th of October.

Mr. McLENDON. What is the date of that letter, sir?

Senator COOPER. August 23, 1962. There was a request for two loans. And the answer of September 21, 1962, from the bank, indicates that the first loan of \$180,413.87 had been made on September 15 as requested.

Senator CANNON. Mr. Chairman, there is also a letter here of June 18, 1962, which indicates that there was advanced \$96,848.60. So obviously there were a number of loans.

Mr. McLENDON. Yes; there were a number. We will have the continuity of them coordinated.

Senator CANNON. There is one from the president of the bank dated July 6, 1962:

DEAR MR. TUCKER: I received your note this afternoon. Serv-U Corp. proceeds in the amount of \$96,848.60 were deposited to the company account with us. Also appreciate your forwarding me the proper corporation resolution.

Sincerely yours,

GRADY HARRIS, Jr., *President.*

The CHAIRMAN. That was evidently to take up some specific invoices for equipment, I would judge—those odd amounts.

Mr. BLACK. Each item that we have a loan from the bank on is also secured by chattel mortgages on the equipment. Every item that the bank has loaned any money on also is secured to them by chattel mortgage.

Mr. McLENDON. We have a copy of the chattel mortgage here. That refers to a gross debt of \$275,000.

Senator CANNON. Well, that is explained in the letter of August 23, 1962, to the bank, signed by Mr. R. W. Armstrong, Jr., vice president and general manager of Serv-U Corp., which refers to one note of \$180,413.87, and a second note to be prepared for \$76,453.02, to be available by the 15th of October for disbursement of funds. Those two together amount to \$275,000, or \$276,000.

Mr. McLENDON. That is right.

Apparently, the total gross debt was \$275,000, although that was composed of more than one loan, which finally was consolidated apparently as \$275,000. We will have these records all put in order.

Was there anybody else connected with the Serv-U Corp. except yourself that had any trade with this bank in Oklahoma?

Mr. BLACK. Mr. Baker.

Mr. McLENDON. How do you know that?

Mr. BLACK. I read about it.

Mr. McLENDON. Where?

Mr. BLACK. In the paper.

Mr. McLENDON. Before the money was borrowed?

Mr. BLACK. Sir?

Mr. McLENDON. Before the money was borrowed?

Mr. BLACK. No; I heard about loans he had down there from you all, from your publicity.

Mr. McLENDON. I am talking about at the time this—at the time you negotiated the loans with the Oklahoma bank, was there anybody else connected with Serv-U that had credit at that bank?

Mr. BLACK. Not to my knowledge; no.

Mr. McLENDON. So these loans were all procured by you representing Serv-U?

Mr. BLACK. Correct.

Mr. McLENDON. Now, what did you have to do with the purchase of Torres' stock in Serv-U?

Mr. BLACK. What did I have to do with it?

Mr. McLENDON. Yes.

Mr. BLACK. I didn't have anything to do with it. He wanted to sell out. I was asked what I thought about it, and I said, buy him out.

Mr. McLENDON. Who asked you what you thought about it?

Mr. BLACK. Mr. Armstrong.

Mr. McLENDON. Was there any formal meeting of the stockholders or directors?

Mr. BLACK. I wasn't on the board, and I don't know. I don't think so, but I don't know.

Mr. McLENDON. Did you see the agreement that Torres signed?

Mr. BLACK. I sent it to him.

Mr. McLENDON. Sir?

Mr. BLACK. I sent it to him.

Mr. McLENDON. Sent it to whom?

Mr. BLACK. To Torres.

Mr. McLENDON. Look at the very last document in your folder dated July 4, 1963. Is that a copy of the agreement between Torres and Serv-U Corp.?

Mr. BLACK. Which one?

Mr. McLENDON. The very last one—at the bottom of the folder.

Mr. BLACK. That is it.

Mr. McLENDON. Did you draft that?

Mr. BLACK. No.

Mr. McLENDON. Why did you happen to send it to Torres? You said you sent it to him.

Mr. BLACK. I mailed it to him from the Serv-U offices in California.

Mr. McLENDON. What were the circumstances?

Mr. BLACK. The check was written, and I wrote him a letter, saying, "Here is the check, and here is the agreement. Sign it and send it back."

Mr. McLENDON. Somebody was bound to have negotiated with Torres before that.

Mr. BLACK. That was all done before I knew anything about it.

Mr. McLENDON. Do you know who did the negotiating?

Mr. BLACK. No. I have to assume the president of the company.

Mr. McLENDON. And who—

Senator CURTIS. The president of what?

Mr. McLENDON. He said he assumed the president of the company did it.

Who then authorized this purchase of Torres' stock? You say you did?

Mr. BLACK. I said I agreed to it.

Mr. McLENDON. You approved of it?

Mr. BLACK. Yes.

Mr. McLENDON. Who else approved it?

Mr. BLACK. I would have to assume again everybody connected with Serv-U that has stock in Serv-U.

Mr. McLENDON. What was the reason for concluding that this was a good bargain for Serv-U?

Mr. BLACK. Well, it was 400 shares of the stock. And when I spoke to you, I told you I thought that he had loaned in and paid in to the company \$55,000, and that he was going to get \$20,000 in profit for his 400 shares.

Since that time, Mr. Tucker has been up here, he has disabused my mind about that—evidently he got a little bit more than that for his stock. And I thought that it was good to have the 400 shares back in the treasury of the company.

Mr. McLENDON. Well, did you give any consideration to the price that you were paying for it?

Mr. BLACK. Oh, yes. It was worth it at the time. It is not worth it now. But it was worth it then.

Mr. McLENDON. Mr. Tucker's testimony, as I recall it, was to the effect that the company owed Mr. Torres about \$19,000 plus interest.

Mr. BLACK. And plus what he paid for his stock.

Mr. McLENDON. Yes. And you paid him \$75,000.

Mr. BLACK. Right.

Mr. McLENDON. Which paid off the debt of \$19,000 plus some interest. The balance of it then would be attributed to the price of the stock, would it not?

Mr. BLACK. That and profit.

Mr. McLENDON. That would make the stock pretty high.

Mr. BLACK. It was worth that then.

Mr. McLENDON. You did think it was worth that?

Mr. BLACK. Yes.

Mr. McLENDON. What was the reason for the stock having any such value as that, Mr. Black, in your opinion?

Mr. BLACK. What was the reason for what, Major?

Mr. McLENDON. What was the reason the stock had any such value as that, your reason?

Mr. BLACK. That it had a certain value?

Mr. McLENDON. No—that it had a value equal to this amount of money that you were paying Torres.

Mr. BLACK. Looking at the financial statement, I would come to the conclusion it would be worth that, at that time.

Mr. McLendon. Was your opinion based on the value of the contracts that Serv-U had with North American and Northrop?

Mr. Black. My opinion was based on the financial statements that I had seen from Serv-U.

Mr. McLendon. Were not all those contracts cancellable on 30 days' notice?

Mr. Black. Yes, sir.

Mr. McLendon. And you felt confident then they would not be canceled?

Mr. Black. If their service continued to be as good as it was, I would think they could stay as long as they wanted to stay. Automatic Canteen was there for years and years and years under the same circumstances.

Mr. McLendon. Mr. Black, you were probably in a better position to evaluate the stock than anyone connected with the company, were you not?

Mr. Black. I would say probably so.

Mr. McLendon. And you tell the committee that in your opinion those contracts were safe, probably would not be canceled?

Mr. Black. So long as they did the kind of job they are doing.

Mr. McLendon. And that gave the stock this very high value?

Mr. Black. Yes, sir.

Mr. McLendon. Can you give the committee any reason for the fact that you and Baker and Hancock were favored stockholders to the extent that you were permitted to buy stock at a dollar a share, whereas the other stockholders paid much more than that?

Mr. Black. Well, in the beginning I could not have answered that. Now I can answer very simply.

Mr. McLendon. Let's have your answer.

Mr. Black. They found out I could introduce them to North American, and I guess they wanted me in.

Mr. McLendon. Your answer is that they knew that you occupied a position with North American that made probable and possible that they could, through your assistance, get the contracts with North American?

Mr. Black. No, that is not what I said. I said that they figured very likely that I could introduce them into a favorable position. And for that I am sure I got 1,500 shares of stock pretty cheap.

Mr. McLendon. That is what some people would call peddling influence, wouldn't they?

Mr. Black. I wouldn't.

Mr. McLendon. Well, I am not calling it that, either.

Mr. Black. Thank you.

Mr. McLendon. Mr. Black, you were employed by other corporations, other than North American, which had Government contracts, were you not?

Mr. Black. Yes, sir.

Mr. McLendon. And you were employed by them at the time Serv-U was organized?

Mr. Black. Yes, sir.

Mr. McLendon. Do any of them have vending operations?

Mr. Black. Yes, sir.

Mr. McLENDON. Which of those, if any, have you undertaken to get Serv-U in?

Mr. BLACK. I asked Avco to take a look at them, but they didn't suit Avco, so they didn't even get a chance to bid.

Mr. McLENDON. Who is Avco?

Mr. BLACK. It is a manufacturing organization out of New York.

Mr. McLENDON. Where are their plants?

Mr. BLACK. They have plants in Cincinnati, Wilmington, Massachusetts, Stamford, Conn., some place in Pennsylvania.

Mr. McLENDON. Give us a little more detail about what you did in connection with Avco.

Mr. BLACK. What did I do?

Mr. McLENDON. Yes, what did you do? What did you say to them about Serv-U?

Mr. BLACK. I would like for them to have the chance to bid on vending contracts when they were up.

Mr. McLENDON. Was that after the contract with North American had been signed?

Mr. BLACK. You would have to refresh my memory on dates. I don't know. I would say so—if the first contract with North American was January 30—I would say yes.

Mr. McLENDON. What particular individual at Avco did you talk to?

Mr. BLACK. To Mr. Kerr.

Mr. McLENDON. Is he the president?

Mr. BLACK. Yes, sir.

Mr. McLENDON. And why is it you say that there was no follow up on that?

Mr. BLACK. We didn't, evidently, qualify.

Mr. McLENDON. Didn't qualify? Don't you know?

Mr. BLACK. No, I don't know.

Mr. McLENDON. You don't know?

Mr. BLACK. No, I didn't have anything to do with the mechanics of the thing.

Mr. McLENDON. Would you know that one or more officers of Avco found out about your connection with Serv-U?

Mr. BLACK. Well, I wouldn't say they found out. I told them.

Mr. McLENDON. You told them?

Mr. BLACK. Yes.

Mr. McLENDON. When you told them, they showed very little interest in it thereafter?

Mr. BLACK. No, they showed all the interest in the world. But they just didn't qualify under the conditions that they operated under.

Mr. McLENDON. All right.

What other corporations having Government contracts did you approach in connection with Serv-U?

Mr. BLACK. Aeronca Manufacturing Co.

Mr. McLENDON. Where is that?

Mr. BLACK. They are in Middletown, Ohio. They are also in southern California.

Mr. McLENDON. What kind of contracts do they have with the Government?

Mr. BLACK. Well, I haven't been with them for a long time. They used to do a lot of subcontracting work for Boeing. They do subcontracting work—they are subcontractors. They are not prime contractors to the Government.

Mr. McLENDON. What additional in Aeronca did you talk to?

Mr. BLACK. Mr. Lawler.

Mr. McLENDON. What happened about that one?

Mr. BLACK. It wasn't profitable.

Mr. McLENDON. You mean—

Mr. BLACK. They didn't even pursue it.

Mr. McLENDON. They didn't pursue it.

Do you recall whether you told Mr. Lawler that you were associated or connected with Serv-U as a stockholder?

Mr. BLACK. No.

Mr. McLENDON. You don't think you did?

Mr. BLACK. I doubt if I did. I may have.

Mr. McLENDON. Do you know whether he found out that you were?

Mr. BLACK. I don't know whether he did or not.

Mr. McLENDON. What other corporations having Government contracts did you approach?

Mr. BLACK. That is all of them.

Mr. McLENDON. That is all of them?

Senator CURTIS. Does that include subcontractors?

Mr. BLACK. That includes subcontractors, too.

Mr. McLENDON. Mr. Black, in your files that you gave the committee investigators access to is a letter dated April 27, 1962. It is the third page in the file that you have there. It is signed by you and written to Mr. McGee, of the Kerr-McGee Oil Industries, and shows a copy to Ed Levinson.

Will you explain to the committee what that letter is about?

Mr. BLACK. What do you want me to explain, Major?

Mr. McLENDON. Why was the letter written? What was it for?

Mr. BLACK. Dean McGee at the time this letter was written was a member of the board of directors of Fidelity National Bank, Oklahoma City. And it was through Mr. McGee that I met Mr. Grady Harris, president of this bank.

Mr. McLENDON. This letter is dated April 27, 1962.

Mr. BLACK. Yes.

Mr. McLENDON. You think this preceded any loans that were made by the bank?

Mr. BLACK. I would actually have to see the dates on the bank loans, Major, before I could answer that.

Mr. McLENDON. Well, the letter has the appearance of being written for the purpose of influencing the bank in making loans, doesn't it?

Mr. BLACK. That is what it looks like.

Mr. McLENDON. You didn't borrow—the Serv-U Co. or you individually did not borrow any more from Kerr-McGee Oil Industries, did you?

Mr. BLACK. No.

Mr. McLENDON. And Mr. McGee was a director in the Fidelity National Bank. Don't you recall why you happened to write him this letter?

Mr. BLACK. Well, yes. I had spoken to him before about loans for Serv-U.

Mr. McLENDON. Well, you testified earlier you went down to Oklahoma City, did you not?

Mr. BLACK. Yes; I did.

Mr. McLENDON. Did you talk to him then?

Mr. BLACK. Yes.

Mr. McLENDON. Did he introduce you to Mr. Harris, I believe, the cashier?

Mr. BLACK. The president of the bank.

Mr. McLENDON. President, I mean.

Mr. BLACK. No. Senator Robert Kerr introduced me to the president of the bank.

Mr. McLENDON. While you were down there?

Mr. BLACK. He introduced me over the phone.

Mr. McLENDON. Where was the Senator when he made the introduction?

Mr. BLACK. I was sitting beside him at his desk.

Mr. McLENDON. Here in the Capitol?

Mr. BLACK. Yes.

Mr. McLENDON. He introduced you over the telephone to the president of the bank?

Mr. BLACK. That is right.

Mr. McLENDON. And you went to Oklahoma City and talked to Mr. McGee?

Mr. BLACK. That is right.

Mr. McLENDON. Why didn't you talk to Mr. Harris?

Mr. BLACK. I did. I talked to both of them. I don't know which one I talked to first.

Mr. McLENDON. How did it happen that you would write a letter to the director after you had already met the president?

Mr. BLACK. That is a good question. I don't know the answer to it, except that I probably told him I would.

Mr. McLENDON. Did you have any business connections at that time with Dean McGee?

Mr. BLACK. I never have had any business connections with him.

Mr. McLENDON. And you enclosed in that letter, did you not, an auditor's statement of the balance sheet of the Serv-U Corp., dated April 26?

Mr. BLACK. I did.

Mr. McLENDON. That recites \$250,000 of capital and loans had been received by Serv-U, does it not?

Mr. BLACK. Yes, it does.

Mr. McLENDON. And the understanding is that a hundred thousand dollars of this amount represents permanent capital and \$150,000 represents loans. That is stated in the auditor's accompanying statement, is it not?

Mr. BLACK. Yes.

Mr. McLENDON. And that was in April, after the contracts had been signed with North American in January?

Mr. BLACK. Correct.

Mr. McLENDON. Can you make any further explanation of why you had this communication with Mr. McGee?

Mr. BLACK. No, I don't have any other explanation of it.

Mr. McLENDON. Now, Mr. Black, did you borrow a considerable sum of money from this same bank for the purpose of getting money to buy stock of another bank?

Mr. BLACK. Yes, sir.

Mr. McLENDON. What was the amount of that loan?

Mr. BLACK. \$175,000.

Mr. McLENDON. Do you remember when it was?

Mr. BLACK. I don't remember, but it is here.

March 20.

Mr. McLENDON. 1962?

Mr. BLACK. Yes.

Mr. McLENDON. Do you have there before you a copy of the note?

Mr. BLACK. Yes, sir.

Mr. McLENDON. Attached to the note is a balance sheet of the Farmers & Merchants State Bank of Tulsa; is that correct?

Mr. BLACK. That is correct.

Mr. McLENDON. Explain to the committee what this loan of \$175,000 on March 20, 1962, was for.

Mr. BLACK. It was the money to purchase 6,400 shares of stock in the Farmers & Merchants State Bank, in Tulsa, Okla.

Mr. McLENDON. For whom was the purchase made?

Mr. BLACK. For myself.

Mr. McLENDON. Didn't you have an agreement with Baker?

Mr. BLACK. That he could purchase half of it at any time that he could come up with the money.

Mr. McLENDON. Did he sign a note?

Mr. BLACK. No.

Mr. McLENDON. You borrowed the money yourself, in your own name?

Mr. BLACK. I did.

Mr. McLENDON. And you had an oral agreement with Baker that he would have a half interest in the stock?

Mr. BLACK. Correct.

Mr. McLENDON. Was he also to be responsible for the note? Along with you?

Mr. BLACK. We never had any agreement as to that. But I am quite sure that had the stock been bad, he would have assumed his responsibility.

Mr. McLENDON. Let's see if we understand that. You executed a note individually.

Mr. BLACK. I did.

Mr. McLENDON. Without Baker's signature or endorsement.

Mr. BLACK. Right.

Mr. McLENDON. Was any collateral put up with it?

Mr. BLACK. No; the stock served as collateral.

Mr. McLENDON. The stock that you bought in the bank?

Mr. BLACK. Right.

Mr. McLENDON. And you tell the committee that you had an oral agreement with Baker that he was to have a half interest in that deal?

Mr. BLACK. Right.

Mr. McLENDON. Was it put in writing?

Mr. BLACK. No.

Mr. McLENDON. Was there any agreement as to when Baker was to pay for his half?

Mr. BLACK. No.

Mr. McLENDON. Did you undertake to get him to pay for his half?

Mr. BLACK. No.

Mr. McLENDON. Did he ever pay for it?

Mr. BLACK. No.

Mr. McLENDON. Has he paid for it yet?

Mr. BLACK. No.

Mr. McLENDON. Well, then, after having that agreement, with Baker, you proceeded to sell some of the stock, did you not?

Mr. BLACK. I did; 50 percent of it.

Mr. McLENDON. Did you get his permission?

Mr. BLACK. Yes.

Mr. McLENDON. How?

Mr. BLACK. I told him that I was selling 50 percent of it, 1,600 shares, to Ben Sigelbaum, 1,500 shares to Edmund Levinson.

Mr. McLENDON. Did you make a profit on the sale?

Mr. BLACK. Oh, no; they bought it at my cost.

Mr. McLENDON. Why did you do that?

Mr. BLACK. Because Mr. Baker and I decided that as long as we had Sigelbaum and Levinson with us in Serv-U, that we would give them the same benefits on the stock—they could be our partner.

Mr. McLENDON. Let's see if I understand that. You and Baker agreed that because Levinson and Sigelbaum were helping to finance Serv-U that on this bank stock deal that you would take them in?

Mr. BLACK. Right.

Mr. McLENDON. But that agreement was made after you and Baker had an agreement to share equally?

Mr. BLACK. That is correct.

Mr. McLENDON. What prompted you to modify that agreement and let Levinson and Sigelbaum in?

Mr. BLACK. Probably my friendship for Levinson.

Mr. McLENDON. Well, can you explain that?

Mr. BLACK. Explain it?

Mr. McLENDON. Yes.

Mr. BLACK. What am I going to explain?

Mr. McLENDON. Well, just saying your friendship doesn't mean very much. What kind of friendship?

Mr. BLACK. He is a great personal friend of mine.

Mr. McLENDON. How long has he been a personal friend of yours?

Mr. BLACK. Since the day before Kennedy's inauguration.

Mr. McLENDON. Well, what followed—is that when you met him?

Mr. BLACK. Yes.

Mr. McLENDON. What followed after that that made him such a warm personal friend of yours?

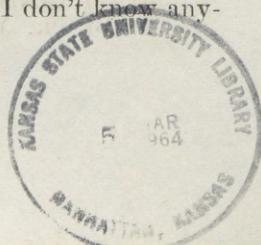
Mr. BLACK. I just like him.

Mr. McLENDON. You like him.

Mr. BLACK. Yes, sir.

Mr. McLENDON. Was he a man of substantial financial means?

Mr. BLACK. Well, that I would have to assume. I don't know anything about what he has or what he doesn't have.



Mr. McLENDON. Are you then responsible for his becoming a stockholder in Serv-U?

Mr. BLACK. No.

Mr. McLENDON. Who is?

Mr. BLACK. I don't know.

Mr. McLENDON. How did he get to be a stockholder in Serv-U?

Mr. BLACK. That I don't know.

Mr. McLENDON. Well, he became a stockholder in Serv-U according to the records early in 1962.

Mr. BLACK. He could have.

Mr. McLENDON. And you became acquainted with him in 1960?

Mr. BLACK. Whenever—in January of 1961.

Mr. McLENDON. January of 1961. And he became a stockholder in Serv-U without your knowledge?

Mr. BLACK. I probably knew it, but I don't know anything about it.

Mr. McLENDON. Can't you tell the committee how he happened to become a stockholder?

Mr. BLACK. No; I can't tell the committee anything about anybody else's affairs. I don't know.

Mr. McLENDON. But you said—

Mr. BLACK. He didn't tell me.

Mr. McLENDON. You say you are intimate with him.

Mr. BLACK. Yes; I am. But I am much more intimate now than I was then.

Mr. McLENDON. And you liked him so much that you persuaded Baker to let you sell one-fourth of the stock that you and Baker owned in the bank; did you not?

Mr. BLACK. No, I didn't persuade him. I told him that is what we were going to do.

Mr. McLENDON. Somebody had to find out whether Levinson was interested in it. Who did that?

Mr. BLACK. I did.

Mr. McLENDON. How did you do it?

Mr. BLACK. I asked him.

Mr. McLENDON. What did you say to him?

Mr. BLACK. I told him if he were interested in buying this bank stock, help protect me on the amount of money that the note was for, so that I would not suffer a terrible loss if the stock went down instead of up; that he could have 1,600 shares of the stock when and if he wanted to purchase it.

Mr. McLENDON. That would be one-fourth, would it not?

Mr. BLACK. That is right.

Mr. McLENDON. Did you tell him anything about the bank?

Mr. BLACK. Told him all I knew.

Mr. McLENDON. And you recommended to him it was a good investment?

Mr. BLACK. Yes.

Mr. McLENDON. At the time did you think it was a good investment?

Mr. BLACK. Yes, sir.

Mr. McLENDON. Did he immediately accept your suggestion?

Mr. BLACK. Yes.

Mr. McLENDON. And before you had this conversation with him, you had already gotten Baker's permission to sell him a fourth?

Mr. BLACK. I never got Baker's permission. I told Baker that is what we were going to do.

Mr. McLENDON. Oh, you just told him?

Mr. BLACK. That is correct.

Mr. McLENDON. In other words, you disregarded your agreement with Baker that he was to have a half interest and sold a fourth and then told him about it?

Mr. BLACK. No; that is not what happened at all.

Mr. McLENDON. What was the order?

Mr. BLACK. I told him we were going to do it, how did he feel about it, and he said, "Fine."

Mr. McLENDON. Then you sold another fourth to Sigelbaum?

Mr. BLACK. That is right.

Mr. McLENDON. What were the circumstances of that?

Mr. BLACK. Same circumstances.

Mr. McLENDON. You wanted somebody to share the liability?

Mr. BLACK. Any possible liability; right.

Mr. McLENDON. Why did you pick out Sigelbaum?

Mr. BLACK. Because he and Levinson were close friends. I know Mr. Sigelbaum.

Mr. McLENDON. Was he also an intimate friend of yours?

Mr. BLACK. No.

Mr. McLENDON. Did you like him as much as you did Levinson?

Mr. BLACK. No.

Mr. McLENDON. You didn't?

Mr. BLACK. No.

Mr. McLENDON. So—well, did Levinson suggest to you that you get Sigelbaum in to buy the other fourth?

Mr. BLACK. That could have happened, but I don't know whether it did or not. I don't remember.

Mr. McLENDON. Did you confer with Baker about that deal?

Mr. BLACK. Conferred about both of them at the same time.

Mr. McLENDON. And he agreed to both of them?

Mr. BLACK. Yes.

Mr. McLENDON. At that time you and Baker both knew that they, these two men, were stockholders in Serv-U, and that Serv-U owed them a considerable sum of money, is that right?

Mr. BLACK. Correct.

Mr. McLENDON. To this date, have you ever had anything in writing from Baker agreeing to this transaction?

Mr. BLACK. No.

Mr. McLENDON. Any part of it?

Mr. BLACK. No. Neither has he had anything from me in writing that he owns half of that stock.

Mr. McLENDON. So you are perfectly free now to do anything you want to with that stock?

Mr. BLACK. That is correct.

Mr. McLENDON. And there is nothing he can do about it?

Mr. BLACK. Not a thing.

Mr. McLENDON. Well, could he have borrowed this money without your help?

Mr. BLACK. I don't know. It seems to me like he has been borrowing a lot of money.

Mr. McLENDON. I didn't ask you that. I am asking you if at that time—

Mr. BLACK. I just don't know.

Mr. McLENDON. Well, it is rather an unusual thing for a person to obligate himself for a debt of \$175,000 for someone else, is it not?

Mr. BLACK. I would say it would be very unusual, under ordinary circumstances.

Mr. McLENDON. You don't make a practice of borrowing that much money, half of it for the benefit of someone else, without a written agreement, do you?

Mr. BLACK. I never borrowed that much for anybody else with or without a written agreement.

Mr. McLENDON. And to this day there is no document anywhere that identifies Baker with that transaction?

Mr. BLACK. Not any at all.

Mr. McLENDON. The same thing is true of Baker's interest in the Serv-U stock. There is no document about that, except your correspondence with the bank?

Mr. BLACK. That could be.

Mr. McLENDON. Did Baker, to your knowledge, have any influence in this bank?

Mr. BLACK. I don't know what you mean by influence. I could not answer, because I don't know.

Mr. McLENDON. Did he have influence such as would persuade the bank to make a loan?

Mr. BLACK. I would have no idea, Major.

Mr. McLENDON. Did you disclose to the bank that half of this transaction belonged to Bobby Baker?

Mr. BLACK. No.

Mr. McLENDON. You did not.

Did you think that would have had any influence on the bank, if they had known it?

Mr. BLACK. No.

Mr. McLENDON. Mr. Black, there is some evidence before the committee that you had something to do at least with the fringes of Melpar vending business, and their contract with Capitol Vending Co.

Did you have anything to do with those transactions?

Mr. BLACK. No, sir.

Mr. McLENDON. Did you ever have a conversation with Mr. Hill or any of his officers about it?

Mr. BLACK. Major, I have never seen Ralph Hill in my life that I know of. I have never spoken to him. I have never met him. I don't know one thing about it. I never heard of him until the day he filed suit against me.

Mr. McLENDON. Filed suit against you?

Mr. BLACK. Yes. I am also involved in the very famous suit between Capitol Vending and four defendants. I am one of them.

Mr. McLENDON. The committee has evidence to the effect that Baker says that you said that Capitol was going to lose its contract with Melpar. Did you ever make that statement?

Mr. BLACK. I did not. I question very much if Mr. Baker ever made such a statement.

Mr. McLENDON. Did you ever say to anyone employed by Capitol, particularly at the Carleton Hotel bar, that you knew that Capitol was going to lose its contract?

Mr. BLACK. I did not.

Mr. McLENDON. Did you ever say that to anybody?

Mr. BLACK. No.

Mr. McLENDON. Anywhere?

Mr. BLACK. No.

Mr. McLENDON. Did you have any knowledge of it?

Mr. BLACK. No.

Mr. McLENDON. Did you have access to or did you see from any information from Melpar indicating that Capitol Vending Co.'s services were not satisfactory to it?

Mr. BLACK. No.

Mr. McLENDON. Is there any other business transaction you have not been asked about and testified about this morning that you ever had with Baker?

Mr. BLACK. Well, I signed Baker's note, as you well know, at the McLaughlin Bank, for \$10,000, which he has paid.

Mr. McLENDON. Do you remember about when that was?

Mr. BLACK. It must have been over a year ago. I don't know how long ago it was now. The record can be looked up.

Mr. McLENDON. How did you happen to endorse his note, Mr. Black?

Mr. BLACK. He asked me to.

Mr. McLENDON. Did he need your endorsement in order to get the loan from the bank?

Mr. BLACK. Evidently.

Mr. McLENDON. Do you know what he borrowed the money for?

Mr. BLACK. No, sir.

Mr. McLENDON. You wouldn't know whether it was in connection with any building and loan organization?

Mr. BLACK. No, sir.

Mr. McLENDON. Any other time that you have been of assistance to him in any financial transaction?

Mr. BLACK. In the past 60 days I have loaned Bobby Baker about a thousand dollars.

Mr. McLENDON. In cash?

Mr. BLACK. It has been small amounts at a time. I imagine most of it probably was cash.

Mr. McLENDON. They were just casual loans that you made to him upon his request?

Mr. BLACK. Yes, sir.

Mr. McLENDON. To meet his expenses?

Mr. BLACK. I don't know what it was for.

Mr. McLENDON. Any other times that you have been of assistance to him financially?

Mr. BLACK. No.

Mr. McLENDON. Have you ever owned any other stock with him?

Mr. BLACK. I am supposed to own 350 shares of the District of Columbia National Bank.

Mr. McLENDON. Tell us about that.

Mr. BLACK. There isn't anything to tell. I just gave—Sigelbaum, Levinson, I, the three of us, and Baker, four of us, bought 350 shares apiece of the District of Columbia National Bank.

Mr. McLENDON. What were the circumstances?

Mr. BLACK. Baker had a commitment that he could buy a number of shares of stock, and asked if we wanted to purchase 350 shares of it, and we said, "Yes."

Mr. McLENDON. Were you all together at the time he asked you?

Mr. BLACK. No.

Mr. McLENDON. Which one did he talk to first, do you know?

Mr. BLACK. I don't know, Major.

Mr. McLENDON. Well, when he got to you, when he got around to you, to ask you, had he already sold some to Sigelbaum?

Mr. BLACK. I don't know.

Mr. McLENDON. Or to Levinson?

Mr. BLACK. I don't have the answer to that.

Mr. McLENDON. How did you know that Levinson and Sigelbaum bought 350 shares?

Mr. BLACK. Subsequently I have been told.

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

Mr. McLENDON. When was that bank organized?

Mr. BLACK. I don't remember.

Mr. McLENDON. It is recently organized?

Mr. BLACK. Yes; it is a recent bank.

Mr. McLENDON. Do you know how much Baker's total subscription for stock was?

Mr. BLACK. Well, four times 350.

Mr. McLENDON. How do you know that?

Mr. BLACK. Well, that is the amount he told us.

Mr. McLENDON. Who told you?

Mr. BLACK. Baker.

Mr. McLENDON. Well, how did you handle that? Did you go to the bank and tell them that Baker had assigned 350 shares of his subscription to you?

Mr. BLACK. He has never assigned it. We gave him a check. Each one of us, as I understand, gave Baker a check for the amount the 350 shares would cost.

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

Mr. BLACK. I would have to get that for you, Major. I don't have it.

Mr. McLENDON. Approximately.

Mr. BLACK. \$22,000, I think. Something of that sort.

Mr. McLENDON. Could you get that check for us?

Mr. BLACK. Sure.

Mr. McLENDON. And deliver it to us?

Mr. BLACK. I think you already have it, don't you?

Mr. McLENDON. I don't think so.

Mr. BLACK. I will see that you get it.

Mr. McLENDON. Do you know whether Levinson and Sigelbaum paid the same amount for their 350 shares?

Mr. BLACK. I don't know. I assume so.

Mr. McLENDON. You have no way now of fixing the date, do you?

Mr. BLACK. No.

Mr. McLENDON. That was a new bank just being organized, was it not?

Mr. BLACK. Yes, sir.

Mr. McLENDON. Do you know whether that price was his par value of the stock?

Mr. BLACK. I have no idea.

Mr. McLENDON. Well, was it the original offering price, that it was offered to the public?

Mr. BLACK. I think it was the original offering.

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

Mr. McLENDON. The bank is in operation now; is it not?

Mr. BLACK. Yes, sir.

Mr. McLENDON. Who is the managing officer?

Mr. BLACK. The man I know is Mr. Lichtman.

Mr. McLENDON. Do you know Mr. Collins?

Mr. BLACK. I have met him, yes.

Mr. McLENDON. What position does he hold in the bank?

Mr. BLACK. That I don't know.

Mr. McLENDON. Do you know Mr. Kampelman?

Mr. BLACK. Who is he? Is he the president of the bank?

Mr. McLENDON. No; he is connected with the bank.

Mr. BLACK. I don't know him. I met the president of the bank, but that doesn't sound like his name.

Mr. McLENDON. You know Mr. Collins?

Mr. BLACK. Yes.

Mr. McLENDON. Did you have any conversation with Mr. Collins about this?

Mr. BLACK. No; nor with Mr. Lichtman.

Mr. McLENDON. Have you borrowed any money from this new bank?

Mr. BLACK. Yes, sir.

Mr. McLENDON. When and how much?

Mr. BLACK. I borrowed a hundred thousand dollars about 5 months ago.

Mr. McLENDON. How long was that after you bought the stock?

Mr. BLACK. I can't answer that.

Mr. McLENDON. How was it secured?

Mr. BLACK. My loan?

Mr. McLENDON. Yes.

Mr. BLACK. By my contract that I have with North American Aviation, and my personal statement.

Mr. McLENDON. You mean you assigned to the bank your contract for compensation?

Mr. BLACK. I did.

Mr. McLENDON. And what else?

Mr. BLACK. My personal financial statement.

Mr. McLENDON. Is that the only loan you made?

Mr. BLACK. Yes.

Mr. McLENDON. Did Baker borrow any money from the bank?

Mr. BLACK. I have no idea.

Mr. McLENDON. Did he ask you to endorse a note at that bank?

Mr. BLACK. No.

Mr. McLENDON. You have no knowledge of any borrowings that he may have made?

Mr. BLACK. No knowledge at all.

Mr. McLENDON. What other transactions have you had with Baker?

Mr. BLACK. I have covered them all.

Mr. McLENDON. Covered them all. This is the last one and the most recent one, except the thousand dollars that you loaned him?

Mr. BLACK. That is correct.

Mr. McLENDON. Off the record.

(Discussion off the record.)

The CHAIRMAN. Back on the record.

Mr. McLENDON. That is all I have.

The CHAIRMAN. I am going to suggest we have a recess now.

Mr. Black, can you be back by 2 o'clock?

Mr. BLACK. Surely.

The CHAIRMAN. Fine.

The committee will stand in recess until 2 o'clock.

(Whereupon, at 12 noon, the committee recessed, to reconvene at 2 p.m., the same day.)

AFTERNOON SESSION

(Reconvened after executive session. Members present: Senators Jordan, Cannon, Pell, and Curtis.)

The CHAIRMAN. The committee will come to order.

TESTIMONY OF FRED B. BLACK, JR.—Resumed

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

Senator CANNON. Senator Curtis, do you have any questions of Mr. Black?

Senator CURTIS. Mr. Black, have you ever handled any business for Robert Baker in which you were not a party? Have you ever acted for him?

Mr. BLACK. In which I had no interest?

Senator CURTIS. Yes.

Mr. BLACK. None at all.

Senator CURTIS. Your transactions with Baker are limited, then, to the bank stock in Tulsa, Serv-U, and the bank here?

Mr. BLACK. That is correct.

Senator CURTIS. In any of those, was Mr. Baker a shareholder of record?

Mr. BLACK. I understand he is the only shareholder of record in the District of Columbia National Bank.

Senator CURTIS. But in Serv-U and the Tulsa bank transactions, he is not?

Mr. BLACK. So far as I know, he is not. I know he is not in the Tulsa bank transaction. And so far as I know, he is not in Serv-U.

Senator CURTIS. And in which ones are you a stockholder of record?

Mr. BLACK. I am a stockholder of record in the Tulsa Farmers Bank.

Senator CURTIS. Now, Mr. Ed Levinson is beneficial owner of some shares in Serv-U.

Mr. BLACK. Mr. Levinson's shares have been issued to Mr. Levinson in Serv-U.

Senator CURTIS. But he is the beneficial owner in the Tulsa bank and the District of Columbia bank?

Mr. BLACK. Mr. Levinson has bought his shares in the Tulsa bank. Senator CURTIS. And so now he is an owner of record?

Mr. BLACK. Yes, sir.

Senator CURTIS. How long a time lapsed between the time you first bought it and he became an owner of record?

Mr. BLACK. In the Tulsa bank transaction?

Senator CURTIS. Yes. Just estimate.

Mr. BLACK. I would estimate approximately a year.

Senator CURTIS. Now, does Mr. Sigelbaum have any interest in these three companies?

Mr. BLACK. Mr. Sigelbaum is a record owner, and on record as being an owner of shares in the Tulsa bank, also in Serv-U Corp.

Senator CURTIS. And he is a beneficial owner of some of the District of Columbia National Bank?

Mr. BLACK. 350 shares.

Senator CURTIS. What is Mr. Sigelbaum's address?

Mr. BLACK. I don't know his address.

Senator CURTIS. Do you know what city he resides in?

Mr. BLACK. Yes; Miami Beach.

Senator CURTIS. Do you know what business he is in?

Mr. BLACK. He is a real estate man, as I understand it.

Senator CURTIS. Does he have any hotel interests in which there are any gambling concessions?

Mr. BLACK. I have no knowledge of that.

Senator CURTIS. He and Mr. Levinson are friends, are they not?

Mr. BLACK. Yes, indeed.

Senator CURTIS. You have no knowledge that Mr. Sigelbaum is interested in the gambling business?

Mr. BLACK. I have no personal knowledge of it; no, sir.

Senator CURTIS. Did you ever hear of it?

Mr. BLACK. I have heard of it; yes.

Senator CURTIS. By personal knowledge, you have not inspected his place, or any records? Is that what you mean?

Mr. BLACK. That is correct.

Senator CURTIS. Well, now, where does Mr. Ed Levinson live?

Mr. BLACK. Las Vegas, Nev.

Senator CURTIS. What is his business?

Mr. BLACK. He is a gambler.

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

Senator CURTIS. He is a gambler?

Mr. BLACK. Yes.

Senator CURTIS. Does he own any gambling establishment?

Mr. BLACK. He has interests, I understand—as a matter of record—interests in the Fremont Hotel and in the Horseshoe Casino.

Senator CURTIS. Is he the majority—

Mr. BLACK. I wouldn't have any notion about that, sir.

Senator CURTIS. But part of his income comes from gambling?

Mr. BLACK. Yes, I am sure of that.

Senator CURTIS. How do you know that?

Mr. BLACK. Well, I just have to assume if he owns shares at the time—it is a lucrative business, I am positive.

Senator CURTIS. Has Baker had any other business with you?

Mr. BLACK. With me?

Senator CURTIS. No—with Levinson.

Mr. BLACK. I don't know.

Senator CURTIS. I may come back to that.

But I will follow my notes as I have made them.

You referred to Robert Baker introducing you to a Mr. Frank Roberts.

Mr. BLACK. No. I referred to Mr. Frank Roberts introducing me to Mr. Baker.

Senator CURTIS. Did you secure any business through Mr. Frank Roberts?

Mr. BLACK. No.

Senator CURTIS. Do you know whether Mr. Baker did?

Mr. BLACK. I have no knowledge.

Senator CURTIS. At whose request did you—was that introduction made?

Mr. BLACK. I don't think it was a request of any kind.

Mr. Roberts asked me if I knew Mr. Baker, and I said no, I didn't. He said, "Would you like to?" And I said, yes.

Senator CURTIS. Now, something was said about this letter relating to a generous gift to the Bakers at Christmastime. The thank you note is dated January 13, 1962.

This morning you said you thought that was a case of whisky. Is that still—

Mr. BLACK. As far as I can remember. It couldn't have been much more than that, if it was that.

Senator CURTIS. Was there ever a purchase or gift of a coat for any member of the Baker family given by you?

Mr. BLACK. No.

Senator CURTIS. When it was first mentioned to you or by you or in your presence that Serv-U might get a vending contract with North American?

Mr. BLACK. It was never mentioned to me that they might get one. I was asked to introduce them to North American.

Senator CURTIS. Who asked you that?

Mr. BLACK. I think Gene Hancock. I think I answered that that way this morning.

Senator CURTIS. Well, now, Senator Cooper asked Mr. Hancock:

And did Mr. Black enable you to meet the officials of the company?

Mr. HANCOCK. Yes, sir.

Senator COOPER. Did he go with you?

Mr. HANCOCK. No, sir.

You think that Hancock asked you, or you volunteered it to Hancock?

Mr. BLACK. I am quite sure I was asked.

Senator CURTIS. Quite sure?

Mr. BLACK. Yes.

Senator CURTIS. Now, when you were brought into the Serv-U, to make an investment, or even talk about it, was there any talk about a contract with North American at that time?

Mr. BLACK. Not at that time; no, sir.

Senator CURTIS. Well, how much business has Serv-U had, gross, with North American or North American AID or any of their divisions or plants?

Mr. BLACK. I cannot answer you, Senator. I don't know the amount.

Senator CURTIS. Well, you testified this morning that you very frequently, clear up to the present time, made inquiry of North American how Serv-U's contract was getting along.

Mr. BLACK. No. I inquired as to how Serv-U's service was.

Senator CURTIS. And you and Mr. Baker are the majority stockholders in Serv-U, are you not?

Mr. BLACK. Well, I am a majority stockholder with either Mr. Baker or Mr. Levinson or Mr. Sigelbaum—any way you want to arrange it.

Senator CURTIS. You have no idea how much business was transacted?

Mr. BLACK. No. I could get it for you very simply, by asking the Serv-U officials for it. I thought you had it.

Senator CURTIS. Well, I thought you would be the best place to get it.

Mr. BLACK. I would be the worst place to get it. I have taken not too much of an active interest in the business side of it.

Senator CURTIS. Well, you are one of the principal owners. You made the introduction. And this business flowed from it. And I assumed that you would be the best evidence we could get on this.

Mr. BLACK. I am sorry to appear stupid to you, sir, but I cannot give you the answer. I will get it for you.

Senator CURTIS. Would it be as much as a million dollars, would you think?

Mr. BLACK. I would say so.

Senator CURTIS. How many months has it run?

Mr. BLACK. Well, Major McLendon said the first contract was January 30, 1962. So it has evidently been running from that time until now.

Senator CURTIS. How many different plants are you in—is Serv-U in, in North American?

Mr. BLACK. Well, I would have to answer you by divisions, because divisions have different plants.

Senator CURTIS. Yes.

Mr. BLACK. Three.

Senator CURTIS. Well, would you say that it would run \$2 million?

Mr. BLACK. I wouldn't have any idea, Senator.

Senator CURTIS. No idea.

Well, have you ever, up to this very hour, disclosed your ownership in Serv-U to North American?

Mr. BLACK. Yes.

Senator CURTIS. To whom did you disclose it?

Mr. BLACK. To Mr. Atwood and to Mr. Taylor.

Senator CURTIS. When did you do that?

Mr. BLACK. Within the past time—since your investigation started

Senator CURTIS. Did you volunteer it?

Mr. BLACK. Yes; I volunteered it.

Senator CURTIS. And they did not know it until this investigation came out?

Mr. BLACK. That is correct.

Senator CURTIS. Well, now, what are your responsibilities and duties under your contract with North American?

Mr. BLACK. I advise North American as to what my thoughts are concerning the state of the art of the business, where I think that they should put their best effort in scientific development, research development, what I think is going to happen, about the political atmosphere, what it will be in Washington, as far as bombers are the thing to have, or missiles, or whether to be in the space business, whether to start trying to go commercial—any of that sort of thing. I try to advise them.

Senator CURTIS. Now, what are their major products, and by "they" I mean all of their divisions?

Mr. BLACK. The divisions have different products, Mr. Curtis. They build in the Los Angeles division fighter planes and bombers. They do subcontracting work. At space and information division they are in the space business.

At Rocketdyne they build rocket motors and rocket engines for the space business, and for boosters of all types, for the military.

Senator CURTIS. What else?

Mr. BLACK. Well, that, so far as I know, is it.

Senator CURTIS. Do you advise them on anything other than Government business?

Mr. BLACK. Well, I have endeavored to advise them on commercial business.

Senator CURTIS. In connection with what?

Mr. BLACK. Acquisitions of businesses.

Senator CURTIS. What businesses did they acquire?

Mr. BLACK. They haven't. They are still in strictly Government.

Senator CURTIS. In fact, the major part of their operation is Government.

Mr. BLACK. I would say 99 percent, 98 percent of it is Government.

Senator CURTIS. Now, of the business that you know about, is it rather equally divided between Defense Department and, say, the space administration?

Mr. BLACK. I would think that the Defense Department probably was the majority customer for North American.

Senator CURTIS. The Defense Department?

Mr. BLACK. Yes.

Senator CURTIS. And has Robert Baker made any introductions for you at the Defense Department?

Mr. BLACK. Never.

Senator CURTIS. Did you visit with Robert Baker socially?

Mr. BLACK. Oh, yes.

Senator CURTIS. For how long a period of time?

Mr. BLACK. Since I met him, up to and including now.

Senator CURTIS. When did you first meet him?

Mr. BLACK. 1959.

Senator CURTIS. Have you had any social contact with anybody from the Defense Department when Mr. Baker was present?

By that—I am not implying anything improper.

Mr. BLACK. Mr. Curtis, I don't have any recollection of any. There may have been somebody that worked for some organization of the Defense Department in my home, or some place where Mr. Baker was. But I don't remember. I cannot pinpoint it for you.

Senator CURTIS. You gather your information to advise North American from publications or from interviews and conferences?

Mr. BLACK. Interviews and what?

Senator CURTIS. Conferences, with individuals.

Mr. BLACK. I would say more from publications and from just listening to people talk.

Senator CURTIS. Have you had any social contact with any officials in NASA in which Mr. Baker was present?

Mr. BLACK. No.

Senator CURTIS. You never have?

Mr. BLACK. No.

Senator CURTIS. You know the top officials in NASA?

Mr. BLACK. Yes.

Senator CURTIS. Who do you know?

Mr. BLACK. Well, I know Mr. Webb.

Senator CURTIS. How long have you known him?

Mr. BLACK. Since he came back to Washington to work.

Senator CURTIS. Who introduced you to Mr. Webb?

Mr. BLACK. Senator Robert Kerr.

Senator CURTIS. Have you ever been around Mr. Webb or any of his subordinates when Mr. Baker was present?

Mr. BLACK. Never.

Senator CURTIS. You never have?

Mr. BLACK. No.

Senator CURTIS. Are you a stockholder in North American?

Mr. BLACK. No, I do not own any stock.

Senator CURTIS. How much of your time, roughly, would you estimate you give to North American?

Mr. BLACK. Now, I would say about 75 to 80 percent of my time.

Senator CURTIS. Has it been a lesser or greater amount?

Mr. BLACK. It was lesser in the beginning. It has been greater in the past 3 years, 3 or 4 years—it has been more time gradually given to them.

Senator CURTIS. Now, I believe that you said that you wrote a letter to Mr. Atwood in behalf of Serv-U?

Mr. BLACK. No, sir, I did not. I said I spoke to Mr. Atwood on behalf of Serv-U, and I wrote a letter to Mr. Smithson.

Senator CURTIS. You wrote the letter to Mr. Smithson?

Mr. BLACK. Yes, sir.

Senator CURTIS. Mr. Atwood gave you Mr. Smithson's name?

Mr. BLACK. Well, I have known Mr. Smithson's name about as long as I have Mr. Atwood's, Senator.

Senator CURTIS. I see.

But he told you to refer this particular item—

Mr. BLACK. To Mr. Smithson.

Senator CURTIS. Yes; that is what I mean.

Well, now, in your conversation or in your letter to Mr. Smithson, was any mention made of North American AID?

Mr. BLACK. I don't believe so, no. There would be no reason for it.

Senator CURTIS. Well, I want to understand this.

Now, North American AID is the entity representing the employees; is that right?

Mr. BLACK. That is correct.

Senator CURTIS. And they receive a share of the profits of the vending machines?

Mr. BLACK. Yes, sir.

Senator CURTIS. Do they get all of the profits?

Mr. BLACK. No, sir.

Senator CURTIS. The company gets part of them?

Mr. BLACK. No; they get all the profit other than what Serv-U retains.

Senator CURTIS. Well, I mean all that is retained by anyone connected with North American goes to North American AID?

Mr. BLACK. That is correct.

Senator CURTIS. Do they make the contracts for the vending business—North American AID?

Mr. BLACK. Well, Senator, this may sound a little stupid—I think so, but I am not positive. I have never seen a contract that Serv-U has with North American.

Senator CURTIS. Now, Mr. Smithson wasn't with North American AID, was he?

Mr. BLACK. No; Mr. Smithson is the senior administrative vice president for North American, and it is under his guidance and jurisdiction that North American AID operates.

Senator CURTIS. So, would it be fair to say that it is handled by the company officials, but the profit inures to the employees' group? Is that right?

Mr. BLACK. Everybody who is in North American AID is a part of North American Aviation.

Senator CURTIS. Yes. But I mean the decisions about vending contracts and so on are made by the corporation.

Mr. BLACK. No; they are made by North American AID.

Senator CURTIS. Well, who made the decision in this case?

Mr. BLACK. I can't answer you, because I had nothing to do with it, past writing the letter to Mr. Smithson.

Senator CURTIS. Now—

Mr. BLACK. That question, I am sure, will be well answered tomorrow, Senator Curtis.

Senator CURTIS. Now—this morning, I am not sure I got this right. Did you ever loan any money to Serv-U?

Mr. BLACK. Yes, yes.

Senator CURTIS. That was the hundred thousand dollars transaction?

Mr. BLACK. Yes, sir.

Senator CURTIS. Do you know what they used the money for?

Mr. BLACK. Yes. They used it to buy machines.

Senator CURTIS. And that was your personal funds?

Mr. BLACK. Money borrowed.

Senator CURTIS. Now, Mr. Kellough—do you know whether he went to Miami to inspect vending operations?

Mr. BLACK. I don't know of personal knowledge that he did, but I have been told that he did.

Senator CURTIS. Who paid his expenses?

Mr. BLACK. I have no idea of that. I am sure North American AID.

Senator CURTIS. North American AID?

Mr. BLACK. That would be my best guess. I would not know.

Senator CURTIS. Is the Northrop Co. in any way connected with North American?

Mr. BLACK. No, not at all. Not as far as I know.

Senator CURTIS. Now, did you know of Baker's interest in Serv-U from the very beginning?

Mr. BLACK. I knew it from the first he got into it.

Senator CURTIS. How put together Serv-U? Whose idea was it?

Mr. BLACK. I could not give you that answer.

The first time I knew of it was when Hancock, Simons, and Tucker came to see me.

Senator CURTIS. Hancock, Simons, and Tucker?

Mr. BLACK. Yes.

Senator CURTIS. Were Simons and Cooper already in it then?

Mr. BLACK. Simons evidently was in it.

Senator CURTIS. Was he in it for Cooper?

Mr. BLACK. I have no idea of that.

Senator CURTIS. His testimony was, I believe, that Mr. Sigelbaum and Mr. Levinson first talked to his client, Cooper, about that. Do you know whether that is true?

Mr. BLACK. I don't know whether that is true or not.

Senator CURTIS. Did you ever disclose Baker's interest in the Serv-U Corp. to anyone?

Mr. BLACK. No.

Senator CURTIS. Why?

Mr. BLACK. Sir?

Senator CURTIS. Why?

Mr. BLACK. I didn't see any reason for it. Just because he was involved in it didn't mean it would do us any particular good.

Senator CURTIS. In your recommendations to North American, you did not disclose that the secretary to the majority of the Senate was an important shareholder in the Serv-U company?

Mr. BLACK. I did not.

Senator CURTIS. And you disclosed it to no one else?

Mr. BLACK. No.

Senator CURTIS. Did you disclose your own interest to anybody else?

Mr. BLACK. No.

Senator CURTIS. Now, do I understand correctly that there was a loan obtained from the bank of Oklahoma City for a hundred thousand dollars that you and Baker borrowed?

Mr. BLACK. That is correct.

Senator CURTIS. And in the first instance, you assigned—you signed Baker's note as attorney in fact for him?

Mr. BLACK. Yes.

Senator CURTIS. Did you have a power of attorney?

Mr. BLACK. No. I signed his name by me, if I remember. I think the note is here. I am not sure.



Senator CURTIS. I see on a copy of the letter to the Fidelity National Bank & Trust Co., May 7, 1962, signed by Fred Black, Jr., and then the next line "Fred B. Black, Jr., power of attorney for Robert G. Baker."

You had a power of attorney?

Mr. BLACK. Let me find it, Senator, and I will let you know.

To answer your question, I don't think I had a formal power of attorney. I think I had a letter of authorization to sign the note for him.

Senator CURTIS. Can you produce that?

Mr. BLACK. I don't know whether I can or not. My attorney says we don't have it.

Senator CURTIS. Do you have a power of attorney for Robert Baker?

Mr. BLACK. That I don't know.

Senator CURTIS. You don't know?

Mr. BLACK. No. I got the hundred thousand dollars.

Senator CURTIS. Well, did you ever sign as Baker's attorney in fact on any other occasion?

Mr. BLACK. No.

Senator CURTIS. What is your best judgment? That you did present a power of attorney to the bank or you did not?

Mr. BLACK. I would have to have my memory refreshed by the bank.

Senator CURTIS. Did either of you present a net worth statement at that time to the bank?

Mr. BLACK. I presented a financial statement to the bank.

Senator CURTIS. I mean a financial statement

Mr. BLACK. Yes.

Senator CURTIS. Did Baker present one?

Mr. BLACK. I don't know.

Senator CURTIS. Well, was it all handled by mail?

Mr. BLACK. No. I was at the bank.

Senator CURTIS. You were at the bank?

Mr. BLACK. Oh, yes.

Senator CURTIS. Was it one note or two notes?

Mr. BLACK. Well, I am not positive. I think that I signed the note for myself for \$67,500, and a note for him for \$50,000.

Senator CURTIS. Now—

Mr. BLACK. Wait just a minute. I think I can help you out.

I signed—I didn't sign his name, or with a power of attorney. I signed two notes for \$50,000.

Senator CURTIS. You signed both notes?

Mr. BLACK. I did. One for \$67,500 and one for \$50,000. When Mr. Baker's note came to the bank for \$50,000, I was sent the \$50,000 note that I signed in his behalf.

Senator CURTIS. Well, then, what does that signature mean on the letter of May 7, 1962, to the bank?

Mr. BLACK. I don't have a copy of it. If I could see it, perhaps I could tell you.

(Copy of document shown to witness.)

Senator CURTIS. Does that refresh your memory?

Mr. BLACK. No, it does not.

Senator CURTIS. You think you ever had a power of attorney from him?

Mr. BLACK. I don't remember that I did.

Senator CURTIS. When you signed the note in behalf of Baker, did you deliver Baker's financial statement at that time?

Mr. BLACK. Did I what?

Senator CURTIS. Deliver a financial statement of Robert Baker at that time?

Mr. BLACK. For Robert Baker?

Senator CURTIS. Yes.

Mr. BLACK. No.

Senator CURTIS. But you did for yourself?

Mr. BLACK. Yes.

Senator CURTIS. Did you sign the Baker note in your individual capacity, also?

Mr. BLACK. I signed it just with my own name.

Senator CURTIS. Baker's note?

Mr. BLACK. Yes.

Senator CURTIS. Well, then, that was the note marked "Paid"?

Mr. BLACK. And sent back to me when Baker executed his own note for \$50,000.

Senator CURTIS. I see.

You don't know whether he sent a financial statement at that time?

Mr. BLACK. I have no idea.

Senator CURTIS. I would like to know what officers, stockholders, and directors or other people connected with the Fidelity National Bank & Trust Co. of Oklahoma City you know.

Mr. BLACK. Well, I know Mr. Harris. I know Mr. McGee, who is no longer a director, I understand, of that bank, but was at that time.

I know Mr. Stewart, Harold Stewart, from Tulsa, who is a director. And I know Mr. Stewart's uncle, who is chairman of the board of the bank.

Senator CURTIS. What is the uncle's name?

Mr. BLACK. Stewart—but I don't know his first name.

Senator CURTIS. Do you know anyone else who as a stockholder, director, or officer of any kind at the time of the transaction?

Mr. BLACK. No.

Senator CURTIS. Was Mr. Kerr one?

Mr. BLACK. Beg pardon?

Senator CURTIS. Was Mr. Kerr a stockholder or director?

Mr. BLACK. Senator Kerr?

Senator CURTIS. Yes.

Mr. BLACK. I don't know whether he was a director or not. I am sure he was probably a stockholder.

Senator CURTIS. Now, with which ones of these officers or stockholders or directors or employees did you discuss the Serv-U loan?

Mr. BLACK. Mr. Harris.

Senator CURTIS. Just with him?

Mr. BLACK. That is correct.

Senator CURTIS. Did Mr. Baker discuss the Serv-U loan with anyone?

Mr. BLACK. Not in my presence.

Senator CURTIS. Now, was the hundred thousand dollars loan fully paid when the corporation borrowed this sum?

Mr. BLACK. The hundred thousand dollars has never been paid.

Senator CURTIS. How about the Serv-U Corp. loan?

Mr. BLACK. They pay that \$20,000 every month.

Senator CURTIS. Do you have any idea how far it has worked down to now?

Mr. BLACK. Somewhere around \$220,000.

Senator CURTIS. What was the greatest amount?

Mr. BLACK. A little over \$500,000.

Senator CURTIS. They have been paying it off \$20,000 a month?

Mr. BLACK. \$15,000 to start with, and \$20,000 for the past several months.

Senator CURTIS. That has been paid off out of the earnings of Serv-U?

Mr. BLACK. Yes, sir.

Senator CURTIS. What percent of Serv-U's business is done with North American, or the North American group generally?

Mr. BLACK. The majority of the business. But what the percentage is, I don't know.

Senator CURTIS. The majority of the business?

Mr. BLACK. Yes.

Senator CURTIS. Did Serv-U have any other debts as a corporation besides this one—these loans from the Fidelity National Bank & Trust Co. of Oklahoma City?

Mr. BLACK. Yes; they owe the stockholders a certain amount of money. Then they owe manufacturing companies who manufacture machines money.

Senator CURTIS. That is on purchase contracts of equipment?

Mr. BLACK. Yes.

Senator CURTIS. Have they ever been able to reduce these other debts, too?

Mr. BLACK. Oh, yes. Not the stockholders debt. The debts to the other companies.

Senator CURTIS. Have they reduced their debt to the Fidelity National Bank & Trust Co. about \$300,000?

Mr. BLACK. Something about like that.

Senator CURTIS. About 2 years' operation?

Mr. BLACK. Yes.

Senator CURTIS. How much have they reduced the debt on the purchase of equipment?

Mr. BLACK. Well, that is all part of it.

Senator CURTIS. I mean the purchase contracts that were owing to manufacturing companies.

Mr. BLACK. I don't have that information.

Senator CURTIS. Any idea on it?

Mr. BLACK. No.

Senator CURTIS. Would you get that information for us?

Mr. BLACK. Be delighted to.

Senator CURTIS. I would like to know the total debt incurred to the manufacturers or sellers of vending machine equipment, and how much it has been reduced. And I would also like to know the gross amount of business that Serv-U has done in North American or any of its group.

Who introduced Mr. Hancock and Mr. Armstrong to the bank?

Mr. BLACK. I don't think Mr. Armstrong or Mr. Hancock ever met anybody in the bank.

Senator CURTIS. They signed in their official capacity. But it was based upon the contacts that you and Mr. Baker had with the bank, is that right?

Mr. BLACK. Correct.

Senator CURTIS. Who was acquainted at that bank first—you or Baker?

Mr. BLACK. I was.

Senator CURTIS. How far back does that go?

Mr. BLACK. The early part of 1962.

Senator CURTIS. What caused you first to make a contact at that bank?

Mr. BLACK. What caused me to make a contact?

Senator CURTIS. Yes. What was the occasion? You do not live in Oklahoma City.

Mr. BLACK. No; I do not.

Senator CURTIS. You have no office there.

Mr. BLACK. No; I don't. I think probably at the recommendation of Senator Kerr.

Senator CURTIS. It was at his recommendation?

Mr. BLACK. Yes.

Senator CURTIS. Was Baker in on any of those discussions?

Mr. BLACK. What discussions?

Senator CURTIS. With Senator Kerr?

Mr. BLACK. No.

What discussions he had with him by himself, I have no knowledge of.

Senator CURTIS. Now, when the money was borrowed at the Fidelity National Bank & Trust Co. of Oklahoma City for the purpose of buying stock in the Farmers & Merchants State Bank at Tulsa, was a disclosure made to the Oklahoma bank who ultimately was going to own that stock?

Mr. BLACK. Not to my knowledge.

Mr. NATHAN. To which bank was the disclosure made?

Senator CURTIS. I have asked first about the Fidelity National Bank & Trust Co.

Do they know who was ultimately going to own that stock?

Mr. BLACK. Yes.

Senator CURTIS. Did the Farmers National Bank of Tulsa know who was buying the stock?

Mr. BLACK. No.

Senator CURTIS. Was it purchased on the open market?

Mr. BLACK. No.

Senator CURTIS. How was it purchased?

Mr. BLACK. It was purchased through the Farmers State Bank in Tulsa.

Senator CURTIS. Who arranged that?

Mr. BLACK. Senator Kerr.

Senator CURTIS. He found out about it?

Mr. BLACK. Yes, he knew about it.

Senator CURTIS. Who did Senator Kerr think was buying the stock?

Mr. BLACK. He knew who was buying it. I bought it.

Senator CURTIS. Did he know that you expected to sell part of it to Sigelbaum and Levinson?

Mr. BLACK. No.

Senator CURTIS. Now, you referred this morning to something that caused me to believe that when Serv-U borrowed money at the bank, the owners of Serv-U signed some documents that caused them to be personally liable for the debt, is that correct?

Mr. BLACK. That is correct.

Senator CURTIS. How many banks did the Serv-U borrow money from where that situation prevailed?

Mr. BLACK. Just Fidelity National Bank.

Senator CURTIS. Well, who guaranteed this debt personally, beside yourself?

Mr. BLACK. Baker, Sigelbaum, Levinson, and I am not sure about Torres.

Senator CURTIS. What sort of a document did they sign?

Mr. BLACK. I don't know what you call it.

Senator CURTIS. What did you sign?

Mr. BLACK. I just signed the whole thing. I endorsed the paper.

Senator CURTIS. You endorsed the note that was signed by the officers of the company?

Mr. BLACK. Well, they have an extending guarantor's form of some kind that I signed.

Senator CURTIS. Well, how many people signed guaranteeing that loan who were not stockholders of record for Serv-U?

Mr. BLACK. I don't think at that time anybody was a stockholder of record. I don't think any stock had ever been issued at that time.

Senator CURTIS. Well, how many signed guaranteeing the debt who never became stockholders of record?

Mr. BLACK. No one that I know of, except Baker and me.

Senator CURTIS. Were Levinson and Sigelbaum known at that bank?

Mr. BLACK. Not personally, no.

Senator CURTIS. The bank knew who they were?

Mr. BLACK. I don't know whether he knew who they were or not. They must have known who they were after they got their guarantees.

Senator CURTIS. Did you tell them who they were? Did you tell the bank who Levinson and Sigelbaum were?

Mr. BLACK. I would think I did. I expect so. I am sure I must have.

Senator CURTIS. Did you tell the bank Mr. Levinson was a gambler, just as you told this committee?

Mr. BLACK. Yes, I am sure I did.

Senator CURTIS. Now, how long have you known Mr. Levinson?

Mr. BLACK. Since the day before Mr. Kennedy's inauguration in 1961.

Senator CURTIS. Who introduced you?

Mr. BLACK. I don't remember who introduced me. But I think Cliff Jones, of Las Vegas.

Senator CURTIS. What is his business?

Mr. BLACK. What is his position?

Senator CURTIS. What is his business?

Mr. BLACK. He is an attorney.

Senator CURTIS. Is he also Lieutenant Governor?

Mr. BLACK. He was at one time.

Senator CURTIS. Does he have any gambling interests?

Mr. BLACK. Does he have?

Senator CURTIS. Yes.

Mr. BLACK. He did have. What he has now, I have no knowledge of.

Senator CURTIS. What did he have?

Mr. BLACK. He was interested in the Thunderbird Hotel in Las Vegas at one time.

Senator CURTIS. How long have you known Jones?

Mr. BLACK. Since 1933.

Senator CURTIS. Does Baker know Jones?

Mr. BLACK. Yes.

Senator CURTIS. When did he meet him?

Mr. BLACK. I don't know when he first met him.

Senator CURTIS. How do you know he knows him?

Mr. BLACK. I have been with them together.

Senator CURTIS. When were you first with Jones in Baker's presence?

Mr. BLACK. The day before Kennedy's inauguration.

Senator CURTIS. Was Baker present when Jones introduced Levinson to you?

Mr. BLACK. That I don't remember.

Senator CURTIS. But you saw them all in connection with the inauguration?

Mr. BLACK. Oh, yes.

Senator CURTIS. Does Jones have any gambling concessions outside the United States?

Mr. BLACK. I understand he does.

Senator CURTIS. Where?

Mr. BLACK. In the Caribbean.

Senator CURTIS. Whereabouts in the Caribbean?

Mr. BLACK. In Aruba is the only place I know.

Senator CURTIS. Where else?

Mr. BLACK. I don't have any idea.

Senator CURTIS. And to your best knowledge Baker has known him several years?

Mr. BLACK. To the best of my knowledge, yes.

Senator CURTIS. How far back would you say?

Mr. BLACK. I have no knowledge.

Senator CURTIS. Well, would it be 3 years, 10 years?

Mr. BLACK. I have no knowledge.

Senator CURTIS. Well, how long ago—when do you recall first seeing them together?

Mr. BLACK. The day before the inauguration.

Senator CURTIS. I see.

How did you learn about Jones having gambling interests down in the Caribbean?

Mr. BLACK. Because at one time I owned part of them.

Senator CURTIS. What did you own?

Mr. BLACK. Five percent.

Senator CURTIS. Of what?

Mr. BLACK. Of the Trans-Caribbean Corp.

Senator CURTIS. Who else had a part in that?

Mr. BLACK. Mr. Jones is the only one I knew about. I didn't stay in long enough to find out who was there.

Senator CURTIS. Where did they operate?

Mr. BLACK. Haiti, for a short time, and then in Aruba. Those are the only two places I know anything about.

Senator CURTIS. You had 5 percent?

Mr. BLACK. Yes.

Senator CURTIS. How much did that amount to?

Mr. BLACK. Well, I paid \$5,000 for it. But I got my \$5,000 back before it ever started operation.

Senator CURTIS. Who bought you out?

Mr. BLACK. Mr. Jones.

Senator CURTIS. Is Trans-Caribbean a subsidiary of any other corporation?

Mr. BLACK. Not to my knowledge.

Senator CURTIS. Was Baker in that transaction?

Mr. BLACK. No.

Senator CURTIS. Did you ever travel down in that area?

Mr. BLACK. No.

Senator CURTIS. Never been down there?

Mr. BLACK. I have never been out of the continental United States, except during the war.

Senator CURTIS. How far back does your acquaintance go with Sigelbaum?

Mr. BLACK. Oh, not long at all. I have only known him since some time in 1962.

Senator CURTIS. Do you know what his business is?

Mr. BLACK. I told you—as far as I know, he is a real estate operator.

Senator CURTIS. Have you been in his real estate office?

Mr. BLACK. No.

Senator CURTIS. You don't know whether he has any other business?

Mr. BLACK. I have no knowledge of his business.

Senator CURTIS. Have you ever been present when there was any discussion by Mr. Jones concerning the Trans-Caribbean Corp., when Mr. Baker was present?

Mr. BLACK. No.

Senator CURTIS. Who is Torres?

Mr. BLACK. Torres is the man who works at the Fremont Hotel for Mr. Levinson.

Senator CURTIS. What is his first name?

Mr. BLACK. Edward Torres.

Senator CURTIS. How long have you known him?

Mr. BLACK. I don't know him well now. I have known him, been introduced to him, talked to him, eaten with him, probably the last couple of years—since he got involved in Serv-U.

Senator CURTIS. Was he in Serv-U with his own money?

Mr. BLACK. I have to assume so.

Senator CURTIS. Does he have any interest in gambling concessions, or is he just an employee?

Mr. BLACK. Does he have?

Senator CURTIS. Yes.

Mr. BLACK. I have no knowledge.

Senator CURTIS. He lives in Las Vegas?

Mr. BLACK. As far as I know.

Senator CURTIS. How much did Torres make out of Serv-U?

Mr. BLACK. I don't know. I thought he made \$20,000.

Now, if he made any more than that, I don't know.

Senator CURTIS. Why wouldn't you know?

Mr. BLACK. No reason why I would.

Senator CURTIS. Well, I always thought that the principal owner of a business, other than a publicly held corporation, would know what was going on. I doubt if we would ever get any information from Mr. Baker.

Mr. BLACK. I question that. I imagine you will get a lot of information from Mr. Baker.

Senator CURTIS. Well, I hope so.

You thought it was \$20,000. Did you hear of any larger sum?

Mr. BLACK. No. I heard of a smaller sum.

Senator CURTIS. Who got Torres to come into Serv-U?

Mr. BLACK. I have no knowledge of that.

Senator CURTIS. Was he ever a stockholder of record?

Mr. BLACK. His stock was never issued.

Senator CURTIS. But his ownership was in his own name?

Mr. BLACK. Yes.

Senator CURTIS. Now, you mentioned that you discussed Serv-U with the Avco Corp. With whom at Avco did you discuss it?

Mr. BLACK. Mr. Kerr. His name's Kerr.

Senator CURTIS. How does he spell his last name?

Mr. BLACK. K-e-r-r.

Senator CURTIS. No connection with the other Kerr?

Mr. BLACK. None at all.

Senator CURTIS. Did Mr. Baker ever discuss it with Avco?

Mr. BLACK. Not to my knowledge.

Senator CURTIS. Do you know Mr. Forrest Abbuhl?

Mr. BLACK. Who?

Senator CURTIS. Forrest Abbuhl.

Mr. BLACK. No.

Senator CURTIS. Do you know Mr. Paul Aguirre?

Mr. BLACK. No.

Senator CURTIS. Who is Charles Baker?

Mr. BLACK. Robert Baker's younger brother.

Senator CURTIS. For whom does he work?

Mr. BLACK. Serv-U.

Senator CURTIS. Does he work for anybody else?

Mr. BLACK. No; not to my knowledge.

Senator CURTIS. Did he work for Serv-U in connection with North American?

Mr. BLACK. He still does. He worked in the office there.

Senator CURTIS. Do you know Deane Beman?

Mr. BLACK. Oh, yes.

Senator CURTIS. Who is he?

Mr. BLACK. Deane Beman is an insurance man. He is U.S. national amateur golf champion.

Senator CURTIS. Does he have any connection with Melpar?

Mr. BLACK. I think he is a consultant to Melpar.

Senator CURTIS. What does he consult about?

Mr. BLACK. I have no idea.

Senator CURTIS. Do you know who Jose Benitez is?

Mr. BLACK. Yes, just saw him out in the outer room.

Senator CURTIS. How long have you known him?

Mr. BLACK. Since just before Mr. Kennedy's inauguration.

Senator CURTIS. Where did you meet him?

Mr. BLACK. At the inauguration.

Senator CURTIS. Who introduced you?

Mr. BLACK. Mr. Baker.

Senator CURTIS. Is that the Jose Benitez who received the one-fourth-cent-per-pound fee on the Hampco meat?

Mr. BLACK. I have no idea.

Senator CURTIS. How did you happen to know that Dean Beman was on Melpar's payroll?

Mr. BLACK. He told me so.

Senator CURTIS. When did he tell you that?

Mr. BLACK. I don't know. I don't remember.

Senator CURTIS. You were asked this, but I don't remember. Did you or did you not meet Jack Cooper?

Mr. BLACK. Did I ever meet him? Yes.

Senator CURTIS. Where did you meet him?

Mr. BLACK. In Miami.

Senator CURTIS. What was the occasion?

Mr. BLACK. I had dinner with him.

Senator CURTIS. Where?

Mr. BLACK. I don't remember. I think the Fontainebleau Hotel.

Senator CURTIS. It wasn't on a boat?

Mr. BLACK. Well, he never had dinner on a boat I was on.

Senator CURTIS. Did you ever see him on a boat?

Mr. BLACK. Yes; he came on board the boat I had.

Senator CURTIS. Your boat?

Mr. BLACK. No; one I chartered.

Senator CURTIS. Who else was present?

Mr. BLACK. I don't remember. George Simons, I think, was there.

Senator CURTIS. Did you discuss Serv-U at that time?

Mr. BLACK. Could have.

Senator CURTIS. Just the three of you there?

Mr. BLACK. I don't remember who else was there.

Senator CURTIS. Do you know Don Donegan?

Mr. BLACK. No.

Senator CURTIS. Do you know Dorsey B. Etzler?

Mr. BLACK. No.

Senator CURTIS. Do you know Paul E. Ferrero?

Mr. BLACK. No.

Senator CURTIS. Do you know Arthur Haas?

Mr. BLACK. No.

Senator CURTIS. Now, the Jones that you were talking about a bit ago, what was his first name?

Mr. BLACK. Clifford.

Senator CURTIS. Do you know a Mr. Koslof?

Mr. BLACK. Jake Koslof; yes.

Senator CURTIS. Who is he?

Mr. BLACK. Mr. Jones' partner.

Senator CURTIS. Do you know anything about a meeting of Clifford Jones and Baker and Levinson and Koslof with the Intercontinental Hotels to arrange for gambling concessions?

Mr. BLACK. Just what I read in the paper.

Senator CURTIS. Do you know Herman Kruze?

Mr. BLACK. No.

Senator CURTIS. Do you know Mr. Popich?

Mr. BLACK. No.

Senator CURTIS. Do you know Mr. Neil Warren?

Mr. BLACK. No.

Senator CURTIS. Warren Neil?

Mr. BLACK. No.

Senator CURTIS. Have you had any interest in the San Girardo Housing Development?

Mr. BLACK. No, sir.

Senator CURTIS. Has it ever been discussed in your presence?

Mr. BLACK. No, sir.

Senator CURTIS. Do you know Mike Singer?

Mr. BLACK. No. I know who he is.

Senator CURTIS. Who is he?

Mr. BLACK. He is a labor consultant on the west coast.

Senator CURTIS. What connection did he have with Serv-U?

Mr. BLACK. I understand he is on contract as labor consultant for Serv-U.

Senator CURTIS. Are Serv-U's employees organized?

Mr. BLACK. Oh, yes.

Senator CURTIS. Is he paid by management?

Mr. BLACK. He is paid by Serv-U.

Senator CURTIS. Is he a member of any union?

Mr. BLACK. I don't know anything about Mr. Singer.

Senator CURTIS. Have you seen him?

Mr. BLACK. I have never seen him.

Senator CURTIS. Now, you mentioned this morning about Dr. Walsh. What Dr. Walsh is that?

Mr. BLACK. I didn't mention Dr. Walsh, Senator.

Senator CURTIS. I thought you met someone—

Mr. BLACK. I know somebody by the name of Dr. Walsh. I didn't mention him.

Senator PELL. He was mentioned in the hearings.

Senator CURTIS. He was mentioned in the hearings this morning. I gathered some introduction took place. Dr. James C. Walsh.

Mr. BLACK. You will have to refresh my memory.

Senator CURTIS. He was a director in Serv-U?

Mr. BLACK. Yes—Dr. James Walsh.

Senator CURTIS. Something was said this morning about an introduction.

Mr. BLACK. Oh, yes. Major McLendon asked me if I did not introduce Mr. Robert Miller to Mr. Robert Baker at a party that Dr. Walsh gave. That was the question.

Senator CURTIS. What was your answer?

Mr. BLACK. I could have.

Senator CURTIS. Who else was present at that time?

Mr. BLACK. I don't remember.

Senator CURTIS. Now, who do you know that has gambling interests besides Levinson and Torres, and Jones?

Mr. BLACK. Well, this will take quite a while.

Senator CURTIS. I imagine it would.

Mr. BLACK. Yes, it would. I know a lot of people in Las Vegas.

Senator CURTIS. All right. You name the ones who would be classed as management or executives.

Mr. NATHAN. In which respect is this germane to the proceeding?

Senator CURTIS. Well, every gambler that has been mentioned yet has been in business with Robert Baker.

Mr. NATHAN. Wouldn't the foundation for that be whether he knew any other gambler—

Senator CURTIS. He is Baker's partner, he signs notes for him, they both have their stock undisclosed. Levinson, Torres and Jones—Levinson and Torres have business interests with Baker. So I want to know what other gamblers.

Mr. NATHAN. Have business interests with Baker?

Senator CURTIS. No. I want to know what other gamblers he knows.

Mr. BLACK. Well, let's start.

Senator CURTIS. I will restrict my question to in such places where gambling is legal. I am not trying to—

Mr. BLACK. Well, I would not have answered any other way, because I don't know any whose gambling profession is not legal.

Senator CURTIS. I am not trying to pry into some pennyante poker thing.

Mr. McLendon. I cannot resist the temptation to say the Senator is getting far afield now when he asks about any gamblers.

Senator CURTIS. Do you know any gamblers that are also known to Baker?

Mr. BLACK. Well, I cannot answer that. I don't know who he knows.

Senator CURTIS. Well, do you know any other gamblers that have been present when Baker has been present?

Mr. BLACK. No.

Senator CURTIS. Have you ever handled any funds for anyone known by you to be in the gambling business?

Mr. BLACK. No.

Senator CURTIS. Have you ever transported any for them?

Mr. BLACK. No.

Senator CURTIS. Have you done all your business through checks?

Mr. BLACK. Yes.

Senator CURTIS. You have never carried sizable cash sums?

Mr. NATHAN. Senator Curtis, as you know, Mr. Black is under income tax indictment. He came here without a subpoena. He has been very cooperative.

Senator CURTIS. All right. I will withdraw that question.

In connection with my question about gamblers, I do not think it is far afield, because two and possibly three people whose business is gambling have shown up here as partners in ventures—not partners,

but at least owners and shareholders, or in some capacity, in ventures with Mr. Baker and with the witness.

Is it Robert Baker that located the investment in the District of Columbia National Bank?

Mr. BLACK. Would you mind repeating that question?

Senator CURTIS. This District of Columbia National Bank was a new bank.

Mr. BLACK. Yes.

Senator CURTIS. Was it Robert Baker that informed you there was an opportunity to get in on that?

Mr. BLACK. Yes.

Senator CURTIS. Do you recall when he did?

Mr. BLACK. No.

Senator CURTIS. Do you know what the price was?

Mr. BLACK. No.

Senator CURTIS. Do you know what you paid?

Mr. BLACK. I would know if I had access to my records. But I don't know right now. I promised to send that information to you, or to the committee.

Senator CURTIS. As I understand it, Baker's original purchase or commitment for purchase was finally split four ways.

Mr. BLACK. Correct.

Senator CURTIS. He had Levinson, Sigelbaum—what is Sigelbaum's first name?

Mr. BLACK. Benny.

Senator CURTIS. Did Baker talk to you before or after he made the original purchase?

Mr. BLACK. Purchase of what?

Senator CURTIS. About going into it. It was purchased originally in Baker's name, was it not?

Mr. BLACK. Yes, still is in his name.

Senator CURTIS. Well, had he already purchased it when he discussed it with you?

Mr. BLACK. No.

Senator CURTIS. He talked to you about it first?

Mr. BLACK. Yes.

Senator CURTIS. Was there any talk at that time that Levinson and Sigelbaum would go into it?

Mr. BLACK. Yes.

Senator CURTIS. Were they consulted?

Mr. BLACK. Yes.

Senator CURTIS. Where did that consultation take place?

Mr. BLACK. I don't know where it took place.

Senator CURTIS. How do you know they were consulted?

Mr. BLACK. I was told.

Senator CURTIS. By whom?

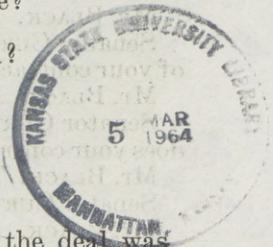
Mr. BLACK. By both Levinson and Sigelbaum.

Senator CURTIS. Baker ever tell you that?

Mr. BLACK. Yes.

Senator CURTIS. When did he tell you?

Mr. BLACK. I don't know what day it was—before the deal was ever consummated, because we gave him our checks for the money.



Senator CURTIS. You and Sigelbaum and Levinson gave the checks for your share before Baker consummated his purchase?

Mr. BLACK. I don't know when they gave theirs.

Senator CURTIS. But you did?

Mr. BLACK. Yes, sir.

Senator CURTIS. You don't know who Mr. Baker's contact was in the District of Columbia National Bank?

Mr. BLACK. I have no idea. I assumed he got it from a brokerage house.

Senator CURTIS. Did you personally know the incorporators?

Mr. BLACK. No.

Senator CURTIS. Do you know who paid for Baker's part of the stock that he retained?

Mr. BLACK. That he what?

Senator CURTIS. Do you know who paid for Baker's part of the stock that he retained?

Mr. BLACK. I assume he did.

Senator CURTIS. You don't know?

Mr. BLACK. I do not.

Senator CURTIS. Do you know of any other investments made by Baker for Levinson, Sigelbaum, or Torres?

Mr. BLACK. I do not.

Senator CURTIS. Do you know of any investments made by Baker for any other undisclosed beneficial owners?

Mr. BLACK. I do not.

Senator CURTIS. You now have a loan of \$100,000 from the District of Columbia National Bank?

Mr. BLACK. Yes, sir.

Senator CURTIS. Are you a stockholder of record?

Mr. BLACK. No.

Senator CURTIS. Did you disclose your stock interest when you got the loan?

Mr. BLACK. No.

Senator CURTIS. Anybody there know it?

Mr. BLACK. Not to my knowledge.

Senator CURTIS. With whom did he negotiate the loan?

Mr. BLACK. With the president of the bank.

Senator CURTIS. His name is what?

Mr. BLACK. I have forgotten.

Senator CURTIS. I think it is in the record.

Now, you pledged as collateral for that loan your contract with North American?

Mr. BLACK. I assigned the proceeds of the contract.

Senator CURTIS. Now, I am not going to inquire as to the amount of your contract, or anything of that sort.

Mr. BLACK. It is in the Daily News today.

Senator CURTIS. I would rather follow this record here. How long does your contract run?

Mr. BLACK. Two years.

Senator CURTIS. Can North American terminate it before then?

Mr. BLACK. All they have to do is ask me for it.

Senator CURTIS. The bank accepted that?

Mr. BLACK. The contract is written that they cannot terminate me without the 2 years' notice.

Senator CURTIS. They have to give 2 years' notice?

Mr. BLACK. That is right.

Senator CURTIS. Did you file a financial statement with the bank?

Mr. BLACK. Yes.

Senator CURTIS. Did you have any cosigners?

Mr. BLACK. No.

Senator CURTIS. Do you know a man named Art Lamb?

Mr. BLACK. Who?

Senator CURTIS. Art Lamb.

Mr. BLACK. I know a sheriff in Nevada by the name of Lamb.

Senator CURTIS. Do you know an advertising man?

Mr. BLACK. Oh, no, no.

Senator CURTIS. Now, Mr. Chairman, I have a few more questions. But I can save some time if I do my homework a little bit here, and let somebody else ask questions. So I will yield.

Senator CANNON. Very well.

Senator PELL.

Senator PELL. Mr. Black, I think we all appreciate your willingness to come up here the way you have.

What is your official title? Is it management consultant?

Mr. BLACK. Yes, sir.

Senator PELL. You said about 75 percent of your time, your work, or your hours are put in for North American. Who are your other employers?

Mr. BLACK. AVCO, and I do some consulting work on an organization called TV Associates, for Melpar. The TV Associates is out in the State of Indiana, and they are an organization that take photographs from the air—photographic survey company in the East.

Senator PELL. And these are, in essence, your three principal employers for the past year or two?

Mr. BLACK. Yes.

Senator CURTIS. How long have you held this relationship with North American?

Mr. BLACK. Since 1957, I believe—1957 or 1958. I am not sure. I think it is 1957.

Senator PELL. And has your relationship with North American improved to your own benefit through the years, or remained about static?

Mr. BLACK. Yes, sir, it has improved.

Senator PELL. Are you reimbursed according to the good you do?

Mr. BLACK. No, I have a set amount of money that I am paid. And out of that amount of money I have to pay my expenses—my office expenses and any other expenses that I may be put to.

Senator PELL. Now, I realize this has been asked before in different ways, but I would like to ask it again. Has Bobby Baker ever been of help to North American in solving any of its problems vis-a-vis the Federal Government or any of the agencies?

Mr. BLACK. Never, Senator.

Senator PELL. Have you ever asked him to set up an appointment of any sort?

Mr. BLACK. No, sir.

Senator PELL. Have you ever asked him to set up an appointment or be of help for any of the other companies for which you work?

Mr. BLACK. No.

Senator PELL. I would be interested in hearing, and I think the committee would, too, how do you help North American going after a difficult contract?

Mr. BLACK. I have never been asked to help North American procure a contract. That is not my job. We have technical people, salespeople at North American, who have that as part of their job. Mine is simply to advise them as to where to spend their research and development money, and what contracts I think are feasible for them to go after.

Senator PELL. And who are the people you directly feed that advice into?

Mr. BLACK. Right straight through the president's office, to the presidents of the divisions.

Senator PELL. Did any other employee of the Senate ever prove of help to you in your work as a consultant?

Mr. BLACK. No.

Senator PELL. To the best of your knowledge, then, has any employee of the Senate ever made an appointment or helped you in any way to secure Government business?

Mr. BLACK. Never.

Senator PELL. That is all I have.

Senator CANNON. Mr. Black, do you have or have you had any business relationship with any other employee of the Senate, other than Bobby Baker?

Mr. BLACK. No; I have not, Senator.

Senator CANNON. You haven't been associated in any business so far as you know with any other employee of the Senate?

Mr. BLACK. No, sir.

Senator CANNON. Now, you mentioned that Senator Kerr referred you to the Fidelity National Bank, or introduced you to that bank.

Mr. BLACK. Yes, sir.

Senator CANNON. Was this in connection with borrowing to procure stock in the other Oklahoma bank to which you referred?

Mr. BLACK. Yes, sir.

Senator CANNON. And I believe you said that was on his recommendation?

Mr. BLACK. Yes, sir.

Senator CANNON. Did he likewise recommend to you that this might be a bank where you could secure funds for that purchase?

Mr. BLACK. Yes, sir.

Senator CANNON. Was he a stockholder in the Fidelity National at that time, or a director?

Mr. BLACK. Well, I have to assume he was a stockholder, Senator. I don't know.

Senator CANNON. You mentioned that the value of the Serv-U stock at the time you purchased Torres stock was worth that amount, but indicated that it was worth substantially less now. What has happened?

Mr. BLACK. Well, Senator Cannon, as Major McLendon brought out this morning, every contract that Serv-U has with North Ameri-

can is on a 30-day cancellation. I think everybody would admit that the resultant publicity from the Baker inquiry has certainly been distasteful to a company like North American.

So, as a matter of consequence, it just isn't very good. You all are trying, of course, to find out what you can about Mr. Baker's business. And I am willing to try to help you. But Mr. Baker's inquiry is embarrassing not only to me, but to North American.

So as a consequence, I am quite sure if Serv-U just as much as stumbled one time, or gave a bad cup of coffee, somebody is going to be looking right down their throats to find a way out. I wouldn't pay one-tenth the money today for the stock that I bought that I paid for it when I bought it.

Senator CANNON. But it was worth considerably more immediately prior to the commencement of this investigation?

Mr. BLACK. Oh, yes, sir. Yes, sir.

Senator CANNON. And has the volume of business decreased since this investigation?

Mr. BLACK. No, it has increased—not due to the investigation, but due to the weather conditions out there.

Senator CANNON. Now, there was a reference earlier to a question that was asked, and it was withdrawn because of a pending matter that you have pending in the courts.

I would like to ask you if you feel that the release of your testimony here to the public would be prejudicial to the trial of the case that is now pending on your behalf?

Mr. BLACK. You are talking about my tax case?

Senator CANNON. Yes.

Mr. BLACK. Yes, I think so.

Senator CANNON. You think it would prejudice you?

Mr. NATHAN. Very much so.

Mr. BLACK. Yes, I think so.

Senator CURTIS. Is that because of the questions or the answers?

Mr. NATHAN. Because of the inquiry as such. Very frankly, Senator, it is just being associated in this inquiry, is it not very helpful.

Senator CURTIS. We didn't put him here.

Senator PELL. With the exception of that one question, though, would the rest of the testimony be released publicly be of embarrassment to you in this suit?

Mr. BLACK. I would have to defer to my attorney to answer that.

Mr. NATHAN. Any publicity at this time is very much to Mr. Black's damage. As a matter of fact, the Department of Justice in a hearing on a continuance assured the court that this committee would certainly try its best not to cause further publicity, so that there could be a juror found in the District of Columbia who might not have heard of Mr. Black in connection with Mr. Baker. It is not Mr. Black's answer—but it is at this point being associated with Mr. Baker which would just influence every juror, which makes people call me and say, "How did you get mixed up in this dirty Baker case."

Senator CURTIS. Is it your contention he was not associated with Mr. Baker?

Mr. BLACK. Absolutely not—I was associated with him.

Senator CURTIS. We are not casting any inferences on it. He was Mr. Baker's business associate.

Mr. NATHAN. There is no doubt about it. But, Senator, you are more sophisticated than the average juror. That is what we have to contend with.

Senator CANNON. Mr. Black, the record shows that Serv-U purchased the Carousel Motel. Did you have anything to do with that?

Mr. BLACK. No. I knew when they did. But I didn't have anything to do with it.

Senator CANNON. You didn't handle any of the negotiations or any of the details of that?

Mr. BLACK. Not any at all.

Mr. NATHAN. I might say, though, Senator Cannon, if the committee now says: "We are not going to release this testimony," unless the release is written very carefully, it might be even worse than releasing it.

Senator CANNON. Senator Curtis—counsel?

Mr. McLENDON. I have a question or two I forgot to ask this witness.

You may have been asked this while my attention was distracted here. Did you testify about the purchase of the Waikiki Savings Bank stock?

Mr. BLACK. No, sir.

Mr. McLENDON. You did buy stock in that bank, did you not?

Mr. BLACK. Yes, sir.

Mr. McLENDON. At the same time Baker bought it?

Mr. BLACK. Yes, sir.

Mr. McLENDON. Upon whose recommendation did you and Baker buy that stock?

Mr. BLACK. Mr. Jones.

Mr. McLENDON. The same Jones you referred to earlier?

Mr. BLACK. Yes, sir.

Mr. McLENDON. And how much did you buy?

Mr. BLACK. 2,500 shares at a dollar a share.

Mr. McLENDON. How much did Baker buy?

Mr. BLACK. 2,500 shares at a dollar a share.

Mr. McLENDON. Was a man named Philip Matthews in any way connected with that transaction?

Mr. BLACK. He was the man who sold us the stock.

Mr. McLENDON. Who was he, with reference to this bank? What connection did he have with it?

Mr. BLACK. He was—he bought the Waikiki Savings & Loan organization, I understand.

Mr. McLENDON. He bought the entire business?

Mr. BLACK. I don't know whether he bought it all or not. We bought 2,500 shares apiece of his holdings.

Mr. McLENDON. I see. Do you own it jointly?

Mr. BLACK. No. Baker bought his own, I bought mine for my former wife.

Mr. McLENDON. Were you together at the time you made the deal with Matthews—were you and Baker together?

Mr. BLACK. No.

Mr. McLENDON. You bought yours separately and so did he?

Mr. BLACK. Yes.

Mr. McLENDON. Was there any connection between you and Baker in that transaction?

Mr. BLACK. Yes. I told Baker about it.

Mr. McLENDON. I see.

Now Senator Cannon asked you about the Carousel purchase. I believe it is true, is it not, that you were out on the west coast when Mr. Baker came out there to try to persuade the officers of Serv-U to buy the Carousel.

Mr. BLACK. I was there at that time.

Mr. McLENDON. And were you not asked by him to go to see the local counsel for Serv-U, Bryan Burton, in connection with that?

Mr. BLACK. And I did go.

Mr. McLENDON. You did go?

Mr. BLACK. Yes.

Mr. McLENDON. And did you hear Baker present the proposal to Burton and the other stockholders?

Mr. BLACK. No. I left before that was done.

Mr. McLENDON. Did you hear him say anything about it?

Mr. BLACK. No—just that they were going to bring the figures out.

Mr. McLENDON. Going to bring out the figures?

Mr. BLACK. Yes. The figures had not arrived when I was there.

Mr. McLENDON. Did you talk to Baker about it yourself?

Mr. BLACK. After it was done, I did.

Mr. McLENDON. Is it not true that you came to the conclusion that the Carousel was "busted," to use a common expression?

Mr. BLACK. It certainly is.

Mr. McLENDON. Sir?

Mr. BLACK. Yes, sir.

Mr. McLENDON. And that the only place Baker could save it was by getting Serv-U to buy it?

Mr. BLACK. If Serv-U hadn't bought the Carousel Motel, Baker and the Novaks would have just lost everything they had in it.

Mr. McLENDON. Were you told at that time that a very wealthy corporation in Texas had offered to buy the Carousel for a million and a half dollars?

Mr. BLACK. No; I read about that in the newspapers.

Mr. McLENDON. You never heard of that until the last few days?

Mr. BLACK. No.

Mr. McLENDON. Now one other question: Did you go to California with Baker on this occasion we were just talking about, or did you happen to meet out there?

Mr. BLACK. Either I went with him or it was prearranged that I would meet him there.

Mr. McLENDON. You can't tell us now how that was?

Mr. BLACK. I don't remember. I have been in California with him on several occasions.

Mr. McLENDON. I was going to ask you. If it was prearranged that you meet him out there, he must have given you some reason for getting together.

Mr. BLACK. I know the reason.

Mr. McLENDON. What was it?

Mr. BLACK. To seek to have Serv-U buy the Carousel Motel.



Mr. McLENDON. What offices of Serv-U was Baker talking with out there?

Mr. BLACK. That is where the main office of Serv-U is, in California.

Mr. McLENDON. I said what officers or particular officers of Serv-U was he talking to?

Mr. BLACK. Mr. Armstrong was there, the president, and I am not sure whether Mr. Hancock was there or not.

Mr. McLENDON. You say that you made a number of trips to California with Baker. Will you tell us the reason for those trips—what business were you transacting?

Mr. BLACK. We didn't transact any business. One trip we made, he left me at the airport and went on to Honolulu. Another trip he went someplace else, other than where I went to.

Mr. McLENDON. You say—you tell the committee that you never met Baker out there for the purpose of transacting any business?

Mr. BLACK. Nothing except the Carousel Motel.

Mr. McLENDON. That is the only thing?

Mr. BLACK. That is correct.

Mr. McLENDON. And do you know what the purpose of his trips were?

Mr. BLACK. No; I have no knowledge.

Mr. McLENDON. Do you know whether Baker made a trip to California before the contract was made with North American for the vending business?

Mr. BLACK. Well, I don't know whether he did or not. But I am sure he didn't go to North American about it.

Mr. McLENDON. You are sure he did not talk to any people in North American?

Mr. BLACK. I am positive of that. He has never talked to anybody in North American.

Mr. McLENDON. With reference to this \$50,000 note that was given to the Bank of Oakland for Baker, the \$50,000 that was used in buying Simon's stock—you recall?

Mr. BLACK. Yes, sir.

Mr. McLENDON. I believe you testified that that note was finally executed by Baker, although to begin with you signed it. Is that correct?

Mr. BLACK. That is correct.

Mr. McLENDON. When it was taken over by Baker in his name, do you have any knowledge of the collateral that Baker deposited?

Mr. BLACK. No, sir.

Mr. McLENDON. You would not know anything about that?

Mr. BLACK. No.

Mr. McLENDON. Are you sure that you never heard anybody at the bank or Mr. Baker discuss that?

Mr. BLACK. No, I never heard anybody discuss it. The only thing I know he put up was the same number of shares that I did.

Mr. McLENDON. Didn't he put up some other collateral?

Mr. BLACK. That I don't know.

Mr. McLENDON. Well, you were the man who was responsible for getting the loan in the bank to begin with. It seems to me that it would be natural for the bank to inquire of you when they thought the loan was beginning to get weak.

Mr. BLACK. I understand Mr. Baker has far more money owed to that bank than the \$50,000.

Mr. McLENDON. And do you understand he has other collateral on deposit there?

Mr. BLACK. I read in the paper that he did.

Mr. McLENDON. Some of it has already been sold?

Mr. BLACK. I don't know about that.

Mr. McLENDON. Well, in short, then, is this correct. That insofar as this \$50,000 loan is concerned, it was finally taken over by Baker on his own responsibility, and you had no further responsibility for it?

Mr. BLACK. That is correct.

Mr. McLENDON. I believe that is all.

Senator COOPER. May I ask a few questions?

Senator CANNON. Mr. Black—there was some question this morning as to whether you did or did not receive—have a power of attorney from Mr. Baker.

In this file I see a letter dated May 11, 1962, addressed to you from Grady D. Harris, Jr.

DEAR MR. BLACK: We have now received the executed power of attorney and the note in principal amount of \$50,000 from Robert G. Baker. The \$50,000 note which you had executed on Mr. Baker's behalf is enclosed properly canceled.

And one additional paragraph—signed by Mr. Harris.

Is that the power of attorney that you were questioned about this morning?

Mr. BLACK. It evidently is, Senator.

Senator CANNON. Senator Cooper.

Senator COOPER. Mr. Black, I think you said that with the exception of the Serv-U business, and the purchase of the three bank stocks—

Mr. BLACK. The two bank stocks.

Senator COOPER. Waikiki, Oklahoma, and District of Columbia—you had no other business connections with Mr. Baker?

Mr. BLACK. That is correct.

Senator COOPER. At the time you purchased the first block of stock in Serv-U, 1,500 shares at \$1 per share, February 7, 1962, at that time did Serv-U have any contracts, vending contracts?

Mr. BLACK. No, sir.

Senator COOPER. It didn't—

Mr. BLACK. Just a moment, Senator. Major McLendon said that the first contract with North American was executed on January 30. And if that is so, then they had executed that contract before my \$1,500 was invited.

Senator COOPER. At the time, then, that you bought the stock and had discussed it with Mr. Tucker, I think you said, Hancock and Baker, you don't know whether there was a contract with North American at that time?

Mr. McLENDON. The first contract was dated January 30, Senator, 1962.

Mr. BLACK. My attorney brings to my mind that I was invited in before the check was ever written. I was called upon for the check on February 7.

Senator COOPER. You had already discussed the purchase of the first block of stock prior to February 7, 1962?

Mr. BLACK. That is right.

Senator COOPER. And prior to the first contract with North American?

Mr. BLACK. Yes, sir, right.

Senator COOPER. At the time you agreed to buy the stock, then Serv-U had no vending contract?

Mr. BLACK. That is correct.

Senator COOPER. Did it have any equipment?

Mr. BLACK. I don't know whether they had bought any equipment at that time or not, Senator. I wasn't too interested.

Senator COOPER. You do know later that—you helped make arrangements for the bank in Oklahoma.

Mr. BLACK. No.

Senator COOPER. To furnish money to buy the equipment.

Mr. BLACK. No, that is not quite correct. There was a difference this morning of opinion on when the loans were made.

When this first was broached to me in my little way, I suppose little, I have lots of people come to me with ideas of investing money in some scheme of theirs. And I didn't think too much of this at all. I didn't give it much thought. When I agreed to do it, I agreed to do it because of the people involved.

The amount of money that the stockholders put into Serv-U was in excess of the amount of money Serv-U needed for their first operation at North American Aviation, which was the Los Angeles division.

It was after they started to grow that we got loans from the Fidelity Bank for further money. There was no money needed from any bank for the first Serv-U operation.

Senator COOPER. Do you know whether at the time the first contract with North American was executed any money, consideration for stock, had been paid into the company?

Mr. BLACK. It had been paid in before the contract was executed. That I am sure of.

Senator COOPER. I notice that at the time you bought Mr. Simon's stock, 2,700 shares, for \$100,000—that would be approximately \$36, \$37 a share—was it the North American contract that was responsible for this advance in at least the value of the stock?

Mr. BLACK. Senator, forty-one-thousand-some-odd dollars was the amount of money that Serv-U owed to Mr. Simons. The amount that Mr. Simons paid for his stock was another large amount—what it is I don't know. But what Mr. Simons got in profit for his stock, or his position, was \$9,000.

Senator COOPER. Whatever value the stock had, it was primarily based upon the North American contract.

Mr. BLACK. This is absolutely correct.

Senator COOPER. Then do you know anyone else who made any initiative toward securing these contracts, other than yourself?

Mr. BLACK. I made no initiative. I introduced Mr. Hancock to North American, and he did all the work himself. I didn't help him in any way, shape, or form.

Senator COOPER. You did make that initiative?

Mr. BLACK. I did.

Senator COOPER. And that was a result of consultation that you had with him and Tucker and Baker, or any one of them?

Mr. BLACK. I was asked by Mr. Hancock to introduce him to North American.

Senator COOPER. What I am getting at is this. Wasn't the prime objective of this company to secure the business of North American Aviation?

Mr. BLACK. Well, it would appear so now, because that is the major part of their business.

Senator COOPER. Did you talk to the president of the company?

Mr. BLACK. Yes.

Senator COOPER. Mr. Atwood?

Mr. BLACK. Yes.

Senator COOPER. About a vending contract with North American?

Mr. BLACK. I talked to Mr. Atwood and asked for permission to introduce Serv-U's president to the North American AID people, with an idea toward bidding on the vending contracts.

Senator COOPER. Did he know Mr. Baker?

Mr. BLACK. Who?

Senator COOPER. Mr. Atwood.

Mr. BLACK. He knows Mr. Baker, yes.

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

Mr. BLACK. At that time I cannot give you an answer. I don't know. He probably did. I probably had introduced him to him at that time. Mr. Atwood had no knowledge at all that Mr. Baker was involved or that I was involved, either one of us, in Serv-U.

Senator COOPER. Did it occur to you at the time that at least it was possible that your connection with North American Aviation was the great reason for you being invited to buy stock in it?

Mr. BLACK. I answered that this morning. It looks like that is probably true.

Senator COOPER. Now, later, when you bought the stock of the Oklahoma bank, was any reason given to you why it would be an attractive investment?

Mr. BLACK. Well, it was in the throes of reorganization. Senator Kerr said that he thought it would be a fine investment for somebody to make.

Senator COOPER. Has it been?

Mr. BLACK. It hasn't had any phenomenal rise; no, sir. I would imagine it is worth \$6 or \$7 a share more now than it was when I bought it.

Senator COOPER. You did suggest to Mr. Baker that he take a part of the stock?

Mr. BLACK. I didn't suggest that. Senator Kerr did.

Senator COOPER. He suggested that to you?

Mr. BLACK. Yes.

Senator COOPER. I think that is all I have.

Senator CANNON. Senator Curtis.

Senator CURTIS. Did you ever recommend any Senate employee for employment with North American?

Mr. BLACK. No; not to my knowledge.

Senator CURTIS. Did you ever assist anyone in securing a job with North American?

Mr. BLACK. Oh, yes. I didn't assist them. I have recommended several people for jobs with North American.

Senator CURTIS. And they have obtained jobs?

Mr. BLACK. Not all of them; no, sir.

Senator CURTIS. But a number of them?

Mr. BLACK. In several instances, yes.

Senator CURTIS. I wish you to elaborate just a little bit more on your role at North American.

As I understand it, you kept them advised concerning trends in **defense and space, contract possibilities**. What other authority did you have?

Mr. BLACK. I have no authority with North American. I simply am a consultant. I write and give verbally my feelings and thoughts to the proper officers in North American. Beyond that I have no connection.

Senator CURTIS. Perhaps "authority" is not the right word, because the corporate officials would have the authority. But as a matter of practice, did you advise them about policies other than just in getting business?

Mr. BLACK. Oh, no.

Senator CURTIS. You had considerable influence with them, did you not?

Mr. BLACK. Not any undue influence that I know of.

Senator CURTIS. You think that Serv-U would have obtained all of this business with North American had you disclosed your interest and Robert Baker's interest in it?

Mr. BLACK. I doubt it.

Senator CURTIS. Do you know a Marvin Stern?

Mr. BLACK. Yes, I do.

Senator CURTIS. Who is he?

Mr. BLACK. He is a former employee of North American Aviation.

Senator CURTIS. He is not there any longer?

Mr. BLACK. No.

Senator CURTIS. Did you have any business relationships with him?

Mr. BLACK. No.

Senator CURTIS. Did Baker?

Mr. BLACK. I don't know. I didn't even know Baker knew him.

Senator CURTIS. Do you know a Hymen Krause, who sometimes is known as Emanuel Miller?

Mr. BLACK. No.

Senator CURTIS. You did not know him in Missouri?

Mr. BLACK. Beg pardon?

Senator CURTIS. You didn't know him in Missouri?

Mr. BLACK. Never heard of him.

Senator CURTIS. I understood he was a teamster official.

Mr. BLACK. I don't have any knowledge of teamster officials.

Senator CURTIS. Do you know of a business operation known as warehouse 77, in Norfolk, Va.?

Mr. BLACK. No, sir.

Senator CURTIS. Never heard of it?

Mr. BLACK. Never heard of it.

Senator CURTIS. Did you ever loan Baker any money, with the exception of the money that you have loaned him in recent months?

Mr. BLACK. No.

Senator CURTIS. Have you ever represented Del Webb?

Mr. BLACK. No.

Senator CURTIS. Have you represented anyone who has had any Government contracts concerning the Minuteman missile?

Mr. BLACK. North American.

Senator CURTIS. Other than North American?

Mr. BLACK. Just North American. Well, Melpar has subcontracts with North American on the Minuteman.

Senator CURTIS. How well acquainted were you with Bostick?

Mr. BLACK. Very well.

Senator CURTIS. Over how long a time?

Mr. BLACK. The past 3 years, I suppose—2, 3 years.

Senator CURTIS. Mr. Hancock testified that when he arrived in town, before he came here to testify before this committee, he attended a meeting at your office. Do you know about that meeting?

Mr. BLACK. He probably did. He came before and after.

Senator CURTIS. Who else was present at the meeting?

Mr. BLACK. I think I met with Hancock alone before he came to see you, in my office.

Senator CURTIS. I believe his testimony is that there were several people there.

Mr. BLACK. It could be.

Senator CURTIS. Including Bostick.

Mr. BLACK. That I doubt. I don't remember Mr. Bostick being there. He could have been.

Senator CURTIS. I will come back to that.

Do you know a Mr. Nathan Lever?

Mr. BLACK. No, sir.

Senator CURTIS. You have had no connection with him at all?

Mr. BLACK. No; I never heard of him.

Senator CURTIS. Have you ever had any business transactions with James Hoffa, directly or indirectly?

Mr. BLACK. No, sir.

Senator CURTIS. To your knowledge, does Baker have any interest in any savings and loan institutions?

Mr. BLACK. Waikiki Beach.

Senator CURTIS. Any other than that?

Mr. BLACK. Not to my knowledge.

Senator CURTIS. Any banks other than those that were mentioned today?

Mr. BLACK. Not to my knowledge.

Senator CURTIS. I believe Mr. Hancock testified that he met Mr. Baker and Mr. Bostick at your office.

Mr. BLACK. He could have. I don't remember Mr. Bostick there.

Senator CURTIS. But you were quite a good friend of Mr. Bostick.

Mr. BLACK. I am quite a good friend of Mr. Bostick.

Senator CURTIS. You are social friends?

Mr. BLACK. Social, personal, business, any way you look at it.

Senator CURTIS. And you have been at each other's home?

Mr. BLACK. I never never been in his home. He lives too far out.

Senator CURTIS. Gone to the races together?

Mr. BLACK. Oh, yes.

Senator CURTIS. Baker along?

Mr. BLACK. Could have been.

Senator CURTIS. Did you ever issue a check to one Joe Fabinish?

Mr. BLACK. No.

Senator CURTIS. Never issued a check to him?

Mr. BLACK. No.

Senator CURTIS. That is all.

Senator CANNON. Senator Pell?

Senator PELL. I would like to refer for a moment to this question of the loan with the Oklahoma bank. Was that done, you say—the introduction was on the recommendation of Senator Kerr?

Mr. BLACK. Yes, sir.

Senator PELL. You knew Senator Kerr through Mr. Baker, or on your own?

Mr. BLACK. Well, Senator Kerr I had known for years, not intimately at all. But like you know lots of Senators—I know several. Mr. Baker, Senator Kerr and I had lunch one day together, at which time I got better acquainted with him, and I played gin rummy with him lots of times after that.

Senator PELL. Thank you.

One other question.

In connection with the people that you knew in relationship to Baker, did you have any contact with a Mr. Reynolds? And, if so, what was it?

Mr. BLACK. Mr. Reynolds wrote my insurance on my house.

Senator PELL. He did your insurance?

Mr. BLACK. Oh, yes. He wrote the insurance on my office equipment. He arranged for my mortgage on my house. And he sold me life insurance to protect the mortgage. It was necessary that I buy a policy.

Senator PELL. Did you have any social relationships with him, too?

Mr. BLACK. Never.

Senator PELL. Is there anything else that you feel you should set forth as to the relationship of Reynolds and Baker?

Mr. BLACK. I don't know anything about Reynolds' and Baker's relationships, Senator.

Senator PELL. Anything more of Reynolds' relationship and your own?

Mr. BLACK. I have given you my relationship with him.

Senator CANNON. How did you happen to buy your insurance through Reynolds?

Mr. BLACK. Senator, I was introduced to Mr. Reynolds by someone in 1956 or 1957, as a good insurance man. I didn't have any reason to have insurance here prior to that time, so I didn't know which agents. And when I did have a use for one, I called him on the phone and asked him if he would be interested in discussing it with me. I met Reynolds at least 2 years before I ever met Mr. Baker.

Senator CANNON. You still have that insurance with Reynolds?

Mr. BLACK. It is in effect until the policies run out.

Senator CANNON. Has that relationship been satisfactory?

Mr. BLACK. As far as insurance is concerned, yes.

Senator CANNON. Why do you qualify it?

Mr. BLACK. Because I haven't liked what I have been reading about Mr. Reynolds.

Senator CANNON. You have had no other matters in your personal relationship with him to dissatisfy you with your relationship?

Mr. BLACK. Not as far as the insurance is concerned, no, sir.

Senator CANNON. Counsel, do you have any more?

Senator COOPER. I have one other question.

This may be a conclusion. If it is, you know how to respond. But I would assume one of your reasons for going in with Mr. Baker in the Serv-U Corp. was—when you were thinking about the North American Aviation contract—to make money out of going into this deal, is that correct?

Mr. BLACK. Yes, I think that is a proper conclusion.

Senator COOPER. Can you explain, then, after that, why you—why it was you were willing to sign notes for \$50,000 for Mr. Baker?

Mr. BLACK. I didn't sign them for \$50,000 for him as such. I signed the \$50,000 note in place of Mr. Baker signing it, so that we could have the full \$100,000 available to buy Simon's position at the time.

Senator COOPER. Well, according to the transaction there, before his note arrived, you had signed a note, and obligated yourself for \$50,000 for him.

Mr. BLACK. I did that; yes, sir.

Senator COOPER. And then after that, you took him in on ventures, such as the purchase of the stock in Oklahoma, and the purchase of the—

Mr. BLACK. I think you will find that the Oklahoma bank stock transaction was prior to the transaction on the hundred thousand dollars for the Serv-U loan.

Senator COOPER. Anyway, during the course of your acquaintance, you did know about the stock—purchased the stock in Oklahoma, and you took him in on the transaction, and you did the same thing with respect to the Waikiki stock, you obligated yourself for the stock?

Mr. BLACK. I didn't obligate myself for the Waikiki stock, Senator.

Senator COOPER. Well, then we will come back to Oklahoma. And the note.

Now, what led you to undertake these obligations of considerable sums of money for Mr. Baker?

Mr. BLACK. Well, I think probably friendship had a lot to do with it. But, more than that, I think the recommendation that I received from Senator Kerr concerning Mr. Baker's friendship with him was about all I needed to go right along with it.

Senator COOPER. I have no further questions.

Senator CANNON. Did Senator Kerr represent that he and Baker were very close friends?

Mr. BLACK. Senator Kerr told me, Senator Cannon, that outside of his sons, his wife, he never knew and never loved a man so much as he did Bobby Baker.

Senator CANNON. Do you know whether or not Senator Kerr helped Mr. Baker in some of his financial transactions?

Mr. BLACK. I can only answer that by saying that Senator Kerr told me that there wasn't anything in the world that Bobby Baker

would ask him to do for him, if he had the power to do it, that he would not do.

Senator CANNON. Any other questions, Counsel?

Mr. McLendon. That is all.

Senator CANNON. Thank you very much, Mr. Black. We appreciate you appearing here without subpoena to testify before the committee.

(Whereupon, at 4:15 p. m., the committee recessed, to go into further business.)







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