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FINANCIAL OR BUSINESS INTERESTS OF OFFICERS
OR EMPLOYEES OF THE SENATE

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HEARINGS
BEFORE THE
COMMITTEE ON
RULES AND ADMINISTRATION
UNITED STATES SENATE

EIGHTY-EIGHTH CONGRESS

FIRST AND SECOND SESSIONS

PURSUANT TO

S. Res. 212, S. Res. 221, 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

DECEMBER 6, 10, 1963, AND FEBRUARY 24, 1964

PART 6

Testimony of Arthur C. Weid, Edwin M. Bostick, and
R. Brandon Marsh

Printed for the use of the
Committee on Rules and Administration



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[Executive hearings of December 6, 1963, December 10, 1963, and February 24,
1964, released to the public February 25, 1964.]

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III



FINANCIAL OR BUSINESS INTERESTS OF OFFICERS OR EMPLOYEES OF THE SENATE

FRIDAY, DECEMBER 6, 1963

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

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

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

Also present: Gordon F. Harrison, staff director; Hugh Alexander, chief counsel; L. P. McLendon, general counsel; Burkett van Kirk, associate counsel; James Duffy, associate counsel; William B. Whittley, staff assistant to Senator Jordan; John Herberg, legislative counsel; Walter Mote, professional staff member; William Ellis Meeham, investigator; and Marian G. Moore, assistant chief clerk.

The CHAIRMAN. A quorum is present. The committee will come to order.

I want to read a statement which I want to appear in the record at this point.

This executive session of the committee is being held today to receive under oath the testimony of witnesses who, the committee has good reason to believe, possess information relevant to the investigation which the Committee on Rules and Administration is conducting pursuant to Senate Resolution 212 of the 88th Congress, 1st session, agreed to on October 10, 1963, and Senate Resolution 221, also of the 88th Congress, 1st session, agreed to on November 1, 1963.

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

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

Each of the witnesses to be examined today has voluntarily conferred with the committee's investigators, and voluntarily appear here today to be examined under oath. The committee appreciates their cooperative attitude. These witnesses are: Arthur C. Weid, Edward M. Bostick, Stanley Lee, and Aaron Goldman.

Senator CLARK. Mr. Chairman, could I make a very short statement in executive session before we call the first witness, and in his absence?

Mr. McLendon. The witness is already in the room.

Senator CLARK. Would you excuse the witness?

Mr. McLendon. Yes, sir.

Senator CLARK. It won't take me but a minute.

(The witness left the hearing room.)

Senator CLARK. Mr. Chairman, Senator Curtis has advised me that he had appointed a Mr. Scott as minority investigator. He brought Mr. Scott to my office and we interviewed him jointly.

Pesonally, Mr. Scott made a favorable impression on me. And he has obviously qualifications for this job. However, in my opinion, the appointment is unwise, and I so stated personally to each of the three Republican members of the committee, urging them not to make the appointment.

I believe the appointment will inevitably cast some doubt on the objectivity of this investigation, because of the fact that Mr. Scott has for some time served as an employee of the Internal Security Subcommittee of the Judiciary Committee of the Senate.

Mrs. Robert Baker is also an employee of that committee, and, I believe, office manager.

Many will recall my strong view that we should obtain independent counsel, and we have secured extremely able independent counsel, in whom I have the greatest confidence.

It seems to me that in the public mind the appointment of any Senate employee as chief investigator for the minority is sure to receive a strongly adverse public reaction.

I was disappointed that the very able minority counsel for this committee, also a Senate employee, was selected as minority counsel. But I made no private or public protest about that.

I would like, however, the record to show my strong objection to the appointment of Mr. Scott as minority investigator. Although I concede, first, that this is an appointment which the minority has the right to make, if it persists—second, that I have nothing whatever against the character of Mr. Scott, nor do I feel he is in any way unqualified for the job—except that he is, one, a Senate employee; and, two, a fellow employee of the wife of the Senate employee whose activities we are investigating.

Senator SCOTT. Mr. Chairman, I want to make a statement—off the record a minute.

(Discussion off the record.)

The CHAIRMAN. Back on the record.

Senator SCOTT. Mr. Chairman, this statement of Senator Clark, I take it, should primarily be addressed to the ranking majority and minority members. But Senator Curtis—since the other two Senators recognize his right primarily to designate the investigator—we have joined with him, and we have found no fault with Mr. Samuel Scott—although Senator Clark has advised us of the way he feels.

Now, I am a member of the Senate Internal Security Subcommittee myself, and I don't think membership on that committee would interfere with my duties on this one. I have known Mr. Scott only about a year or less, but I have been most favorably impressed with his ability and his capacity to conduct an examination of witnesses.

I don't know personally Mrs. Baker on that subcommittee. I was surprised to read in the papers that she was a staff member. She is one of the numerous anonymous Senate employees whose names or faces we perhaps don't always connect.

I understand—and Senator Curtis should be able to speak on this more authoritatively—that there have been no contacts between Mrs. Baker and Mr. Scott which would arouse any question whatever of special familiarity or sympathy, or would imply any conflict of interest in themselves.

The committee, as I see it, has brought this inconsistency on itself, because at an earlier occasion, as the record will show, I suggested that all counsel be either independent, and outside of the Senate employees, or that they all be employed within the Government structure, and I was overruled on that.

And, then later, the full committee again over the opposition of some of us, as I recall it, instructed the minority that they were indeed obliged to secure assistance from within—certainly as to the minority counsel—from within the structure of the Government employees.

Senator CLARK. Will the Senator yield?

Senator SCOTT. Yes.

Senator CLARK. I am not aware of any such direction by the chairman of the majority.

Senator SCOTT. I might say I don't think inside or out we could have a better counsel than Mr. Burkett van Kirk. I am personally delighted that we have him. But for the sake of consistency, and advertizing again to the record, I think it ought to be read that the majority reserved to itself and secured ultimately the consent of the minority to the employment of outside counsel for the committee. But when the question came up as to employment of minority counsel, it was made clear to us that minority counsel must come from within the committee, the committee structure.

The CHAIRMAN. Will the Senator yield there?

Senator SCOTT. Yes—if I may finish the sentence.

Certainly the discussions between Senator Curtis and myself pertained to the fact that we were under the impression that we should get counsel from within, and we were very fortunate in counsel we did get.

The CHAIRMAN. I think—you are not exactly correct. The understanding we had was that the minority could select either counsel or investigator, either one they wished, inside or outside.

I was very happy, as I stated, that the minority did select Mr. van Kirk as a counsel, and they went on the outside to secure their investigator. You could do either one.

(Senator Cooper entered the hearing room.)

Senator SCOTT. Then the chairman's recollection would mean that the minority again would be denied the right extended to the majority, and that the majority were free to select outside counsel, outside investigators, the minority were free to select only one, and there could be an outside investigator or an outside counsel, but there could not be both. And the only reason I am bringing it up is because it is in the record—

The CHAIRMAN. You could have appointed both, if you wanted to.

Senator SCOTT. I am certain in my own memory that Senator Curtis and I discussed at some length the limitations which we felt the committee may have imposed upon us. We may have proceeded on

a misapprehension. But the colloquy in the earlier record will sustain substantially what I said.

And I only say it because having been told—accepting the chairman's recollection of it—that we could select either a minority investigator or minority counsel from outside, one from outside and one from inside the committee structure, this committee structure, Senator Curtis, I believe, acted in perfect good faith—I am sure we all agree to that—in going to another committee. But we did not believe that we had the right available to us to look for both minority counsel and an investigator outside.

The CHAIRMAN. That is correct; you did not. It was only one.

Senator SCOTT. Therefore, I want the record to show that rights extended to the majority were not extended in the same degree to the minority.

I am not complaining, except I am making a record on the whole question of minority staffing for future use.

The CHAIRMAN. Let me add this to that. There was only one outside counsel—that is majority counsel—to be secured, and that is, as you know, Major McLendon. Now, the minority was given the privilege of selecting a minority counsel from the outside—

Senator CLARK. Everett, you said majority—you mean minority.

The CHAIRMAN. I mean the minority—or to get an investigator. Because only one majority counsel was selected. So it is the same thing.

Senator SCOTT. Well, the resolution itself clears that up. It says:

Provided, That the minority is authorized to select one person for appointment, and the person so selected shall be appointed—

and so forth.

So I want the record to make clear what I am getting at is we were limited. We could not go outside for one of the employees.

Senator CLARK. Will the Senator yield?

Senator SCOTT. Of the Rules Committee setup.

Yes, I will yield.

Senator CLARK. Having appointed minority counsel from inside, you clearly had the right to appoint minority investigator from outside, did you not?

Senator SCOTT. Yes. According to the chairman's recollection, we do.

I point out again that I made the point in the discussion that it would be better that all—that both sides be given the authority to appoint all counsel and investigators from outside, or that all of them should come from inside.

And I say—I know nothing more than I said here. I think Senator Clark, if he has any evidence, should offer it to the committee regarding any possible impropriety or any possible untoward action as it may relate to Mrs. Baker. And I take it that is not your point. You just feel it is a bad—

Senator CLARK. Will the Senator yield?

I have no such evidence, and I have already so stated.

Senator SCOTT. Yes—you simply feel that the association itself is unwise.

Senator CLARK. The Senator is correct.

The CHAIRMAN. Well, I have followed the resolution as it was adopted, purely and simply, that the minority had a perfect right to select anyone they wanted.

Senator COOPER. What is the issue today? I came in 15 minutes late. I am sorry.

Senator SCOTT. The issue is as to the appointment of Mr. Scott.

Senator CLARK. Off the record a minute.

(Discussion off the record.)

Senator SCOTT. May I go on the record to correct something?

I have just been advised Mrs. Baker is not office manager of this subcommittee, but is records clerk, and I believe prepares the vouchers. That is simply to correct the record.

The CHAIRMAN. Off the record.

(Discussion off the record.)

The CHAIRMAN. Back on the record.

Senator CANNON. Mr. Chairman, you indicated because they had that authority that closed this matter.

I think pursuant to that authority Senator Curtis, if I am not mistaken, made the statement that for the time being the person so designated there would be Burkett Van Kirk, who would act as associate counsel—not as minority counsel.

The CHAIRMAN. That part is correct; yes.

Senator CANNON. That would be the person.

The CHAIRMAN. Yes, he was approved by the whole committee. The record will show that.

Now, this investigator which he selected, he had a perfect right to do it under the resolution. He brought him by to see me; he saw Senator Clark.

Senator SCOTT. My point is on that—he could not draw salary unless he were on the payroll with the approval of the full committee—no matter who might have the right to choose him.

Is that right?

The CHAIRMAN. I don't think so.

Senator SCOTT. You mean he can draw salary without having the approval of the full committee to serve as an agent of the committee?

Senator CLARK. Will the Senator yield?

Senator Curtis was of the view, and I agree with him, in view of the discussion this morning, that he has the absolute right to appoint this man without any approval by the majority. And he did; he put him on the payroll, knowing that I objected, and without asking for a vote. I don't ask for a vote now.

The CHAIRMAN. Well, so far as that one man is concerned, he can pick that man, and that is their right to do it.

Senator CANNON. Well, Mr. Chairman, I still have a question there. Can he pick that man, or has he already picked and designated Burkett Van Kirk? Now, this relates to the one man who acts as associate counsel or investigator. And I would like to ask—is Burkett Van Kirk the man that is referred to in the provision there in the part of the resolution or not?

The CHAIRMAN. No; he is not. He was elected by the full committee.

Senator CANNON. As minority—

The CHAIRMAN. As minority counsel.

Senator CANNON. But according to the record he was designated by Senator Curtis as that person. That is what the record shows.

The CHAIRMAN. Let's get the transcript.

Senator SCOTT. While we are waiting for the transcript, I would like to reserve Senator Curtis' rights to be heard in this matter and to suggest that Senator Curtis ought to be the judge as to whether he feels that a rollcall vote of the committee is necessary, for example, for the appointment of Mr. Scott, or whether he doesn't.

But since he is not here, I merely raise that question.

This is a right which perhaps ought to be reserved to him to say.

Senator CLARK. Mr. Chairman, I suggest we proceed with the witnesses. I don't think this discussion is leading us anywhere, nor need it. I have said my piece. There is nothing before the committee.

Senator COOPER. May I say something here?

I think a question has been raised here which cannot be left as it is now. Senator Curtis is not here. From what has been said, you objected to the appointment of Mr. Scott.

I don't think it would be fair to leave it in this situation.

Senator CLARK. Why don't we wait until Senator Curtis comes?

Senator COOPER. I think you would agree yourself, Senator Clark, that it would be fair to wait until Senator Curtis is here, have his response, and then have a discussion by the committee. This is a matter which is important to all of us, and not just one of us.

I think very strongly to leave it in this situation without having Senator Curtis here to discuss his reasons, and then if it is necessary to go further into the qualifications of this man—it would be very unfortunate.

Senator CLARK. I quite agree.

But I think we ought to hear the witnesses this morning, right now, since Senator Curtis is not here.

Senator COOPER. I am not asking to postpone the witnesses. I am talking about this matter which has been raised.

The CHAIRMAN. Would this be agreeable to the committee—that we just carry this over to the next meeting when Senator Curtis can be here?

I think you are exactly right, that Senator Curtis should be heard.

Senator PELL. Who pays Scott in between?

The CHAIRMAN. Is that agreeable?

Senator SCOTT. It is agreeable to me.

Senator COOPER. I would suggest that Mr. Scott not be present at these hearings—

The CHAIRMAN. He is not in the city.

Senator COOPER. And that we continue this matter.

Senator CLARK. Everybody agrees to that.

Senator SCOTT. I think that if Senator Curtis feels that his employment should continue, we would all in the committee want Mr. Samuel Scott to have an opportunity to remove the cloud that is now on his name because we don't want this committee to be unclear as to whether there exists conflicts of interest within the committee.

Senator CLARK. Will the Senator yield?

I was very careful in my statement, as the Senator knows, to cast no cloud on Mr. Scott's name.

I will say for the third time that I think he is well qualified for this position, and he made a good impression on me. I cast no cloud on his name, and I ask you to withdraw that remark.

Senator SCOTT. Of course I will gladly withdraw the remarks.

I will withdraw it. I ask it be stricken out.

Let me rephrase it.

If necessary, if Senator Curtis thinks it important, that any question which exists in the mind of Senator Clark regarding the matter which he has brought up on the question of association with another subcommittee, be clarified by Senator Curtis and Mr. Scott, or by Senator Curtis alone, as he may see fit to do.

Senator CLARK. That is fine.

Senator CANNON. While we are still on this, in order that we may have the record clear, I would like to read from page 197 of the record.

This was Senator Curtis, in respect to an amendment to the motion that I made, with respect to counsel:

Senator CURTIS. I have a substitute. I would hope this would be a compromise acceptable to everybody. Assuming the first part of the motion prevails—

which was my motion that we employ eminent outside counsel—

That a chief counsel be named or selected by the chairman, subject to the vote of the—confirmation, and then in view of what Senator Scott has offered, I would offer this: *Provided*, That a member of the minority staff that we already have, or that has been heretofore provided for, that is the one in the money resolution, should be designed as assistant chief counsel to work with the chief counsel and shall have access to all files and information; *And provided further*, That the minority shall have the right to request the testimony of any witness suggested by them in executive session, and that the minority shall have the right to have their request honored for a investigator or investigators, be dispatched to interview witnesses.

Now, that was the end of Senator Curtis' proposal.

Senator CLARK. Was that adopted?

Senator CANNON. Not at that point. But it was eventually adopted. There was a long discussion about the investigating and the calling of witnesses. And Senator Curtis elaborated on what he meant. And I think I can find here in just a minute—

Senator SCOTT. As far as I am concerned, I am ready to go ahead with the witness.

Senator CANNON. All right. I will find this later.

The CHAIRMAN. All right. We will bring this up at the next executive committee meeting.

Let's bring the witness in.

Mr. McLENDON. The first witness, Mr. Weid, vice president of Melpar Co., has his own personal counsel with him, and counsel for the company itself is also present. The rules provide that the witness may have his counsel present. Technically, counsel for the company would not under the rules be permitted to be present.

As far as I am concerned, as General Counsel, I have no objection to his being here. But I want to call that to the attention of the committee—if you want to exclude Mr. Ginsburg, who is representing the corporation, we should do that before Mr. Weid is offered as a witness.

Senator CLARK. Mr. Chairman, as far as I am concerned, I would be happy to have Mr. Ginsburg here.

Senator COOPER. I have no objection.

The CHAIRMAN. Mr. Weid, will you stand, please, sir, and put your hand on the Bible and take the oath?

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. WEID. I do.

The CHAIRMAN. Mr. Counsel, you may take over.

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

**TESTIMONY OF ARTHUR C. WEID, VICE PRESIDENT, MELPAR, INC.;
ACCOMPANIED BY DAVID GINSBURG AND ROBERT HAUSMAN,
COUNSEL**

Mr. WEID. Arthur C. Weid, 19 Hillville Place, Alexandria, Va.

Mr. McLENDON. Will you state now your business address?

Mr. WEID. My business address is 3000 Arlington Boulevard, Falls Church, Va.

Mr. McLENDON. Is your personal counsel present, Mr. Weid?

Mr. WEID. Yes.

Mr. McLENDON. What is his name?

Mr. WEID. David Ginsburg.

Mr. McLENDON. His address is Washington, D.C.?

Mr. WEID. Yes, sir.

Mr. McLENDON. In addition to Mr. Ginsburg, is counsel for your employer, the Melpar Corp., also present?

Mr. WEID. Mr. Ginsburg is general counsel of Melpar.

Mr. McLENDON. Is he also counsel for you?

Mr. WEID. Yes, sir.

Mr. McLENDON. And Mr. Hausman—is he also your counsel, or the company's counsel?

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

Mr. WEID. Mr. Hausman is associated with Mr. Ginsburg, with his firm.

Mr. McLENDON. All right.

Mr. Weid, are you executive vice president of Melpar?

Mr. WEID. Yes, sir.

Mr. McLENDON. What is the Melpar Corp.?

Mr. WEID. Melpar, Inc., is a partially owned subsidiary of Westinghouse Air Brake. We are primarily in the Government contract business. Perhaps 80 percent of our work is in the general area of electronics.

Mr. McLENDON. Where are the plants located?

Mr. WEID. Our main plant is at the 3000 Arlington Boulevard, Falls Church, address I gave you. That is our administrative headquarters. Also the headquarters of members of our service groups. We also have a substantial amount of research work going on in that building. We have a production facility in the vicinity of Bailey Crossroads, Va. The work in that building is primarily on the Minuteman project.

We also have activities in several smaller buildings in the vicinity of Springfield, Va. It is in an area known as the Shirley industrial tract, I believe—some research activity, some engineering activity.

For the most part that comprises the activities in northern Virginia.

We have a branch plant in Oklahoma City, which is purely production work. We have two wholly owned subsidiaries. One is Television Associates of Indiana, with headquarters in Michigan City, Ind., and they are engaged in telecommunications engineering work for the most part—some aerial surveying.

The other subsidiary is Melpar West Virginia. We have one active plant in Fairmont, which is essentially a metalworking activity.

And we have a plant we are just starting into business down in Beckley, W. Va., which will be primarily assembly work.

Mr. McLendon. Has Melpar had any contracts with the North American Aviation Co.?

Mr. Weid. Yes, sir.

Mr. McLendon. Are they subcontracts or joint prime contracts?

Mr. Weid. These are subcontracts.

Mr. McLendon. Are they extensive in volume?

Mr. Weid. Yes, sir.

Mr. McLendon. Approximately how many million dollars would you say was represented by those subcontracts with North American?

Mr. Weid. The total dollar value, within a million or two, approximately; face value of the contracts is approximately \$85 million.

Mr. McLendon. Now, North American Aviation Co.'s principal plants are in California, are they not?

Mr. Weid. I believe so.

Mr. McLendon. Mr. Weid, as executive vice president, of Melpar, did you have the responsibility for negotiating or consummating contracts for vending machine services in the plants in the Virginia area?

Mr. Weid. Yes. That would come under my duties; yes, sir.

Mr. McLendon. Did you, on behalf of Melpar Corp., execute a contract with the Capitol Vending Co. on or about March 23, 1962, for vending machine services?

Mr. Weid. Yes, sir.

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

Mr. McLendon. What plants did that contract apply to?

Mr. Weid. Just in our plants in northern Virginia.

Mr. McLendon. About how many employees would that involve?

Mr. Weid. A variable number.

I am not ducking the question. Our employment fluctuates. Perhaps—

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

Mr. McLendon. Well, just give us an idea.

Mr. Weid. The quantity varied between about 2,800 or 2,900, perhaps, and 4,000, 3,800.

Mr. McLendon. Now, prior to that date, did your company have a contract for vending services in these same plants with the B. G. Macke Corp.?

Mr. Weid. Yes, sir.

Mr. McLendon. How long had the Macke Corp. had such a contract?

Mr. Weid. A period of years. I don't remember—

Mr. McLendon. Just approximately.

Mr. Weid. I will say 5 years—something in that order.

Mr. McLendon. Were its services satisfactory, Mr. Weid?

Mr. Weid. Generally speaking, yes.

Mr. McLendon. I believe you wrote Mr. Goldman, the president of that company, a letter, in which you told him the services of that company had been satisfactory, did you not?

Mr. Weid. I don't think so.

Mr. McLendon. You did not?

Mr. Weid. I don't believe I did.

Mr. McLendon. Are you aware of the existence of such a letter written by anyone in Melpar to Mr. Goldman?

Mr. Weid. I think Mr. Goldman—I believe Mr. Goldman wanted us to write such a letter after we terminated his contract, and I believe he may have submitted a draft of a letter he wanted us to send to him. But my best recollection is that I never sent such a letter.

Mr. McLendon. You do not know whether any other officer sent such a letter?

Mr. Weid. I don't think so.

Mr. McLendon. Well, notwithstanding that, do you still say that the Macke services were satisfactory?

Mr. Weid. They were generally satisfactory; yes, sir.

Mr. McLendon. From whom did you get instructions to negotiate a contract with Capitol Vending Co.?

Mr. Weid. I would have to—in three words I think I can give you the answer. I would like a few more words than the three words.

Mr. McLendon. You will always be permitted to explain any answer that is not satisfactory.

If you could, I would appreciate it if you would just answer the question. From whom did you get instructions to negotiate this contract?

Mr. Weid. Mr. Edward M. Bostick is president of Melpar, as you know.

Mr. McLendon. Prior to the time that Mr. Bostick instructed you to negotiate this contract, did you have any information that the Capitol Vending Co. was being considered as a contractee for vending services?

Mr. Weid. I think perhaps I could answer your question better if you would permit me, perhaps, to say about five or six sentences.

Mr. McLendon. Go ahead.

Mr. Weid. This would give the story.

Mr. Bostick informed me one day that one or more representatives of a vending machine company would be coming in to see us.

Mr. McLendon. May I interrupt you there, please?

I am trying to shorten it. Did he tell you that they were being sent in consequence of an engagement made by Robert G. Baker?

Mr. Weid. I believe Mr. Baker's name was mentioned.

Mr. McLendon. And that is a fact, is it not—that they did come in consequence of an engagement made by Baker?

Mr. Weid. I believe so. But I am not acquainted with that aspect of it.

Mr. McLendon. Did they come together?

Mr. Weid. I believe two gentlemen came in the first time. They asked for Mr. Bostick, and we chatted—I was brought into the meeting and we chatted a few minutes, and then I took them into my office.

Mr. McLendon. Identify those two men, please, Mr. Weid.
(Senator Clark entered the hearing room.)

Mr. Weid. Mr. Hill, who up until recently has been president of Capitol Vending.

Mr. McLendon. That is Ralph Hill?

Mr. Weid. Yes, sir.

Mr. McLendon. The second one?

Mr. Weid. And a Mr. Hancock, I believe.

Mr. McLendon. Do you remember his initials, or first name?

Mr. Weid. No, sir.

Mr. McLendon. Can you identify him for the committee?

Mr. Weid. Well, I know he has some connections in the vending business. I have only met the man twice. The total time I have spent with him perhaps has not been more than 15 minutes, at best.

Mr. McLendon. You mean he didn't disclose to you on that occasion what company he was connected with?

Mr. Weid. Well, one of my associates told me that he did have with him a Serv-U card.

Mr. McLendon. Serv-U Corp.?

Mr. Weid. I think it was Serv-U.

Excuse me, sir. I believe that is right.

Mr. McLendon. All right.

Now, let me shorten this.

You did interview these two men, did you not?

Mr. Weid. Yes, sir.

Mr. McLendon. I ask you if, at their request, they were not given access to the plant, shown over the plant, and given information that would normally be required for them to submit bids.

Mr. Weid. They were given such information.

Mr. McLendon. All right.

Mr. Weid. I believe they were shown typical vending spots, locations, et cetera.

Mr. McLendon. And was it your understanding at that time that both of these companies might submit bids?

Mr. Weid. No, sir. It was my understanding at the time that the company we were looking at was Capital Vending. That is my best recollection of it.

Mr. McLendon. And how did you get that understanding? Did you get it from Mr. Bostick?

Mr. Weid. I believe so.

Mr. McLendon. And you say you think Mr. Bostick mentioned the name of Baker in that connection?

Mr. Weid. I believe so.

Mr. McLendon. Exactly what did Mr. Bostick say?

For instance, did he tell you that a friend of Baker's was being permitted to visit the plant in connection with a possible bid for the vending services?

Mr. Weid. Yes, sir.

Mr. McLendon. He did?

Mr. Weid. Yes, sir.

Mr. McLendon. And did you identify that friend as the Capitol company?

Mr. Weid. Yes, sir.

Mr. McLendon. Did you have any direct communication with Mr. Baker about that?

Mr. Weid. No, sir. I did not meet Mr. Baker until many months later.

Mr. McLendon. But Mr. Baker did not, as far as you know, indicate that Hancock or his company was the friend referred to?

Mr. Weid. I don't know.

Mr. McLendon. And you are positive, are you not, that the friend indicated by Mr. Baker was the Capitol company?

Mr. Weid. It was my understanding—my recollection at this point, looking back on it—and this was perhaps in February of last year—that Captiol Vending was the one we were looking at. That is my recollection at this point, my best recollection.

Mr. McLendon. All right.

Now, as a result of that meeting on that day, did Mr. Hill submit to you a proposal in writing for the vending service contract?

Mr. Weid. Yes, sir.

Mr. McLendon. Did you receive it personally?

Mr. Weid. I am not sure whether the proposal was addressed to me or someone else at Melpar.

Mr. McLendon. If it didn't come to you, it would have come to Mr. Marsh; would it not?

Mr. Weid. That is correct. It came to one of us.

Mr. McLendon. Did you make suggestions for changes in this proposal?

Mr. Weid. I remember looking at—I believe there was more than one proposal. I think the first one was not entirely satisfactory to us. I cannot recollect whether I personally talked with Mr. Hill about it, or whether Mr. Marsh did. But there was a second proposal a few days later made which then became satisfactory to us.

Mr. McLendon. And that was embraced in the contract, of course, the second proposal?

Mr. Weid. Yes, sir.

Mr. McLendon. Mr. Hancock ever submit a proposal?

Mr. Weid. I don't believe.

Mr. McLendon. Did you ever ask him to submit one?

Mr. Weid. No, sir.

Mr. McLendon. Did you invite proposals from any other vending companies?

Mr. Weid. No, sir.

Mr. McLendon. Did Mr. Bostick tell you to invite proposals from anyone else?

Mr. Weid. Would you repeat that?

Mr. McLendon. Did Mr. Bostick tell you to invite proposals from any other vending company?

Mr. Weid. No, sir.

Mr. McLendon. So the Capitol company had no competition; is that correct?

Mr. Weid. That is correct; only themselves.

Mr. McLendon. Now, you have informed us that there was an increase in price under the Capitol contract over that prevailing under the Macke contract.

Mr. WEID. Yes. The contract that was negotiated with Capitol Vending provided approximately 20 percent more commissions per employee to the company. This is not profit to the company. We credit this amount to our overhead account.

Mr. McLENDON. And the Government gets the benefit of it?

Mr. WEID. Reduces the cost of our Government contract work indirectly.

Mr. McLENDON. The Government gets the benefit of that; does it not?

Mr. WEID. Yes, sir.

Mr. McLENDON. So the Government has a direct interest in the proceeds from these vending contracts?

Mr. WEID. I would think so.

Mr. McLENDON. Did you know what position Mr. Baker occupied at that time?

Mr. WEID. I think I was generally aware of it. Not ducking the question. To this day, even after reading all the stuff that has been in the newspapers, I am still not really sure what the secretary of the majority does—I must confess.

Mr. McLENDON. But you knew he occupied that position with that title?

Mr. WEID. Yes, sir.

Mr. McLENDON. Had you been told he was a man of influence?

Mr. WEID. No.

Mr. McLENDON. You had not?

Mr. WEID. I have never been told that; no sir.

Mr. McLENDON. Did you know that, on a number of occasions, the consultants employed by your company had invited him to be present when officials of your company were also present?

Mr. WEID. No; I was not aware of that.

Mr. McLENDON. You were never invited at any social gathering where Mr. Baker was present?

Mr. WEID. No, sir.

Mr. McLENDON. Or the officers of your company?

Mr. WEID. Not involving the consultants.

Could I assume that perhaps you are referring to Mr. Webb or Mr. Law?

Mr. McLENDON. Yes.

Do you have any knowledge that Mr. Law also exerted some influence with Mr. Bostick, the president of your company, to get Capitol Vending Co. considered?

Senator CLARK. Excuse me just a second. It is awfully hard to hear the witness with his hands in front of his mouth.

Mr. WEID. Excuse me.

Mr. McLENDON. I think we better have that question read back.

(The reporter read the question as requested.)

Mr. WEID. I believe he did talk with Mr. Law on this matter. I have no personal knowledge of it, though. I was not present.

Mr. McLENDON. All right.

Now, after you had entered into this contract with Capitol Vending Co., then did you then for the first time notify the Macke Co. that their contract was terminated?

Mr. WEID. Yes, sir.

Mr. McLendon. Did you do that in person?

Mr. Weid. No. I sent them a letter, as required. The notice had to be given in writing. The terms of the contract were such that either party could cancel the contract on 30 days' notice.

Mr. McLendon. And who was the president of the Macke Co. at that time; was it Mr. Goldman?

Mr. Weid. I believe it was.

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

Mr. McLendon. Did he come to your plant and visit you in person in that connection?

Mr. Weid. Yes, sir; the very next working day.

Mr. McLendon. Did he ask you if his company would be permitted before its contract was canceled to bid a better and more favorable bid?

Mr. Weid. I cannot be really sure of that. I spent about an hour with Mr. Goldman that morning, and he was very upset at the time. Mr. Bostick and I had agreed previously that we would do everything we could to, if I may use the term, let Mr. Goldman down, let Macke down easily. He had given, as I pointed out earlier, satisfactory service. I had known Goldman for a number of years, just in a business way. And we thought it would be the nice thing to do not to get into a big fight on this.

Mr. McLendon. In other words, you wanted to save his feelings as much as possible?

Mr. Weid. That is correct.

Mr. McLendon. All right.

To refresh your recollection, Mr. Weid, don't you recall that Mr. Goldman asked you if his company would be permitted to file a bid?

Mr. Weid. He could well have asked that question.

As I say, I am a little uncertain about it at this point.

Mr. McLendon. Well, to refresh your recollection again, don't you recall that you told him, "I am sorry; it is too late; we have already made a contract with Capitol"?

Mr. Weid. If he had asked me that question, I am sure that I would have given him that answer.

Mr. McLendon. If Mr. Goldman so testifies, you would not contradict him, would you?

Mr. Weid. I don't think so.

Mr. McLendon. All right.

Now, Mr. Weid, in 1963 did you and other officers of Melpar Corp. decide to terminate the Capitol contract?

Mr. Weid. Yes, sir.

Mr. McLendon. And to make this part of it as brief as possible, one of the considerations was that you wanted to combine the vending machine services with the food services, is it not?

Mr. Weid. That is correct, sir.

Mr. McLendon. What company at that time had the food service?

Mr. Weid. It was originally Nationwide, and I believe after we gave them the contract they sold out or were bought out by Automatic Canteen.

Mr. McLendon. Now, in that connection, do you recall a visit made to the plant and to you by Mr. Hancock?

Mr. Weid. Very vaguely.

Mr. McLendon. Perhaps I can refresh your recollection.

Do you not recall that Mr. Hancock came to the plant and asked permission to inspect the entire installation of the Capitol Co.?

Mr. WEID. He may have. I do know that he was back in the plant some time this year. That was the second time that I ever did see Mr. Hancock.

Mr. McLENDON. Now,—

Mr. WEID. I spent very little time with him—5 minutes perhaps, maybe less.

Mr. McLENDON. Well, he was referred to Mr. Marsh, was he not?

Mr. WEID. Yes, sir.

Mr. McLENDON. And do you know that all the records of the Capitol Co. were made available to Mr. Hancock, even including the total sales?

Mr. WEID. They could have been.

Mr. McLENDON. Did he disclose to you what his interest in asking for that information was?

Mr. WEID. I honestly cannot recollect at this point.

Mr. McLENDON. Well, wasn't that a rather unusual thing, for a man to come in the plant and be given access to a competitor's records, even the volume of sales and possible profit?

Mr. WEID. Well, he had been in the plant a year or so before that.

Mr. McLENDON. Yes, sir; I understand.

Mr. WEID. This we discussed a few minutes ago. I just can hardly recollect the circumstances of that. I am not ducking it, honestly.

Mr. McLENDON. I understand; all right.

Senator SCOTT. Mr. Counsel, may I interrupt?

As I understand the question wasn't that unusual, and he has not answered that.

Mr. McLENDON. Suppose you answer that question.

Do you understand the question?

Mr. WEID. Yes, sir.

Mr. McLENDON. Go ahead and answer it.

Mr. WEID. I would say it is somewhat unusual.

Mr. McLENDON. Now, I ask you in that connection if at that time you knew exactly whom Hancock was representing.

Mr. WEID. I personally did not.

Mr. McLENDON. But you did know that at an earlier date he had represented himself as being connected with the Serv-U Corp.?

Mr. WEID. That is correct. That was my recollection.

Mr. McLENDON. And he had not notified you that that connection, whatever it was, had been severed.

Mr. WEID. I honestly am not ducking the question.

I spent just a few minutes with him. I turned him over to Mr. Marsh.

Mr. McLENDON. Mr. Weid, I have difficulty in understanding how you as executive vice president of this large corporation made a contract involving several million dollars, affecting the Government also, as well as your company, didn't have enough curiosity to know with whom you were talking.

Mr. WEID. Well, I believe this was another case where Mr. Bostick had asked me to make these records available to Mr. Hancock.

Mr. McLENDON. Did he explain why that unusual procedure was being followed?

Mr. WEID. No, sir.

Mr. McLendon. Now, Mr. Weid, before the Capitol contract was actually terminated, which I believe was August 28, 1963—is that correct?

Mr. Weid. That is correct.

Mr. McLendon. Did you have a visit from representatives of Capitol, in particular Mr. Stanley Lee?

Mr. Weid. Yes, sir.

Mr. McLendon. That was on or about August 5, was it not?

Mr. Weid. That would be approximately correct. It was 2 or 3 weeks before we actually terminated the contract.

Mr. McLendon. Did Mr. Lee tell you that there were rumors in the trade that the Capitol contract was about to be terminated?

Mr. Weid. Yes, sir; he did.

Mr. McLendon. And did you tell him to keep his shirt on, that it hadn't been terminated yet?

Mr. Weid. Yes, sir.

Mr. McLendon. Did you give him any information indicating that it was going to be terminated?

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

Mr. McLendon. So you left him completely in the dark with respect to whether it would or would not be terminated?

Mr. Weid. That I did. The reason I did that was because we were then in the process of trying to solve this horrible problem we had in our cafeteria. And it was our considered opinion—in fact, we, Bostick and myself, agreed that the only way, practical way to solve this problem was to combine the cafeteria and the vending operation. I did not want to make a move on terminating the Capitol Vending contract until we knew where we were going on the overall contract.

Mr. McLendon. All right.

Mr. Weid. I was afraid the service would deteriorate, and we would have other problems.

Mr. McLendon. All right.

Now, while the Macke Co. had the vending machine operations, did it request of you or of the company that it be permitted to change prices, increase prices?

Mr. Weid. They may have. I have no information at my fingertips on that.

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

Mr. McLendon. You don't recall that?

Mr. Weid. I had heard discussion on it. This goes back now several years.

Mr. McLendon. I understand that.

Mr. Weid. And there could well have been some suggestions made by Macke?

Mr. McLendon. Well, let me ask the question in this manner. You have general knowledge, do you not, that the Macke Co. was not permitted to increase prices before its contract was terminated.

Mr. Weid. That is correct.

Mr. McLendon. All right.

Now, with respect to Capitol, it was permitted to increase its prices; was it not?

Mr. Weid. Yes.

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

Mr. WEID. Yes; the price increase, if I remember correctly, involved going to a different type of soft drink. There was one case where crushed ice was put in a cup and then the drink poured over it, which was different. There was no ice in the drinks previously.

Mr. McLENDON. How did you——

Mr. WEID. Also, there was a new drink added, hot chocolate, which I do not believe had been previously vended.

Mr. McLENDON. How did you get the information which permitted you or Mr. Marsh to approve these price increases requested by Capitol?

Mr. WEID. At the time that was put into effect, I was out of town, and that was put into effect while I was away on company business. I do not know the circumstances of that.

Mr. McLENDON. Did you see the memorandum on the letterhead of the Capital Vending Co., on that subject?

Let me show it to you to refresh your recollection.

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

Mr. WEID. I have seen this before.

Mr. McLENDON. Does it bear a date?

Mr. WEID. I see a 2-14 here.

Mr. McLENDON. That is in handwriting, is it not?

Mr. WEID. Yes, sir.

Mr. McLENDON. Do you know whose handwriting that is? Is it Mr. Marsh's?

Mr. WEID. It could be.

Mr. McLENDON. Mr. Weid, do you not know that that memorandum you are looking at came to your company from Robert G. Baker?

Mr. WEID. I have no knowledge of it.

Mr. McLENDON. You mean you have not heard that discussed down at your company's offices?

Mr. WEID. No, sir. No, sir.

Mr. McLENDON. Well——

Mr. WEID. If it had been discussed, I was not present.

Mr. McLENDON. Well, where did it come from, then?

Mr. WEID. I do not know, sir.

Mr. McLENDON. Had you ever seen it?

Mr. WEID. I have seen it recently.

Mr. McLENDON. You mean you had not seen it before this investigation began?

Mr. WEID. I don't believe so. My recollection is I have not.

Mr. McLENDON. And as executive vice president you were not consulted about the advisability of making that change?

Mr. WEID. Mr. Bostick and I worked quite close together.

Mr. McLENDON. You are not answering my question.

Were you consulted about making that change?

Mr. WEID. No. This was done while I was away on company business.

Mr. McLENDON. When you came back, did anybody tell you about it?

Mr. WEID. I believe Mr. Marsh did, and I believe Mr. Bostick did.

Mr. McLENDON. And did they tell you why they had given this concession to the Capitol Co.?

Mr. WEID. I don't believe so.

Mr. McLendon. You don't think so?

Mr. Weid. No, sir.

Mr. McLendon. Was the name of Baker mentioned in connection with it at all?

Mr. Weid. I have no recollection of that, sir.

Mr. McLendon. All right.

Let me ask you one more question about this memorandum.

I asked you if you had any information that Baker had any connection with it. I ask you now if you had any information, when you came back from your trip you referred to, that Mr. Law, of the firm of Webb and Law, had any connection with it?

Mr. Weid. I have no recollection of that, sir.

Mr. McLendon. The effect of this change in prices granted to Capitol, in response to this memorandum, was to increase its profit more than a hundred percent, was it not?

Mr. Weid. I am sure it increased their profit. It also increased the commissions that Melpar received, total commissions.

Mr. McLendon. Would it be reasonably accurate to say that prior to putting these price increases in effect that the profits of Capitol would be something like \$1,500 a month, and thereafter it jumped as high as close to \$5,000 a month?

Mr. Weid. I honestly do not know what their profits were.

Mr. McLendon. All right.

Now, subsequent to the meeting with Mr. Lee on or about August 5, about which I asked you, did you have a meeting early in September at the plant attended by you, Mr. Bostick, Mr. Collier of the Capitol Co., and Mr. Lee of the Capitol Co.?

Mr. Weid. Yes, sir.

Mr. McLendon. What was the purpose of that conference?

Mr. Weid. That meeting—the conference was requested by Mr. Collier. He represented himself as, I believe, a stockholder at the time—stockholder, director, and something else in connection with Capitol.

We had heard the name of Collier in connection with Capitol Vending in the past. He called Mr. Bostick to see him shortly after I sent out the termination letter. Mr. Bostick agreed to see him on September 5, or whenever the date was, approximately. And it is indeed true that Mr. Lee, Stanley Lee, I believe it is, Mr. Collier, Bostick, and myself, did sit down and listen to him.

Mr. McLendon. Now, at that time, the contract with Capitol had been canceled.

Mr. Weid. We had given them 30 days notice—as of August 28—and this was perhaps 8 or 9 days later.

Mr. McLendon. Now, Mr. Weid, I ask you if at that conference the two representatives of Capitol, namely Mr. Collier and Mr. Lee, did not tell you and Mr. Bostick that they had a contract or agreement with Robert G. Baker with respect to the contract between Capitol and your company, Melpar.

Mr. Weid. It was said at that meeting—

Mr. McLendon. Mr. Weid, I dislike to keep indicating that I am trying to tell you how to testify—I am not doing that.

But it will shorten the matter very much if you try to answer my question. Then if you have an explanation, make it.

Did they tell you what I just asked?

Mr. WEID. Substantially, yes. One of them did say that they had an agreement with Mr. Robert G. Baker that they could stay in Melpar for 3 years from the time they started. That was said. And we told them we knew of no such agreement.

Mr. McLendon. All right.

Mr. WEID. That our contract with them called for 30 days' notice, and is it correct, and they said yes.

Mr. McLendon. And that is the way it was written, with a 30-day cancellation clause in it?

Mr. WEID. Yes, sir.

Mr. McLendon. All right.

Did they also tell you that the Capitol Co. had been paying Mr. Baker a monthly payment for his services in procuring the Capitol contract?

Mr. WEID. I don't recollect that. My first knowledge that any of that might have been going on—again, this is my very best recollection—was when I read the complaint papers filed by Ralph Hill on the suit against Serv-U, Baker, Hill, Black, et cetera.

Mr. McLendon. Do I understand you, then, that you would not deny that Mr. Collier and Mr. Lee in that conference disclosed to you and Mr. Bostick that the Capitol Co. had been paying Robert G. Baker for his services in obtaining the Capitol contract?

Mr. WEID. I would not deny it.

But my best recollection is that they did not say that, although they did say they had supposedly this agreement with Mr. Baker for the 3-year period.

Mr. McLendon. Yes; you have testified to that.

Now, did these gentlemen, Mr. Collier and Mr. Lee, in that conference also tell you that they had under consideration the institution of a suit for damages against Mr. Baker and others?

Mr. WEID. Yes, sir. Mr. Lee pulled some papers out of his pocket, flashed them, and said that unless we withdrew our letter of termination, this August 28 letter, giving them the 30 days' notice, that this suit would be filed virtually immediately.

Mr. McLendon. All right.

Now, prior to the time that you made a contract with Interstate, following the cancellation of the Capitol contract, did you have knowledge of the trip to your plant made by Ernest Tucker?

Mr. WEID. Yes.

Mr. McLendon. What was the purpose of his trip there, Mr. Weid?

Mr. WEID. I saw Mr. Tucker at our plant, I believe, twice.

Mr. McLendon. Again let me interrupt you. I am going to ask you about the trip he took with Mr. Marsh.

If you can confine it to that, the other part is not of any particular interest to the committee at the time.

Did you instruct Mr. Marsh to go with Tucker to several installations throughout the country?

Mr. WEID. Yes, sir; I certainly did.

Mr. McLendon. And who was Tucker representing?

Mr. WEID. At the time I didn't know.

Mr. McLendon. Did you know that he was a member of the law firm of Tucker & Baker?

Mr. WEID. Yes, sir.

Mr. McLendon. You knew that?

Mr. Weid. I did know that.

Mr. McLendon. Did you ask him what interest he had in going around and visiting other vending installations in New York and distant points?

Mr. Weid. We had a very serious problem on our hands at the time with this cafeteria.

Mr. McLendon. Mr. Weid, you are not answering the question. I am asking you did he tell you why he wanted to go around to these various places?

Mr. Weid. I think I was about to answer the question.

We needed all the help we could get on this. And Mr. Baker and Mr. Tucker were indeed extremely helpful to Melpar at that time.

Mr. McLendon. They were?

Mr. Weid. Yes, sir.

Mr. McLendon. And it was because Baker and Tucker were helpful to Melpar that you sent Mr. Marsh, one of the Melpar employees, on a trip with Tucker to a number of installations, including one in New York?

Mr. Weid. One out at Dulles and one in New York; yes, sir.

Mr. McLendon. And you still didn't know who Tucker represented?

Mr. Weid. I am not sure I understand the question.

Mr. McLendon. You don't mean to say that you just take an important employee in your company like Mr. Marsh and assign him to a person that you don't even know who he represents or what his interest is in, and travel all over the country. You don't do that, do you?

Mr. Weid. No, sir.

Mr. McLendon. Well, why, then, did you send Marsh with Tucker?

Mr. Weid. We had been considering several companies. Gladieux was one. It had an installation at Dulles. Interstate was another. Hot Shoppes was another. There were several others. I feel sure that Mr. Baker and Mr. Tucker had recommended several of these companies—not just one, but several of them.

Mr. McLendon. Then it would follow that Tucker was there as a result of advice from Mr. Baker?

Mr. Weid. The fact of the matter is Mr. Baker was with Mr. Tucker.

Mr. McLendon. When was that?

Mr. Weid. On two different occasions.

Mr. McLendon. At your plant?

Mr. Weid. Yes, sir.

Mr. McLendon. Now, tell us what took place on those two occasions.

Mr. Weid. My best recollection is that on the first trip out to our plant, we met in Mr. Bostick's office—Mr. Tucker and Mr. Baker were present. I believe that some people from the Hot Shoppes were present. We discussed this cafeteria problem that we had.

Incidentally, subsequent to that we tried to get the Hot Shoppes people interested in this. We showed them the installations, et cetera. They were not really too interested after seeing our setup.

The second meeting was some days later, and it was Mr. Tucker, Mr. Baker, I believe they stopped in to say hello to Bostick. And then we immediately went into my office.

I called Mr. Marsh in, and I believe at one time during the meeting I called our treasurer in to check a few points, Mr. Cosby.

Mr. McLendon. Is that all you want to say about that now?

Mr. Weid. I would be glad to answer any questions on it.

Mr. McLendon. Well, now, your company did finally execute a contract with the Interstate Vending Co. for both the vending services and the food services.

Mr. Weid. Yes, sir.

Mr. McLendon. In these two meetings to which you refer, attended by Ernest Tucker and Baker and you and Mr. Bostick, did you discuss—

Mr. Weid. Mr. Bostick—I am sorry—let me not interrupt.

Mr. McLendon. Did you and Mr. Bostick discuss the possibility of a contract with Interstate Vending Co. in those two meetings?

Mr. Weid. I am not sure. I don't believe Mr. Bostick was present when we discussed that. I think that was in the meeting with Mr. Tucker, Mr. Baker, Mr. Marsh, and myself.

Mr. McLendon. All right.

You did discuss the Interstate Co. there?

Mr. Weid. Yes, sir.

Mr. McLendon. And did you ask Mr. Baker if he could speak for Interstate?

Mr. Weid. I did.

Mr. McLendon. And he answered "Yes," did he not?

Mr. Weid. Yes.

Mr. McLendon. Did you know that when you made the engagement with him?

Mr. Weid. No. I don't think so.

Mr. McLendon. Were you considering any other company except Interstate at that time?

Mr. Weid. We were down to Interstate at that point.

Mr. McLendon. You were down to it?

Mr. Weid. Yes, sir.

Mr. McLendon. You had eliminated the others?

Mr. Weid. Yes, sir.

Mr. McLendon. Do you know how long Mr. Baker had been representing Interstate?

Mr. Weid. No, sir.

Mr. McLendon. Did he explain to you how he could speak for them; whether in the capacity of attorney, agent, or what?

Mr. Weid. I did not ask him the mechanism. I assumed that he was acting—that he and Tucker were acting as attorneys.

Mr. McLendon. As attorneys?

Mr. Weid. I assumed that. I did not specifically ask that question.

Mr. McLendon. But more than once during those conferences, when you were discussing details of a possible contract with Interstate, you did ask the question, "How do we know this would be agreeable to Interstate?" In each instance, Baker said, "I can speak for Interstate."

Mr. Weid. I am not sure how many times that was said. I do remember specifically asking him the question that you asked me, and he did give me the "Yes" answer.

Incidentally, before that we had received a proposal from Interstate—before that meeting.

Mr. McLendon. I see.

But there was no one there to represent Interstate, except Baker and Tucker?

Mr. Weid. Not at that meeting.

Mr. McLendon. And did they have anything to do with the final formulation of the contract that your company executed with Interstate?

Mr. Weid. To a large measure, yes. We discussed—we were—Melpar—not happy with the financial arrangement in the original proposal that Interstate made to Melpar. And I discussed this with Mr. Baker and Mr. Tucker, and told them that we just could not buy it. There was not enough money—I think—

Mr. McLendon. Those objectionable features were removed, were they not?

Mr. Weid. Yes, sir. The original contract was \$4 per employee per year for the combination vending and cafeteria. At the conclusion of that meeting, it was \$7 per employee per year. We increased it by 75 percent.

Mr. McLendon. Did your company pay Baker and Tucker for their services in that connection?

Mr. Weid. No, sir.

Mr. McLendon. Who did pay them?

Mr. Weid. I have no idea, sir.

Mr. McLendon. You don't think they were working for nothing, do you?

Mr. Weid. I just don't know. We did not pay them anything. That I do know.

Mr. McLendon. You have already testified that Baker was very helpful to your company during those days.

Mr. Weid. He was.

Mr. McLendon. In what other respects was he helpful, other than in this vending machine area?

Mr. Weid. That is the only area I know about in that regard.

Mr. McLendon. Now, you had known Mr. Baker for some time prior to these vending machine negotiations?

Mr. Weid. My relationship with Baker—

Mr. McLendon. Just answer the question.

Had you known him for some time?

Mr. Weid. Not really.

Mr. McLendon. Did you—

Mr. Weid. I had met him not more than six times, total.

Mr. McLendon. Six times?

Mr. Weid. Not more than that.

Mr. McLendon. Did you attend a dinner party given by Mr. Bostick in the fall of 1962 in which Mr. Baker was more or less the honor guest?

Mr. Weid. Yes, sir. I was at that dinner party, and that was the first time I met Mr. Baker.

Mr. McLendon. Where was that party held?

Mr. Weid. I believe it was at the F Street Club.

Mr. McLendon. How many people there, approximately?

Mr. WEID. Thirty, thirty-five, a fair number of people.

Mr. McLENDON. Were they all business people?

Mr. WEID. Pretty much so.

Mr. McLENDON. Did you have your company's consultants, Webb & Law, and Mr. Fred Black, there?

Mr. WEID. I believe—in Washington one goes to a lot of dinner parties. My best recollection is that Mr. Black was there. And I believe that was the first time I met Mr. Black.

Mr. McLENDON. Let me ask you a question about the consultants. The firm of Webb & Law are not lawyers, are they?

Mr. WEID. I don't think so.

Mr. McLENDON. Well, I may be in error, I am told.

Mr. WEID. I believe Mr. Webb is a lawyer. I believe Mr. Law is not.

Mr. McLENDON. All right.

Were they employed by your company to give legal advice?

Mr. WEID. No, sir.

Mr. McLENDON. You had a regular firm of lawyers employed for legal purposes?

Mr. WEID. Yes, sir.

Mr. McLENDON. Legal advice?

Mr. WEID. Yes, Mr. Ginsburg and his firm.

Mr. McLENDON. What kind of service did this firm render?

Mr. WEID. Well, Mr. Webb and Mr. Law have a lot of contacts and know a lot of people. And we thought at the time that if we entered, or employed them as consultants, that they could help us meet some people that would be advantageous to our business.

Mr. McLENDON. Would it be fair to say, Mr. Weid, that their chief function was to introduce officers of the Melpar Co. to the right people, important people?

Mr. WEID. I would not say that that was their only function. I am sure that they have done that.

Mr. McLENDON. Well, that was one of their chief functions?

Mr. WEID. That was one of the things they do, yes, sir.

Mr. McLENDON. How about Mr. Black? What kind of service did he render?

Mr. WEID. Oh, a very similar service. I have had very little contact with Mr. Black. I hardly know the man. Maybe three or four times.

Mr. McLENDON. Did he also know a lot of important people?

Mr. WEID. It is my understanding that he does.

Mr. McLENDON. After this suit was brought by Capitol against Baker and Black and others, did you have lunch with Tucker and Baker at the Capitol rotunda restaurant?

Mr. WEID. Yes, sir.

Mr. McLENDON. Who else was present?

Mr. WEID. Mr. Bostick.

Mr. McLENDON. Who arranged this conference?

Mr. WEID. I have no idea.

Mr. McLENDON. How long was it after the suit was brought?

Mr. WEID. Some days, a matter of days, perhaps a week.

Mr. McLENDON. What was the purpose of this particular get-together?

Mr. WEID. Well, I was invited to go to lunch by Mr. Bostick. We did have lunch with Tucker and Baker at the rotunda. Mr. Baker was present, I don't think, for more than a half hour. We discussed a little bit the suit that had been filed. And that was about the extent of it.

Mr. McLendon. Would it be fair, then, to say that the purpose other than to eat was to discuss the suit?

Mr. WEID. I would say so.

Mr. McLendon. Did you come to any conclusions about the part that your company would take in it?

Mr. WEID. No, sir.

Mr. McLendon. Or how you were involved in it?

Mr. WEID. Well, we were involved in it to the extent that we were—well, we were indirectly involved in the suit. We were concerned from the publicity standpoint at Melpar. We did not resolve anything, no, sir.

Mr. McLendon. Mr. Weid, to the best of your recollection, was there any difference between the two meetings attended by Baker and Tucker, about which you have testified, as respects the purpose of the meeting?

To refresh your recollection, could it be that the first meeting you were discussing other vending companies, and at the second meeting you were concentrating on Interstate?

Mr. WEID. Yes. Well, the second meeting was purely Interstate.

The first meeting, if my recollection is correct—there were representatives from the Hot Shoppes.

Mr. McLendon. Well, now, at the first meeting, when you were discussing several possible vending machine operators, did Baker disclose which one he represented, at the first meeting, in the presence of these other company representatives?

Mr. WEID. I don't think so.

Mr. McLendon. You don't think he did?

Mr. WEID. No, sir.

Senator CLARK. Excuse me. Could I ask if the first meeting is the dinner at the F Street Club?

Mr. McLendon. No, sir; the meetings I am referring to are the two meetings attended by Baker and Tucker at your plant, and that was in December of 1963. And during business hours, were they not?

Mr. WEID. Yes, sir.

Mr. McLendon. And both were made by—the engagements for both those meetings were made by Baker with Mr. Bostick?

Mr. WEID. I had nothing to do with the arrangements.

Mr. McLendon. Do you know that Baker made the engagement?

Mr. WEID. I do not know who called whom.

Mr. McLendon. All right.

Senator CLARK. How did you find out about the meeting?

Mr. WEID. Mr. Bostick told me.

Senator CLARK. Did he tell you who had asked for it?

Mr. WEID. I am sorry?

Senator CLARK. Did he tell you who had asked for the meeting? Didn't he tell you that Mr. Baker had asked him to get you to go to a meeting?

Mr. WEID. No; no, sir. I was called into the meeting when Baker was there.

Senator CLARK. You were Mr. Bostick's superior?

Mr. WEID. No, sir.

Mr. McLENDON. No; Mr. Bostick is his superior.

Mr. Chairman, that is all the questions I care to ask him at this time.

The CHAIRMAN. Senator Byrd, do you have some questions you would like to ask?

Senator BYRD. When it comes to my turn, yes.

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

Senator CANNON. Mr. Weid, I am not quite clear as to how the Government shares in these contracts. Is the situation such that the vending company pays you so much per employee per year?

Mr. WEID. Let me explain that.

In the old vending contracts—not the new one, where we have combined the vending and the cafeteria——

Mr. McLENDON. He means with Interstate, Senator; this last contract.

Mr. WEID. On Macke, on Capitol.

We received commissions on the sales of the various items. The commissions varied by the item. These moneys were paid to Melpar usually on a monthly basis. We, in turn, credited our overhead account. If we received a \$3,000 check, that did not show up in our profit column. That showed up as a credit to our overhead account. Our total overhead, if it had been \$10 million without this \$3,000, then it would have been \$9,970,000 after we received this check.

Senator CANNON. So that the Government got the full benefit of the commission which you received as it showed in reducing your overhead cost?

Mr. WEID. Absolutely, sir.

Senator CANNON. And do I understand your testimony, to sort of summarize this, that you got more money by way of commissions from Capitol than you were getting from Macke at the time?

Mr. WEID. Yes, sir—to the tune, initially, of 20 percent, approximately.

Senator CANNON. So that by changing from Macke to Capitol, you were, in effect, saving the Government money in that operation?

Mr. WEID. That is correct, sir.

Senator CANNON. And when you went from Capitol to Interstate—I believe your testimony was that you were desirous of combining your food and your vending contract?

Mr. WEID. That is correct.

Senator CANNON. Had you ever had it combined at any time before that?

Mr. WEID. No, sir.

Senator CANNON. And did you in fact combine it by going to Interstate?

Mr. WEID. Yes, sir.

Senator CANNON. And at that time how were the commissions paid then?

Did you receive so much per employee from Interstate?

Mr. WEID. Interstate—I think I can explain this in about three or four sentences.

The previous cafeteria contract with Nationwide was at no cost to Melpar. We furnished the facilities, pots, pans, stoves, refrigerators, utilities, et cetera. They furnished people, food, what-have-you.

We approved their prices. If they made money, that was their baby. If they lost money, it was their baby. So there was no deduct for credit to our overhead account in the old contract with Nationwide, which ran just for the cafeteria.

Now, as of September 27, I believe, this year, Interstate took over both the cafeteria and the vending. We had had this very serious problem on the quality of the food in our cafeteria. It was just not obtaining the confidence of our employees and Nationwide had gone downhill. We had to make a change in the cafeteria management.

We also realized by the financial experience of Nationwide that one way or another we had to subsidize our company cafeteria. And Bostick and I thought the best way we could do this was by combining the vending and the cafeteria into one contract, and in so doing we had to change the whole basis for what the concessionaire—how the concessionaire would reimburse or pay Melpar.

So we changed from no profit, no loss on the cafeteria operation, and a commission operation on the vending, to the Interstate contract where we are being reimbursed—I believe it is \$7 per employee per year for the privilege of having the vending and also running the cafeteria at a loss.

The vending commissions would be more than enough to offset their loss in the cafeteria.

SENATOR CANNON. So that instead of getting commissions on vending alone, as you were before, you now get a \$7 flat per person per year for the privilege of taking care of the vending and the food.

MR. WEID. Correct.

SENATOR CANNON. Now, how does this compare, based on the limited experience that you have so far? Does this result in an increase or a decrease in the Government?

MR. WEID. This will be a decrease.

SENATOR CANNON. This will be a decrease?

MR. WEID. Yes, sir.

SENATOR CANNON. Is that by reason of the fact that you were subsidizing Nationwide before?

MR. WEID. No. It is by reason of the fact that Nationwide was subsidizing us. And that was the reason they pulled out.

SENATOR CANNON. I see. Nationwide left voluntarily; is that it?

MR. WEID. Yes, sir. They sent us a letter giving us 30 days' notice and we were forced into doing something.

SENATOR CANNON. I see.

MR. WEID. We had to choose a company that was known, that we could show at least topside we were doing the best we could getting one of the best in the business in to take over this operation.

SENATOR CANNON. Is your company involved directly in this so called lawsuit we have heard mentioned here today?

MR. WEID. Only indirectly.

SENATOR CANNON. You are not parties to the lawsuit?

MR. WEID. No, sir; we are not being sued.

SENATOR CANNON. A final question: In your negotiations with award of the contract to Interstate, was that because of the influence of any

person or persons, or was it because you got the best proposal from them?

Mr. WEID. Interstate did not get the contract because of any influence. Interstate appeared to be a most reliable company in similar installations in many plants all over the United States. If indeed Baker and/or Tucker at any time suggested Interstate—they did suggest other companies—it would have been one in any event that we would have contacted on our own.

There is no question about that.

Senator CANNON. They did initially suggest several companies?

Mr. WEID. Yes. At various times they suggested—as possibilities to look at—this Gladieux I mentioned before, Hot Shoppes, I believe the Interstate suggestion was originally from them. But they did not suggest just one. It was a number, and we looked at them.

Senator CANNON. And has the service of Interstate been satisfactory so far?

Mr. WEID. Yes, sir. This is on the basis of only about two and a half months now, a little less than two and a half months. But we have already had to add an additional shift on it at lunch hour than we had previously, because more people are eating up there. It is working out very fine, sir.

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

Senator CANNON. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Cooper?

Senator COOPER. I believe you said that there is a firm of Law & Webb that represented Melpar?

Mr. WEID. Yes, sir—Webb & Law I think is the name.

Senator COOPER. Is it a public relations firm?

Mr. WEID. I would say so, primarily.

Senator COOPER. What are the initials of Mr. Law and Mr. Webb?

Mr. WEID. Mr. Thomas Webb, and Mr. Francis Law, I believe.

Senator COOPER. I believe you said in response to a question by counsel that one of the purposes of engaging this firm was to make contacts or, to be accurate, to introduce officials of your firm to important people. What did you mean by that? Did you mean to people of agencies of the Government and agents of the Government?

Mr. WEID. I would say this. We felt that they could be helpful in introducing our people to top people in other companies—just people in general that have to do with the things we are interested in in our business.

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

Mr. WEID. It could well have been.

Senator COOPER. Now, at Melpar, you said the contracts were with North American.

Mr. WEID. One series of contracts. We do work for the Army, Navy, Air Force, NASA. But we do have a large series of contracts with North American Aviation.

Senator COOPER. But you have direct contracts with Government agencies in other fields?

Mr. WEID. Yes, sir.

Senator COOPER. Was this one of the purposes of this firm, to introduce officials of your company to officials of these governmental agencies?

Mr. WEID. I don't believe so; no, sir.

Senator COOPER. Did they introduce you to any officials?

Mr. WEID. They have never introduced me to anybody.

Senator COOPER. Did your firm hire any other firms of consultants, public relations?

Mr. WEID. I believe Mr. Black, Mr. Fred Black, does represent Melpar.

Mr. Bostick, the president of our company, has had the primary contacts with Mr. Black.

Senator COOPER. Now, you stated that your contract with Serv-U—

Mr. WEID. No, sir; we have never had any contracts with Serv-U.

Senator COOPER. With Capitol Vending—through a period of years, have been satisfactory.

Mr. WEID. Yes, sir.

Senator COOPER. Is one of your duties—

Senator BYRD. Mr. Chairman—will the Senator yield?

The Senator asked if through a period of years Capitol Vending services had been satisfactory.

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

Senator BYRD. I wonder if the witness would state over what length a period Capitol Vending actually had this contract.

Mr. WEID. In a nutshell, Capitol Vending had the contract for approximately one and a half years. Initially, the service was not very good. We had problems. After the first month or two the problems were worked out. They brought in new machines and so on. They had problems getting the machines working and that sort of thing.

After a period of a couple of months, the service was satisfactory.

Senator COOPER. Then at the time the contract was canceled with Capitol, the services were satisfactory?

Mr. WEID. The cancellation of Capitol Vending had absolutely nothing to do with their service.

Senator COOPER. Was one of your duties to consider any contracts for vending—with a vending company?

Mr. WEID. Well, yes, sir.

Senator COOPER. That was within your jurisdiction?

Mr. WEID. Yes, sir. But the problem there was the reason we canceled Capitol was because they were not in a position—they are a relatively small company. We could not—we made the decision to combine the vending and the food service, the cafeteria operation. Capitol could not handle such a contract. So we were forced to cancel them on that ground—not because of unsatisfactory service. They were giving us satisfactory service at the time. And had we not made that decision to combine these two operations, they would probably still be running the vending machines at Melpar.

We would have had no reason to cancel them.

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

Senator COOPER. Did you know that Mr. Baker had some connections with both Capitol and Interstate at the time you had discussions?

Mr. WEID. I am not sure I really understand the question, sir.

Senator COOPER. It has been alleged that Mr. Baker had connections with—of some kind, with Capitol, and also with Interstate.

Did you have any knowledge of what his connections were with either of these companies, or both of these companies?

Mr. WEID. I knew of no connection—this is going back a year and a half ago, at the time we negotiated the Capitol contract—I knew of no connection between Baker and Capitol, other than perhaps Hill at the time who was the president of Capitol being a friend of Baker. And, as I said earlier, I had not even met Baker at that time.

Senator COOPER. When Mr. Baker came there, did you talk to him about this change of contract?

Mr. WEID. Yes. This was a year and a half later or a year and 3 months later.

Senator COOPER. When you made the change, did he talk to you about a new contract with Interstate?

Mr. WEID. Yes, sir.

Senator COOPER. Well, what did he say to you?

Mr. WEID. Well, this was after we had looked at a number of other companies. And we finally decided that Interstate would be the one to get this combined contract. We had received, perhaps a week before this meeting with Baker and Tucker, a proposal from Interstate which, as I said earlier, called for reimbursement of something like \$4 per employee per year, which was completely unsatisfactory to us. It was at that time that I made this fact known to Baker and Tucker, and that was also the same meeting where I—through the questions before—I asked the question was Baker, or could Baker commit Interstate—I believe that was the question.

Senator COOPER. Did Melpar ever pay Mr. Baker any sums for any services of any kind?

Mr. WEID. No, sir. Nor Mr. Tucker, either.

Senator COOPER. Do you have some security provisions to protect the Melpar factory, the Melpar buildings, at Falls Church?

Mr. WEID. Yes, sir. Our plants are—almost all of our plants are cleared for top secret work.

Senator COOPER. You keep a visitors' book?

Mr. WEID. Yes, sir.

Senator COOPER. I wonder if that could be made available.

Mr. McLENDON. I think it is, Senator. I think we have already requested that, and someone assured us we could expect it.

Mr. GINSBURG. It is available to the committee.

Senator COOPER. That is all I have.

The CHAIRMAN. Senator Pell?

Senator PELL. Sir, what percentage of your business—maybe you mentioned this in your testimony—of your business is with the Government?

Mr. WEID. Either directly or indirectly virtually 100 percent. I think it is fair to—for instance, if we do work for North American Aviation on a subcontract on one of their primes, we would call that Government work, even though the contract is for North American. It is for Minuteman missile or something of that sort. So in that context, virtually 100 percent of our business.

Senator PELL. Did you ever discuss the enlarging of your business or the securing of additional business with Mr. Baker or Mr. Tucker?

Mr. WEID. No, sir. I have never had any discussions with Mr. Baker and Mr. Tucker other than in connection with this combined operation on the vending and food service.

Senator PELL. Thank you.

The CHAIRMAN. Senator Clark?

Senator CLARK. Mr. Weid, I am not entirely clear from your testimony who you thought Mr. Baker and Mr. Tucker were representing in their various discussions with you.

Mr. WEID. I don't mean to be flippant. I wasn't too sure myself. As I say, they did suggest a number of companies. They did not appear to be representing at the time any particular company at the first meeting.

Senator CLARK. Was it not your thought that Mr. Tucker and Mr. Baker were coming to you as procurers who would receive compensation from any company they were able to persuade you to enter into a contract with for either vending machines or cafeteria or both?

Mr. WEID. I don't quite know how to answer that. I don't think I personally thought of it.

Senator CLARK. Well, now Mr. Weid, you are an experienced businessman, executive vice president of an important company. You were not born yesterday. Tell us frankly what you thought Baker and Tucker were up to.

Mr. WEID. This is only opinion. I have not discussed this with either Baker or Tucker.

My opinion—that is all it is—is that deep down inside of me I am sure that I must—I felt that we are not paying Baker or Tucker anything for this service. Maybe they are making a deal someplace else—whoever they are representing. But we had no knowledge of that.

Senator CLARK. Were you not absolutely certain, as a sensible businessman, that Baker and Tucker were contacting you in order to make money out of somebody else? You did not think they were doing this as a labor of love, did you?

Mr. WEID. Not really.

Senator CLARK. And you knew that Mr. Baker was an important employee of the U.S. Senate; did you not?

Mr. WEID. I knew his title; yes, sir.

Senator CLARK. Do you happen to know whether the U.S. Senate was in session at any time when you were meeting with Baker?

Mr. WEID. I don't know. That could be checked, from the date of his visits.

Mr. WEID. I don't know. That could be checked, from the dates of the meetings?

Mr. McLendon. We do not have the exact dates of those two meetings that were attended by Tucker and Baker.

Senator CLARK. Could you make an effort to get them?

Mr. McLendon. We will try to confirm it. That is one reason we wanted to inspect the records down there.

Senator CLARK. Now, Mr. Weid, with reference to Webb and Law, you are retaining them as "consultants," for the purpose, as you testified, to help the officials of your company to meet important people; was not the purpose to help your company get more contracts or sub-contracts from the Government?

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

Mr. WEID. Ultimately I would have to say that if we are—let's look at it this way. If we are employing people, let's say Webb and Law, we would have to expect to somehow or another get them to help us get some business, regardless of where the business came from. We were not hiring them just for the fun of it.

Senator CLARK. You were not hiring Webb and Law to get you invitations to Washington dinner parties; were you?

Mr. WEID. No, sir.

Senator CLARK. Now, Mr. Baker was at at least one of those meetings at the F Street Club, which was put on for your benefit, for Webb and Law; was he not?

Mr. WEID. I am not sure Webb and Law were present at that dinner party.

Senator CLARK. Who arranged the dinner party?

Mr. WEID. I believe Mr. Bostick was the host.

Senator CLARK. You want to testify that your consultants had nothing to do with that dinner party?

Mr. WEID. Well—

Senator CLARK. I am sure Mr. Bostick was the host. I think that is rather evasive, if you will excuse my saying so.

Mr. WEID. I honestly—I am being honest—I honestly do not know.

Senator CLARK. You went to a dinner party at the F Street Club—

Mr. WEID. Mr. Bostick invited me to a dinner party at the F Street Club.

Senator CLARK. And it was your impression that Webb and Law had nothing to do with it?

Mr. WEID. I would say so.

Senator CLARK. Was not the purpose as told to you by Mr. Bostick to help your company meet important people, to assist you, hopefully, in getting Government contracts or subcontracts?

Mr. WEID. I don't believe Webb and Law were present at that dinner.

Senator CLARK. That is not the question I asked you.

Would you please read the question back?

(The reporter read from his notes as requested.)

Mr. WEID. Well, that was speaking of Webb and Law.

Senator CLARK. No; this is speaking of the meeting at the F Street Club. Why did you go? Was it a social occasion?

Mr. WEID. This was a social occasion.

Senator CLARK. Purely social?

Mr. WEID. As far as I know.

Senator CLARK. As far as you know it had nothing to do with your meeting important people to help you get contracts? That is your testimony?

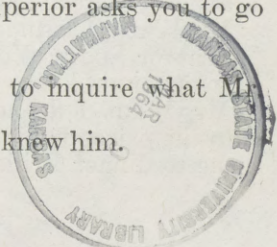
Mr. WEID. All I know, sir, is that I was invited to a dinner party, that Mr. Bostick was host at it.

Senator CLARK. And I suppose when your superior asks you to go to a dinner party you go.

Mr. WEID. Yes, sir.

Senator CLARK. It never crossed your mind to inquire what Mr. Baker was doing there?

Mr. WEID. I knew at the time that Mr. Bostick knew him.



Senator CLARK. You thought he was a social friend of Mr. Bostick's; is that correct?

Mr. WEID. I did not know what kind of friend. I did know that he was a friend of Mr. Bostick's.

Senator CLARK. It never occurred to you that the relationship between Mr. Bostick and Mr. Baker was one that Mr. Bostick wanted to meet important people, to help you get Government contracts or subcontracts?

Mr. WEID. No, sir.

Senator CLARK. It never occurred to you that Mr. Baker might be able to help your company do that?

Mr. WEID. No, sir.

Senator CLARK. That is all.

The CHAIRMAN. Senator Scott?

Senator SCOTT. Mr. Weid, who paid the bill for the F Street Club party?

Mr. WEID. I could not answer that.

Senator SCOTT. If it were paid by the corporation your records would show it; would they not?

Mr. WEID. I would assume so.

Senator SCOTT. And if a tax deduction was taken by the corporation as a business expense, would your records show that?

Mr. WEID. I would think so.

Senator SCOTT. Can you tell us who else was at the dinner party at the F Street Club?

Mr. WEID. My recollection is that there could have been anything from 20 to—anywhere from 20 to 30, 35 people there.

Senator SCOTT. And what was the date of the party?

Mr. WEID. I believe it was late fall last year, 1962. My recollection is that both Black and Baker were there. I have forgotten who else was there.

Senator SCOTT. You mean you can only remember 2 people there out of 20 or 30?

Mr. WEID. No. It is more than that, actually.

Bosticks, the Weids, the Blacks, the Bakers, that makes eight people—with wives—that makes eight people. I am sure there was at least one other couple from Melpar present, perhaps two others.

Senator SCOTT. Were there any Government officials there?

Mr. WEID. I cannot recollect, sir.

Senator SCOTT. You cannot recall who they were?

Mr. WEID. No, sir.

Senator SCOTT. And you cannot recall whether any other business corporate officials were there?

Mr. WEID. There may well have been. But I cannot recollect, sir. I was not host at the party. It was only a dinner party. We had a couple of drinks, sat down, had dinner. That was it. We were probably home 10:30 or 11 o'clock.

Senator SCOTT. The invitations were sent out by Mr. Bostick?

Mr. WEID. I assume so.

Senator SCOTT. You don't know whether they were sent out from his office or not?

Mr. WEID. I do not know. I believe he invited me just walking into the office, or maybe I was in his office, and saying, "Would you come to dinner Friday night?" or whenever the night was.

Senator SCOTT. Have you ever talked to Mr. Webb?

Mr. WEID. On a few occasions.

Senator SCOTT. What did you discuss with him?

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

Mr. WEID. Not much of anything, actually. I don't know him too well. I met him a few times. Mr. Bostick has had—

Senator SCOTT. What did Mr. Webb do to earn his money, then?

Mr. WEID. Well, as I was about to say a moment ago, Mr. Bostick, I think, has had the primary contacts with Mr. Webb and Mr. Law. I have not paid too much attention to that end of the business.

Senator SCOTT. Did you discuss the business of Melpar with Mr. Webb at any time?

Mr. WEID. Oh, I think I have had some general discussions with him; yes, sir.

Senator SCOTT. What was the nature of the discussions of Melpar?

Mr. WEID. Oh, I think on one occasion—I believe I went over some workloads with him once, where we had plenty of business, and perhaps the sort of thing—well, 6 months from now we are going to be needing a production job in this sort of plant, keep your eyes open, if you hear of anything, let us know—that sort of thing.

Senator SCOTT. Did Mr. Webb or Mr. Law ever bring you any business?

Mr. WEID. I do not know of any, sir.

Senator SCOTT. What compensation did you pay to the firm of Webb & Law?

Mr. WEID. I believe their current compensation is \$40,000 a year.

Senator SCOTT. And, for that, \$40,000 a year, you cannot recollect any service they ever performed for you in the way of helping your business?

Mr. WEID. I do not know of any contracts that we have received that we could trace directly to them.

Senator SCOTT. How would you explain—

Mr. WEID. I am speaking as an individual. I am not speaking for Melpar.

Senator SCOTT. At a stockholders meeting, how would you explain the payment of \$40,000 to Webb & Law if you have virtually no recollection of how they could have helped you or did help you?

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

Mr. WEID. Well, I am not sure what answer I would give to the stockholders. The question has never come up.

Senator SCOTT. You would probably adjourn the meeting, I imagine, at that point.

Now, what was the compensation of Mr. Black?

Mr. WEID. I do not know, sir.

Senator SCOTT. How will this committee ascertain Mr. Black's compensation?

Mr. WEID. I understand Mr. Bostick is the next witness, and I am sure he would know.

Senator SCOTT. Now, since you have testified that the Government did not benefit from the concession contract—I believe you have also testified that Melpar did benefit from it; is that right?

Mr. WEID. No, sir; it is actually the other way. Melpar makes—takes up no profits on the vending, neither the vending nor the cafe—

teria operation. Any moneys we receive in that regard are credited to our overhead pool. This results in less cost on our Government contracts.

Senator SCOTT. Then are you saying that the Government did benefit from your contract with Capitol Vending?

Mr. WEID. Yes, sir; very much so.

Senator SCOTT. But that you did not?

Mr. WEID. No, sir.

Senator SCOTT. Obviously, then, the persons connected with Capitol Vending did benefit if Capitol Vending showed a profit. That is correct, is it not?

Mr. WEID. I would assume so.

Senator SCOTT. That is obvious.

Mr. WEID. I know nothing about how much money Capitol made on this. We would have no access to those figures. We did not know what the items cost them, what their payroll was.

Senator SCOTT. And you don't know yourself, is that correct, you do not know whether Mr. Baker had any interest in profits, commissions, or counsel fees from either Capitol or Interstate?

Mr. WEID. That is correct.

Senator SCOTT. You never did know?

Mr. WEID. No, sir.

Senator SCOTT. At any time?

Mr. WEID. No, sir.

Senator SCOTT. You never asked?

Mr. WEID. No, sir.

Senator SCOTT. Has the contract with Interstate been terminated?

Mr. WEID. No, sir. We just gave them to contract. They started on September 27.

Senator SCOTT. Did Baker or Tucker ever discuss any other Government contracts or contacts in which you might be interested; that is, in which Melpar might be interested, with you, at any time?

Mr. WEID. No, sir.

Senator SCOTT. You said you had known Mr. Baker five or six times before the meetings at the plant; is that right?

Mr. WEID. No, sir; no, sir. I have been in Mr. Baker's presence not over six times; perhaps only five times, total.

Senator SCOTT. Were any of these other than the F Street Club on social occasions?

Mr. WEID. I don't believe so. The two meetings out at our plant certainly were not social.

Senator SCOTT. All right.

Then I have—

Mr. WEID. The last time I saw Mr. Baker was at the lunch mentioned at the Rotunda back in early or middle September, and that was the last time I saw Mr. Baker.

Senator SCOTT. At the Rotunda?

Mr. WEID. Yes, sir.

Senator SCOTT. You are referring to a cafe now?

Mr. WEID. A restaurant down in Southeast here, not too far from the Capitol.

Senator SCOTT. And then you saw him at the F Street Club? Have you ever seen him any other place than those places you have mentioned?

Mr. WEID. No, sir; I have never been to his office.

Senator SCOTT. Do you know why Mr. Fred Black would have in his possession a Melpar vending complaint memorandum?

Mr. WEID. No.

Senator SCOTT. Do you know, as a matter of fact, whether or not he ever did have or ever did discuss with you a Melpar vending complaint memorandum?

Mr. WEID. Never has.

Senator SCOTT. And you have told us that Mr. Bostick is the person that can tell what compensation was paid to Mr. Black?

Mr. WEID. Yes, sir.

Senator SCOTT. Now, is she now, or has Ruth Sabatini ever been on the Melpar payroll?

Mr. WEID. I do not recognize that name.

Senator SCOTT. You don't recognize the name?

Mr. WEID. No, sir.

Senator SCOTT. You do not know her?

Mr. WEID. No, sir; never heard the name before.

Senator SCOTT. Who has the payroll records?

Mr. WEID. We would be delighted to check our current payroll and go through our back files, and see if we can find a record of any such name.

Senator SCOTT. Counsel, I want to request that the payroll records be made available to us for this, and for one other line of inquiry.

Now, is she now, or has Linda Morrison ever been on the Melpar payroll?

Mr. WEID. I don't recognize—again, I don't recognize that name.

Senator SCOTT. Do you mean to tell us you do not know Linda Morrison?

Mr. WEID. No, sir.

Senator SCOTT. Do you not know as a fact that Linda Morrison has at times been in the company of Mr. Bostick as a hostess for him?

Mr. WEID. I have no knowledge of that, sir.

Senator SCOTT. You have never seen Linda Morrison in your life so far as you know?

Mr. WEID. No, sir.

Senator SCOTT. That is all I have.

The CHAIRMAN. Senator Byrd?

Senator BYRD. Mr. Weid, do you presently hold or have you ever held any stock in the MGIC, Mortgage Guaranty Insurance Corp.?

Mr. WEID. No, sir.

Senator BYRD. Do you know a Mrs. Novak?

Mr. WEID. No, sir.

Senator BYRD. Have you ever visited the Carousel?

Mr. WEID. No, sir.

Senator BYRD. What was the basis for your cancellation of the contract with the Macke Co.?

Mr. WEID. Primarily the fact that we were able to get a better deal from Capitol Vending.

Senator BYRD. It was indicated earlier, I believe, by Counsel, that Capitol Vending was able to increase profits from \$1,500 to \$5,000 monthly after you had—after a price increase had been put into effect.

Can you state to the committee what increases accrued as a result of commissions thereafter? To your company?

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

Mr. WEID. Well, immediately after we installed Capitol Vending, commissions increased by approximately 20 percent—the amount of money the company received per employee each month from the vending company. It was about a year later that two price increases went into effect. In fact, I think it was just one price increase, and one new drink. I believe the new drink was a hot chocolate, which I don't believe had been vended previous to that time. And that was installed at 10 cents per drink, and then about a month after that, the price of the soft drinks went up from 5 cents to 10 cents, but they were vended in a different fashion.

For the first time chopped, crushed ice was used, and the drink poured on top of the crushed ice, and it was a larger drink.

That did result in, also, additional commissions for Melpar.

Senator BYRD. So the increase, you would say, was about 20 percent?

Mr. WEID. Initially. And I don't have in my head at the moment the additional increases. But it was fairly substantial.

Senator BYRD. Mr. Chairman, I think it might be worthwhile for the committee to be supplied with information which would indicate the increase in the commission, percentagewise and dollarwise.

Mr. WEID. I believe that information has already been turned over to the staff people on the committee.

The CHAIRMAN. Senator Byrd, if that hasn't been secured, we will ask the investigators to secure it.

Mr. WEID. If you don't have it, we would be delighted to give you everything you need in that regard.

Senator BYRD. I understood you to say, Mr. Weid, that a Mr. Goldman came to see you upon the cancellation of the Macke contract.

Mr. WEID. Yes, sir.

Senator BYRD. I understood you further to indicate that he asked for a chance to bid, or a chance to compete with Capitol Vending.

Mr. WEID. I have forgotten all of the details in that meeting. I believe I was asked the question before, would I deny that such was brought up, and I certainly would not deny it. As I said, Mr. Goldman was very upset. We were doing our best to let him down gently, trying to keep from making an enemy, if we could. He may very well have asked that question, and, if he had, I would have told him at the time that we had already negotiated a contract with Capitol, and that was it.

Very frankly, I had the feeling, when I saw what Capitol could do in the way of commissions, that Macke indeed really had a good thing for a number of years. Maybe it was time they were booted out.

Senator BYRD. Did you feel that Macke, having had the commissions for a number of years, should have informed your company that they could give you higher commissions?

Mr. WEID. Well, I had that feeling; yes, sir. If they were making that much additional profit on the Melpar account, I had the feeling at the time that they were making much too good a thing of it.

Senator BYRD. Now, if you declined the request of Mr. Goldman, assuming that he made such a request, that his company be given a

chance to compete with Capitol Vending, would this have been anything out of the ordinary?

(At this point Senator Scott entered the hearing.)

Senator BYRD. There was nothing in your contract that would require you to give the Macke Co. another chance?

Mr. WEID. No, sir.

Senator BYRD. To bid.

Mr. WEID. No, sir.

Senator BYRD. Or compete?

Mr. WEID. Absolutely not.

Senator BYRD. You lived up to your contract with the Macke Co.?

Mr. WEID. We lived up to our contract to the limit—in the spirit and the letter, both.

Senator BYRD. I believe you said that the services of the Capitol Vending Co. had been generally satisfactory.

Mr. WEID. Yes, sir.

Senator BYRD. I believe you said, further, that the reason for Melpar's cancellation of the contract with Capitol Vending Co. was that Melpar was losing money in the cafeteria.

Mr. WEID. Not quite, sir. We were not losing money. Nationwide, who had the concession for the cafeteria, was losing money, and they indeed had given us a letter in late July, giving us 30 days' notice that they were pulling out.

Senator BYRD. And you felt that it was—that in order to increase the commissions to Melpar, that it would be advantageous to have some company come in which would operate both the cafeteria and the vending machines?

Mr. WEID. No, sir. Actually, as I think I said earlier, the net effect of this combination would be to reduce the income to Melpar. We are presently in effect now subsidizing the cafeteria, indirectly.

Senator BYRD. Then why was it advantageous to combine the two?

Mr. WEID. It was advantageous to us to do this. This provided the mechanism for furnishing the subsidy to the cafeteria. Losing money on one, making it in a larger amount on the other.

Senator BYRD. Now, with reference to your showing the records of the Capitol Vending Co. to Mr. Hancock, what was Mr. Hancock's purpose in coming to your office upon that occasion?

Mr. WEID. I believe there were two occasions.

Senator BYRD. Upon the occasion that you showed the records to him.

Mr. WEID. I believe we showed records on both occasions—one the Macke records earlier, and then the Capitol records later.

Senator BYRD. And for what reason did you show the records?

Mr. WEID. The first meeting we showed the records on Macke to give the Capitol people some idea of the commissions that we were getting. And I am sure they considered those when they made their proposal to us, which eventually resulted in our getting 20 percent more in commissions.

The second meeting—I am hazy in my mind about that. I remember Hancock coming in. I remember spending a few minutes with him, and turning him over to Marsh. I cannot actually recollect the purpose of this.

Senator BYRD. So you personally did not show him the records?

Mr. WEID. No, sir.

Senator BYRD. Now, what company did Mr. Hancock represent?

Mr. WEID. The second time I am not sure.

Senator BYRD. What company did he represent the first time?

Mr. WEID. I had thought he was representing Capitol. But then after the meeting, I found out that he had handed Mr. Marsh a card, I believe, with Serv-U.

Senator CLARK. Wait a minute—with Serv-U on it?

Mr. McLENDON. That is what he said.

Senator BYRD. So is the committee to assume that you felt that Mr. Hancock was coming to explore the operation with the thought in mind that the company that he represented would possibly be interested in the contract?

Mr. WEID. This was on the occasion of the second meeting. That could very well be. As I say, in my own mind I am very hazy on it.

Senator BYRD. Did you say that Mr. Marsh showed him the records?

Mr. WEID. I believe that he did, sir.

Senator BYRD. Is there anything wrong in showing a prospective new contractor the records of the present or past contractors, so that he might have a clearer idea of precisely what business he can depend upon securing?

Mr. WEID. Well, I think it is just about necessary to do it in something like this. He has to know what volume he is going to be dealing with—is it \$100,000 a year, \$300,000 a year? In our case it is approximately \$300,000 a year.

Senator CLARK. This is just in the vending machines?

Mr. WEID. Yes; that is not sales on the part of Melpar. We get back a very small percentage of that.

Senator CLARK. Sales on the part of the man who runs the vending machines?

Mr. WEID. That is correct.

Senator BYRD. Now, I believe you said a Mr. Lee of the Capitol Vending Co. came to see you and stated that there was a rumor going around to the effect that Melpar was going to cancel its contract with Capitol Vending.

Mr. WEID. Yes, sir.

Senator BYRD. And I believe you indicated that at that meeting Mr. Lee or someone in the group pulled some papers from his inside coat pocket and stated that they were going to bring suit.

Mr. WEID. That is correct. But that was at another meeting. There were two meetings—one with Lee alone, before we canceled the contract. And then the second meeting where Lee pulled the papers out of his pocket saying he was going to file suit was after I sent the termination letter to Capitol.

Senator BYRD. At the first meeting, as I recall your testimony, you did not verify the rumor that Melpar was going to cancel the contract, because you felt that it would not be good to make this known at that time.

Mr. WEID. That is correct.

Senator BYRD. Because Mr. Lee's firm was at that time serving your vending machine operations, I believe.

Mr. WEID. That is correct.

Senator BYRD. And you felt that the verification of that rumor should await the actual signing of a new contract.

Mr. WEID. Yes, sir.

Senator BYRD. And you did not feel that his company could take over the combined operation.

Mr. WEID. That is correct.

Senator BYRD. Now, at the time the suit was threatened, what was your reaction, or that of Mr. Bostick, to the threat of a suit?

Mr. WEID. Well, he used the word "blackmail" in the meeting.

Senator BYRD. Who used the word "blackmail"?

Mr. WEID. Bostick. He accused them of blackmail.

Senator BYRD. Who accused whom?

Mr. WEID. Mr. Bostick accused Lee and Collier of blackmail, by pulling out these papers saying, "If we did not withdraw this letter of termination, that we will file these papers."

Senator BYRD. Against whom? File suit against whom?

Mr. WEID. Baker, Serv-U, the suit that was actually filed.

Senator BYRD. Did they indicate they would file suit against Baker?

Mr. WEID. I remember asking them the question, whether they are going to sue us, and they said no. And they admitted to me when I asked them. I said we have a 30-day notice of cancellation in this contract; either party can cancel on 30 days' notice. "Don't you agree?" And they agreed that was the case.

Senator BYRD. So they—

Mr. WEID. That was the only agreement we had with them. As far as we were concerned, they could threaten us all they wanted to and sue all they wanted to. That was the agreement.

Senator BYRD. So they were threatening to sue Baker?

Mr. WEID. I suppose so.

Senator BYRD. And Mr. Bostick's reaction was what?

Mr. WEID. Well, he accused them of blackmail.

Senator BYRD. Did he—

Mr. WEID. They denied it was blackmail.

Senator BYRD. Did he indicate any concern lest they go ahead and sue Baker?

Mr. WEID. Well, the upshot of it, in essence, was this—that we told them that the only agreement we had was the agreement that was in writing in the contract, that the committee has a copy of, that they could do what they wanted to do, but we were not going to withdraw that letter of termination. This was something we had to do, it was no fault of Capitol's that we had to terminate the contract. We felt it imperative that we terminate it that we were not going to withdraw the letter of termination.

Senator BYRD. Reference was made to a dinner party for which Mr. Bostick was the host and at which Mr. Baker was the honored guest, I believe.

Mr. WEID. I don't know that he was the honored guest. I remember meeting him there. It was the first time I met him. And I think I said hardly no more than "Hello, very glad to meet you," and that is about the extent of it.

Senator BYRD. Does Melpar follow a practice of giving dinner parties or other parties of a social nature for the purpose of getting acquainted with people?

Mr. WEID. Oh, it is customary in business occasionally to invite people to dinner.

Senator CLARK. Excuse me. He asked you, Melpar. He didn't say business.

Mr. WEID. I think it is fair to say that on occasions we have invited people to dinner and so on; yes, sir.

Senator BYRD. So the dinner party in question at the moment does not stand alone?

Mr. WEID. I do not know this was a Melpar dinner party. All I knew was Bostick was the host, and I had been invited to dinner.

Senator BYRD. Has he hosted other social get-togethers to which you have been invited?

Mr. WEID. Oh, several times; yes, sir.

Senator BYRD. Did you indicate that the wives of some of the men were there at that party?

Mr. WEID. My recollection is all the wives were there.

Senator BYRD. So it was not—

Mr. WEID. Mr. Bostick's wife, my wife, Mr. Baker's wife, et cetera.

Senator BYRD. So it was not a stag party?

Mr. WEID. No, sir.

Senator BYRD. What service do you think now, if you did not so think at that time, Mr. Baker in his position as clerk to the majority leader could render your company in getting a contract?

Mr. WEID. I personally do not know what service he could have rendered.

Senator BYRD. Do you personally know anyone, Mr. Weid, in the U.S. Senate, whether they be an employee or a Member of the U.S. Senate, who can get a defense contract for your company?

Mr. WEID. No, sir. I sure don't.

Actually, in many cases I know of, it is completely the opposite. I have known of occasions where people in the legislative branch have gotten into business of trying to help somebody, and it has worked to the disadvantage of the contractor rather than to the advantage.

Senator BYRD. Was it ever your impression, and is it your impression now, that Mr. Baker, in his former capacity, could influence the Defense Department or any other agency of the Government to award a contract to Melpar?

Mr. WEID. It certainly wasn't mine, sir.

Senator BYRD. Is the 30-day cancellation clause a normal clause in your company's contracts?

Mr. WEID. With the vending machine companies, yes, sir. We have a slightly different situation starting September 27, where we have given both the vending and the food service to this one company, Interstate. We have an agreement today which specifies that it is 30-day cancellation on the part of either party, but only after the first year. It was felt that we could not give them a fair trial in less than a year, since the food service was added into the package.

Senator BYRD. You said that Mr. Baker and/or Mr. Tucker indicated the names of several companies, other than Interstate.

Mr. WEID. Yes, sir.

Senator BYRD. Did any one or more of these companies come to Melpar and look the operation over before you signed a contract with Interstate?

Mr. WEID. Yes, sir. Specifically Hot Shoppes.

Senator BYRD. What was Hot Shoppes reaction to the operation? Were they interested after they came to Melpar?

Mr. WEID. They did not appear to be. My recollection is that they took one look at our cafeteria operation in our main building and just about threw up their hands—to serve just the one meal a day, lunch-time, except for a very light breakfast thing for about half an hour—it is not a good type of operation for a company like Hot Shoppes.

Senator BYRD. So Hot Shoppes had the opportunity to look into the matter and express an interest or a disinterest?

Mr. WEID. Yes, sir. And I personally talked with the executive vice president of Hot Shoppes in this regard.

Senator BYRD. And Melpar is not involved in any way as a party to a suit?

Mr. WEID. No, sir.

Senator BYRD. Is it your normal procedure to invite competition, as you did not invite competition when you canceled the contract with Macke?

Mr. WEID. Forgetting vending and some specialized services, our purchasing, any that goes through our purchasing department, through purchasing activity in our company, has to and does comply with all the applicable Government and ASPR regulations.

Competitive bids—this particularly on any Government contract.

Senator BYRD. I am only interested with regard to vending contracts.

Mr. WEID. It had not been our policy to put such out—such things out on competitive bidding; no, sir. Nor was there any requirement for doing that.

Senator BYRD. Did you not say earlier in your testimony that you were under the impression that Baker and Tucker were attorneys representing Capitol Vending?

Mr. WEID. I assumed that was their relationship; yes, sir.

Senator BYRD. There was some indication that you were invited to the dinner party to help the company meet important people to help get contracts. I am not saying this was your statement, but someone on the committee or counsel, one or the other, used this phraseology.

Mr. WEID. No; I don't think that was my—I would not say that would have been my opinion at the time; no, sir.

Senator BYRD. Would this be anything out of the ordinary, for you to hope to meet people who might be helpful in some way to your company?

Mr. WEID. Generally speaking, I think it is good policy—I hope I am answering your question—for the top executives of any corporation to meet people in other companies, in the same type of business, with potential customers and so on. It is all part, I think, of being a corporate officer.

Senator BYRD. Do you know whether or not it is the general practice of companies to employ consultants to help secure business?

Mr. WEID. Oh, I would say so. I have no firm knowledge of it. I would think so.

Senator BYRD. Your company has never at any time provided Mr. Baker or Mr. Tucker with any money payments or any other type of payments?

Mr. WEID. No, sir.

Senator BYRD. You knew—you had no knowledge of Mr. Baker's being rewarded by Capitol Vending, or Interstate, or his having expressed interest to your company in those companies?

Mr. WEID. No, sir.

Senator BYRD. Except as he might have been an attorney representing them?

Mr. WEID. You see, I never even knew Baker at the time of the Capitol award. I had no idea what his interest was in that—except that Bostick had told me that he knew Baker.

Senator BYRD. Thank you, Mr. Weid.

Thank you, Mr. Chairman.

The CHAIRMAN. Are there any other questions?

Senator SCOTT. Mr. Chairman, I don't think you have cleared up, Mr. Weid, who were the negotiators with you in regard to Interstate. We have heard testimony on these other companies. With whom did you discuss the Interstate offer?

Mr. WEID. I would be delighted to clear it up, sir.

There are three stages to it. The first was a proposal that Interstate submitted to us. In the days after we received that proposal, Mr. Marsh, the man that works for me, our company, made a trip up to New York to look at some of their installations, and I believe Mr. Tucker accompanied Mr. Marsh on that trip.

The next stage was when we decided Interstate was the company that we wanted to do business with. And, indeed, we did have a meeting with Mr. Baker and Mr. Tucker. Mr. Marsh was present. And for a small part of the time, Mr. Cosby, who is treasurer, vice president for finance, and treasurer of Melpar. I think we called him in to answer some particular point that came up during the course of discussions.

But during those discussions that day, I expressed extreme displeasure with the amount of money that would be given to Melpar by Interstate. I believe the proposal that was originally submitted to us was that Interstate would pay Melpar \$4 per employee per year to have the privilege of doing the vending and the food service.

I told Baker and Tucker that we just could not live with that, and if Interstate wanted to do business with Melpar it would have to be substantially more.

And, before the meeting was over, we had—in fact, I just told them I considered \$7 per employee an acceptable figure. We discussed length of contract and some of the general provisions. But that was the extent of that meeting. The final details of the contract, the third phase, was settled by Mr. Sabella, who was a vice president of Interstate. He may be a vice president of the Brass Rail Food Services Division, or something like that, of Interstate.

Senator SCOTT. Kenneth J. Sabella?

Mr. WEID. Yes, sir. He was the one that had signed the original proposal.

I discussed in a number of telephone calls after the Baker-Tucker meeting with Sabella some other items in the contract. The fact of the matter is we had discussed a 2-year term contract with Baker and Tucker.

The final contract turned out to be 1 year, when I talked with Sabella, Senator SCOTT. Who suggested you get in touch with Sabella?

Mr. WEID. Sabella was the man who signed the proposal to us in the first place, and so I called Sabella, and then he called me, and so on.

Senator SCOTT. That is all I have, Mr. Chairman.

The CHAIRMAN. I want to announce for the record that we do have permission to sit, fully in accord with the regulations of the Senate.

Senator COOPER. I have one question.

Did Mr. Baker ever discuss with you or any officer of Melpar in your presence—and I include Mr. Bostick—either the cancellation of the contract with Capitol Vending, or the proposed contract with Interstate?

Mr. WEID. We never discussed the cancellation of Capitol Vending. I understand that Mr. Bostick informed Baker that we were going to or maybe we had canceled Capitol Vending.

Senator COOPER. That is not my question.

Did Mr. Baker ever talk to you or any officer of Melpar in your presence, and I include Mr. Bostick, either the cancellation of the contract with Capitol Vending—

Mr. WEID. The answer is no to the first part.

On Interstate, yes. I indeed did talk to, as we just got finished saying, Mr. Baker and Mr. Tucker about the Interstate contract.

Senator COOPER. Then he talked with you also about the proposed contract with Interstate?

Mr. WEID. Yes, sir.

Senator COOPER. Did he tell you why he was talking to you about it, about this contract?

Mr. WEID. No. But as was brought out earlier, I did ask Mr. Baker if he was speaking for Interstate, and he said yes.

Mr. McLENDON. Mr. Chairman, let me ask one question.

Mr. Weid, your counsel has asked me to ask you about the contract between Melpar and North American, and when they were made.

Mr. WEID. Yes, sir. The \$85 million worth of business, face value, we are doing with the Autonetics Division of North American Aviation is all in connection with the Minuteman program, Minuteman missile program.

Let me say this. I think I have to give a little bit of the history. It will just take a minute or so.

There were three contracts involved. The first one was fairly small, let's say a couple of million dollars, to get started. Then the second phase was about \$25 million. And the third phase, \$50-some-odd million.

Mr. McLENDON. Approximately when was the first one made?

Mr. WEID. The first one was made 2½ years ago, and to the best of my knowledge, we were awarded that contract before either Mr. Bostick or myself ever met either Mr. Black or Mr. Baker. We won that contract on a competitive bidding basis. Forty-five of the top companies in our type business in this country were interested in the procurement, 27 actually submitted bids, and that contract was won on a competitive basis.

Mr. McLENDON. Now, when was the second one in point of time made?

Mr. WEID. That was—we knew at the time that there were going to be these follow-ons. In fact, the trade press at the time we were awarded the first contract was speculating that there was about a

hundred million dollars worth of business that Melpar should get out of this, although the first contract, as I said, was maybe only a couple of million dollars.

I would have to check the exact date, but it was probably something in the order of a year or a little less later.

Mr. McLendon. Do you know what calendar year that would be?

Mr. Weid. It must have been early 1961 when we were awarded the first contract. I would say it would have been late 1961 or early 1962. I can get you the exact dates.

Mr. McLendon. We will get the dates later.

The third one, then, would have been made in 1963, would it, or 1962?

Mr. Weid. No; the third one was in 1962. I think we had a letter contract to begin with, a notice of award to proceed, and I think the negotiation was actually in this year. But we were already at work on the equipments.

Mr. McLendon. All right.

Senator Clark. Mr. Chairman?

The Chairman. Senator Clark.

Senator Clark. Mr. Weid, have you ever been to the Quorum Club?

Mr. Weid. Yes, sir.

Senator Clark. Are you a member?

Mr. Weid. No, sir.

Senator Clark. Did you ever see Mr. Baker there?

Mr. Weid. I am trying to think. My recollection is that I have been in the Quorum Club twice.

Senator Clark. Who with, each time?

Mr. Weid. Each time with Mr. Bostick, who is a member.

Senator Clark. Mr. Bostick is a member?

Mr. Weid. Yes, sir.

Senator Clark. Were there any other persons present as far as you can now recollect at either of those meetings?

Mr. Weid. I believe at one of them that we saw Mr. Webb and Mr. Law. And I cannot recollect—the fact of the matter is the last time I was there Mr. Bostick and I had lunch together.

Senator Clark. Do you recall the purpose of your going there on either occasion?

Mr. Weid. I think we were in town on some business, and we just went over there to have lunch.

Senator Clark. Now, you mentioned earlier in your testimony that one of the gentlemen you were negotiating with, who you thought was representing Capitol, handed you a card which indicated he was representing the Serv-U Corp. Did you, or to your knowledge any of the other officials of the Melpar Co., have any business dealings with the Serv-U Corp.?

Mr. Weid. No, sir. We have never—Serv-U has never had a contract with Melpar. They do not have one now. They have never had any negotiations with them.

Senator Clark. Thank you, sir.

The Chairman. Are there any other questions, gentlemen?

Senator Scott. You moved from a contract with Capitol Vending in which Mr. Baker had exhibited an interest, to a contract with

Interstate Vending, in which Mr. Baker had exhibited an interest; isn't that correct?

Mr. WEID. I think I would have to answer that "Yes."

Senator SCOTT. And are you prepared to say you did not see Mr. Baker at the Quorum Club on either of these two occasions?

Mr. WEID. I do not recollect seeing Mr. Baker at the Quorum Club on either of those occasions; no, sir.

Senator SCOTT. That is all, Mr. Chairman.

The CHAIRMAN. Off the record.

(Discussion off the record.)

The CHAIRMAN. Mr. Bostick, will you stand, and put your hand on the Bible, raise your right hand?

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

Mr. BOSTICK. I do.

(At this point, Senators Cannon and Byrd withdrew from the hearing room.)

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

**TESTIMONY OF EDWIN M. BOSTICK, PRESIDENT, MELPAR, INC.;
ACCOMPANIED BY DAVID GINSBURG AND ROBERT HAUSMAN,
COUNSEL**

Mr. BOSTICK. Edwin M. Bostick, Mount Vernon, Va.

Mr. McLendon. What is your business address?

Mr. BOSTICK. 3000 Arlington Boulevard, Falls Church, Va.

Mr. McLendon. Are you now the president of the Melpar Corp.?

Mr. BOSTICK. I am, sir.

Mr. McLendon. How long have you held that position?

Mr. BOSTICK. Three years at the end of this month.

Senator SCOTT. Mr. Bostick, what was the compensation of Mr. Black from Melpar?

Mr. BOSTICK. Approximately \$25,000 per year.

Senator SCOTT. What was the compensation of Messrs. Law and Webb?

Mr. BOSTICK. Originally, it was \$10,000 a year. They then moved over as consultants, also, to Westinghouse Air Brake. It was raised to \$40,000. Westinghouse Air Brake discontinued using them. It is still \$40,000.

Senator SCOTT. That is Melpar has paid them \$40,000, is that right?

Mr. BOSTICK. Yes, sir.

Senator SCOTT. Did Law or Webb ever discuss either Mr. Tucker or Mr. Baker with you?

Mr. BOSTICK. Oh, I think I have heard Baker's name mentioned. I don't think they have ever mentioned Tucker.

Senator SCOTT. What was the nature of the conversations regarding Mr. Baker?

Mr. BOSTICK. I remember no specific conversations about Baker. Just they saw Baker, or something of that nature, Senator.

Senator SCOTT. How well do you know Mr. Baker?

Mr. BOSTICK. Not very well. I suppose I have seen Baker all in all maybe 12 or 15 times in 2 years, generally in large groups of people.

Senator SCOTT. On how many occasions have you seen him at social affairs, luncheons, dinners, things of that kind?

Mr. BOSTICK. Perhaps six or eight, Senator.

Senator SCOTT. And where would they be held?

Mr. BOSTICK. Well, I think there were two or three at the Carleton dining room. There was one at the F Street Club. Usually in public restaurants.

Senator SCOTT. At the Quorum Club at all?

Mr. BOSTICK. I don't think I ever saw Mr. Baker at the Quorum Club, Senator.

Senator SCOTT. We have had testimony regarding a dinner party which you hosted at the F Street Club, at which Mr. Baker was present. Will you tell us who paid for that dinner party?

Mr. BOSTICK. Senator, I think I paid for it. The method at my office of arranging for these payments is for my secretary to allocate whatever I may charge off for expenses and whatever may not be. I do not remember the nature of the party, except that it was a social party, my wife was there, Mr. Baker's wife. I cannot answer your specific question at the moment.

Senator SCOTT. Could you advise us later as to who paid for it?

Mr. BOSTICK. Yes, sir; I could.

Senator SCOTT. And, also, whether any tax deduction was taken for it as a business expense?

Mr. BOSTICK. Yes, sir.

Senator SCOTT. Can you tell us whether Ruth Sabatini is now or ever has been on the Melpar payroll?

Mr. BOSTICK. I can tell you "No," in both cases.

Senator SCOTT. In both cases?

The CHAIRMAN. May I ask who this lady is?

Senator SCOTT. It is the same person I have referred to earlier.

Senator CLARK. But you did not identify her.

Senator SCOTT. Ruth Sabatini.

The CHAIRMAN. Why are you asking that question?

May I ask that question?

Senator SCOTT. Well, I am prepared to tie it in later with other witnesses.

Senator CLARK. Perhaps you can tell the committee in executive session.

Senator SCOTT. I will be glad to tell the committee as much as I am free to tell them in executive session; yes.

Is she now or has Linda Morrison ever been on the Melpar payroll?

Mr. BOSTICK. No, sir.

Senator SCOTT. Do you know someone named Linda Morrison?

Mr. BOSTICK. Mr. Chairman, I at this juncture would like to raise the question of whether this is relevant to the proceedings?

The CHAIRMAN. Counsel?

Senator SCOTT. My question stands, sir. I am willing to assure the committee that in my judgment it is relevant. We intend to tie it in. And if it is later determined that it cannot be tied in, I will then have no objection to having his answer stricken out.

Senator CLARK. Mr. Chairman?

The CHAIRMAN. Senator Clark.

Senator CLARK. As a mere suggestion, it occurs to me that the question which appears to be entirely unconnected with any of the purposes set forth in this resolution should not be asked unless in candor and frankness the Senator reveals in executive session to counsel and to the committee why he asks the question, how he intends to tie it in. I don't think we are interested in a fishing expedition into the private lives of young ladies.

Senator SCOTT. I would like to assure the Senator this is not a fishing expedition. But if required to indicate the reason at this time for the question—and the question simply is, Is she on the payroll, first; second, Does he know her? I see nothing damaging in expecting the witness to answer those two questions and those two alone.

I do not intend to follow it up.

If required to disclose the reasons why these questions are asked, in my judgment it will interfere with the proper conduct of the examination, with the securing of other information.

Senator CLARK. In executive session. Don't you trust your colleagues on the committee?

Senator SCOTT. Of course I trust my colleagues on the committee. But I do not have any intention of bringing this out in open session.

Senator PELL. Maybe the witness can withdraw for 30 seconds, and you can tell us.

Senator SCOTT. I would take a lot longer than 30 seconds.

Mr. McLendon. Before you do that, as the record now stands, the question which has been directed to the witness and not answered is: Do you know Linda Morrison? And rather than answer that, the question has been raised that it is not relevant.

Mr. Bostick. I raise the question again, Mr. Chairman, whether that is relevant to the proceedings.

Senator CLARK. Mr. Chairman, I suggest that the committee go briefly into executive session.

Senator PELL. I support that.

Mr. McLendon. Mr. Chairman, I think it is our responsibility to state on the record at this time that I do not have information which would indicate to me, as counsel for the committee, that this question is germane. Therefore, I would suggest we not press the witness any further for an answer at this moment. He will be available for examination at a later time.

Is that satisfactory, sir?

Senator SCOTT. No, sir; it is not. But I am prepared to have the committee overrule me. I believe the question to be relevant in relation to other information available to me. And the committee can overrule me, and can go into executive session. But I am not going to be persuaded to withdraw it.

Senator COOPER. I think we should—

Mr. McLendon. I was not asking you to withdraw it—just postpone it.

The CHAIRMAN. I am going to ask you a question, Senator Scott.

Senator SCOTT. The witness has indicated a reluctance to answer it. We can postpone it until we tie it into certain other matters, and then call him back.

The CHAIRMAN. Are you willing to do that?

Senator SCOTT. I think that would be the way to do it.

But I want the record to show I show no indication that I withdraw the question.

Senator PELL. I don't like the record to show the witness indicated reluctance. He raised the question about germaneness in dragging in other people's names. And I object to the word "reluctance."

Senator SCOTT. Well, the witness has, I believe, answered he does not believe it to be relevant. I do think the record should show this is the only question so far which the witness has indicated he prefers not to answer at this time.

The CHAIRMAN. I think, personally—I don't think it is germane at this time, because there is no evidence there is any information in the file whatsoever relating to this.

Now, if you have some information that hasn't gone through the files of the committee yet—anyway, I think it is wise to defer it, and bring it back up at a later date.

Senator SCOTT. I would go along with that.

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

Senator SCOTT. Because I think we have established this is the only question the witness has raised a question about. And this in itself raises a question for the full committee to decide. I have no desire to do any injustice to any person. I would not ask this question if, in my judgment, it were not relevant or going to be relevant, in view of the testimony of other witnesses, as given to persons in charge of—

The CHAIRMAN. If it is agreeable to you, we will proceed and come back to it at a later time.

Senator SCOTT. Yes; that is agreeable.

Mr. BOSTICK. Mr. Chairman, may I say in saying relevant I intended to include the word "germane."

The CHAIRMAN. You may proceed, Senator.

Senator SCOTT. I have no other questions at this time—since I am, by virtue of the situation, prevented from pursuing that line of inquiry.

Mr. McLENDON. Mr. Chairman, I suggest we decide now whether we continue this examination of this witness. He has made a request that he be excused. I had hoped that we could examine him today. But that is a matter within the discretion of the committee.

The CHAIRMAN. How long do you think it will take?

Mr. McLENDON. I think it will take an hour, at best.

Senator SCOTT. I have no objection.

The CHAIRMAN. If it is agreeable, we can continue on.

Senator COOPER. May I ask on what grounds he wants to be excused?

Mr. McLENDON. Counsel stated he will go to Pennsylvania.

Mr. GINSBURG. Rather than delay it, let's go forward.

We are ready to go forward.

Mr. McLENDON. After a short recess.

The CHAIRMAN. We will proceed on with this, and see if we cannot finish Mr. Bostick up.

Mr. McLENDON. Before a recess?

The CHAIRMAN. Yes; before a recess.

Mr. McLendon. Mr. Bostick, when did you first meet Robert G. Baker?

Mr. Bostick. In late 1961 or early 1962.

Mr. McLendon. Do you remember the place?

Mr. Bostick. Yes, sir. To the best of my recollection it was at the offices of Mr. Francis Law late one afternoon.

Mr. McLendon. Is that the law firm of Webb & Law?

Mr. Bostick. It is, sir.

Mr. McLendon. Did you meet him there by appointment, or just accidentally?

Mr. Bostick. No, sir; actually I had tarried longer than I thought I would there, and he just happened to come in. I think it was around 6 o'clock.

Mr. McLendon. At that time, was the firm of Webb & Law employed by your company as consultants?

Mr. Bostick. It was.

Mr. McLendon. And they were paid a regular annual retainer?

Mr. Bostick. Yes, sir.

Mr. McLendon. Did you have knowledge then or do you have knowledge now that this same firm of Webb & Law represent the Murchison interests, so called, in Texas?

Mr. Bostick. I am not sure I had knowledge then. I have since obtained that knowledge.

Mr. McLendon. That they do represent the Murchison interests?

Mr. Bostick. Yes, sir. That information, I might say—

Mr. McLendon. Now, Mr. Bostick, did you receive a request from Mr. Law some time prior to cancellation of the Macke Co. vending contract that friends of Mr. Baker, namely Capitol Vending Co., be permitted to bid for the vending business at Melpar?

Mr. Bostick. Yes, sir; I did.

Mr. McLendon. Did he refer to them as friends of Baker?

Mr. Bostick. I am not certain, sir. That is my impression. Perhaps a friend of both of them. I am not quite certain of what he said at that time.

Mr. McLendon. Your best recollection is that they were referred to as friends of Baker?

Mr. Bostick. That Baker was mentioned.

Mr. McLendon. All right.

Now, shortly after that, did you receive a telephone call from Baker concerning this same matter?

Mr. Bostick. I did; yes, sir.

Mr. McLendon. Did he ask you if some friends of his could come to the Melpar plant to discuss with the proper officials of Melpar a vending contract?

Mr. Bostick. Well, he asked me if friends of his could come to Melpar to discuss the possibility of a vending contract.

Mr. McLendon. And did he identify those friends?

Mr. Bostick. I think they were identified as Capitol Vending.

Mr. McLendon. As a matter of fact, the people who showed up for the conference were Mr. Hill—Ralph Hill, president of Capitol Vending—and a man named Hancock; is that correct?

Mr. Bostick. To the best of my knowledge.

Mr. Chairman, I am not certain of this. I am not certain I have ever met Hill. But it is my understanding that Hancock and Hill came to the plant.

Mr. McLendon. Did Hancock identify himself?

Mr. Bostick. I am certain he did. I don't have any recollection of it. Mr. Weid took them in tow.

Mr. McLendon. Did you direct Mr. Weid to confer with them?

Mr. Bostick. I did.

Mr. McLendon. Did you tell him to make available to them any information that was in existence at the Melpar Co. with respect to the vending machine operations with the Macke Co.?

Mr. Bostick. I did.

Mr. McLendon. Why did you do that?

Mr. Bostick. Well, I also told Mr. Weid we needed a better profit if we were to make any change.

Mr. McLendon. Wait a minute; you are not answering my question.

Why did you tell Mr. Weid to disclose to these two gentlemen all the facts and information with regard to the Macke contract and the Macke services?

Mr. Bostick. I thought they would be in a better position to outbid the present—the incumbent at the time; to answer it another way.

Mr. McLendon. All right.

And on that same day, do you know that the Capitol Co., through Mr. Hill, did file a bid with your company?

Mr. Bostick. No, sir; I don't know the dates. I know that they did file a bid, and they were successful. I know that their prices were higher. And that is all I know about it.

Mr. McLendon. Did you see the bid?

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

Mr. McLendon. Did you leave that entirely up to Mr. Weid?

Mr. Bostick. I did.

Mr. McLendon. You say you know the bid was more favorable than the Macke bid. If you didn't see the contract, you must have learned that also from Mr. Weid.

Mr. Bostick. Well, as I attempted to say a moment ago, I had told Mr. Weid there would have to be a substantial increase in profits to us. Mr. Weid advised me there would be.

Mr. McLendon. All right.

And was there increase in profits under the Capitol—did that inure to the benefit of Melpar in any way?

Mr. Bostick. It is a bit complicated. It is a credit to overhead. It would inure primarily to the Government, but it would inure to Melpar in that it would, to a small degree, lower Melpar's overhead, and make it more competitive. I suppose that is the best way I can answer your question.

Mr. McLendon. Now, was the contract that you had with the Macke Co. satisfactory, as far as you were concerned?

Mr. Bostick. Well, as far as I was concerned their service was all right. I paid very little attention to it. I didn't even know what we were getting from them. I would say—until I found we could get more that was satisfactory.

Mr. McLendon. Did you get bids from any other company before you signed the contract with Capitol?

Mr. Bostick. No, sir.

Mr. McLENDON. Did you ask Mr. Weid to get bids from any other company?

Mr. BOSTICK. I did not.

Mr. McLENDON. Why did you not?

Mr. BOSTICK. It never occurred to me. This is not a custom in the field that I am working in, so it just didn't occur to me.

Mr. McLENDON. You didn't think competition in this instance would be valuable and important to the Government, who were the primary beneficiaries?

Mr. BOSTICK. I think I have answered your question, Mr. McLendon. I did not so instruct. And this never occurred to me.

Mr. McLENDON. But when you let the bid to Interstate, you did get bids and conferred with any number of people, did you not?

Mr. BOSTICK. Well, we did.

May I elaborate a little?

Mr. McLENDON. Certainly.

Mr. BOSTICK. There is a vast difference between a food service and a vending machine outfit. They all used the same type of vending machines, I assume, or comparable. This is not so in a food service. This can become one of the greatest employee morale busters in the company—if the food is not properly served, and if the food is not proper.

Getting bids from the standpoint of money bids is not the only thing one has to worry about in cafeterias. First, it has to be someone whose record is such that one can depend on it. Second, the menu, which must be presented to us before any deal is made, and the prices must be made known to us. I consider it vastly more important with respect to food than with coffee and Coca-Cola, for instance.

Mr. McLENDON. Is that your explanation why you did not ask for competitive bids at the time you awarded the contract to Capitol?

Mr. BOSTICK. No, sir; I gave you my explanation to that.

Mr. McLENDON. That was your explanation?

Mr. BOSTICK. Your question, I think, was why did I give so much effort to the food side of this with Interstate.

Mr. McLENDON. I didn't ask you that at all.

I ask you why you did not have bidding when you awarded the contract to Capitol and did have bidding when you awarded the last contract to Interstate. And you explained that by saying food was involved in the Interstate deal, did you not?

Mr. BOSTICK. Yes; that is right. Food was involved; yes.

Mr. McLENDON. So you want the committee to understand that that was the reason that you did have bidding when you awarded the contract to Interstate, and the reason that you did not have competitive bidding when you awarded the contract to Capitol?

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

Mr. BOSTICK. Mr. McLendon, I think I have to find out exactly what you mean by bidding. If you mean from the standpoint of a price, a set dollar figure, there was no bidding. It was a negotiation based on service and food.

Now, if that is what you mean by bidding, then they bid. If you mean a flat dollar figure; no, sir, there was no bidding there either.

Mr. McLENDON. Well, tell us who they were that bid at the time you awarded the Capitol contract.

Mr. BOSTICK. There were no bids. Capitol came in, offered us a high price, and we accepted them.

Mr. McLENDON. You did not get offers from anyone else?

Mr. BOSTICK. We did not.

Mr. McLENDON. Did you decline to let Macke revise its prices?

Mr. BOSTICK. No, sir.

Mr. McLENDON. You did not?

Mr. BOSTICK. I did not.

Mr. McLENDON. I ask you if Mr. Aaron Goldman, the president of Macke, didn't come to your plant, and ask you if he could revise his prices and make a bid.

Mr. BOSTICK. I met Mr. Goldman for the first time 20 minutes ago in the back office.

Mr. McLENDON. Well, then, you don't know what he said to Mr. Weid or anyone else?

Mr. BOSTICK. I do not; no, sir.

Mr. McLENDON. But you do know that the company, as far as you are concerned as president, did not notify the Macke Co. that they might bid on renewal of the contract?

Mr. BOSTICK. All I can say is that I did not so notify it, nor did I instruct Mr. Weid to do so.

Mr. McLENDON. All right.

Now, Mr. Bostick, you decided in the spring of 1963 to combine your vending with your food service, did you not?

Mr. BOSTICK. Yes, sir.

Mr. McLENDON. And that would involve the cancellation of the Capitol contract?

Mr. BOSTICK. It would.

Mr. McLENDON. Who made the decision to cancel the Capitol contract?

Mr. BOSTICK. I did.

Mr. McLENDON. After you made the decision to cancel the Capitol contract, did you notify Robert G. Baker?

Mr. BOSTICK. I did.

Mr. McLENDON. Where?

Mr. BOSTICK. I called him to let him down easy. I asked him to play golf with me. We played golf, and I so notified him.

Mr. McLENDON. What do you mean by the expression "Let him down easy" as referred to Baker?

Mr. BOSTICK. I think Baker is a warm, decent person. I just wanted to personally tell him that they could not stay any more.

Mr. McLENDON. Well, how was he involved in the Capitol contract?

Mr. BOSTICK. He had originally recommended them.

Mr. McLENDON. Originally recommended them. And did you instruct that Capitol be awarded the contract out of favor to Mr. Baker?

Mr. BOSTICK. No, sir. I gave them the opportunity to better Macke's prices out of a favor to Mr. Baker.

Mr. McLENDON. To better Capitol's prices?

Mr. BOSTICK. To better Macke's prices.

Mr. McLENDON. So then you are testifying that the reason you considered the Capitol Co. was because Baker recommended them,

and you committed the Capitol Co. to raise the price that you had been receiving from the Macke Co.?

Mr. BOSTICK. I missed one word, Mr. McLendon—that I committed the Capitol?

Mr. McLENDON. Yes.

Mr. BOSTICK. Well, I don't think I had any authority over Capitol to commit them. They put in a higher bid than Macke.

Mr. McLENDON. Well, could they bid without your permission?

Mr. BOSTICK. They could bid. I am quite certain if I had wanted to keep them out, they would have stayed out, just as I threw them out eventually.

Mr. McLENDON. What was your motivation in negotiating the contract with Capitol, other than that you got a higher price than Macke was paying?

Mr. BOSTICK. I am a friend of Baker, I like him very much, I thought he was a decent person, and I did it as a favor to him.

Mr. McLENDON. And you felt under such obligation to him that when you canceled the Capitol contract, that you took occasion to stage a golf game with him and told him about it?

Mr. BOSTICK. I felt under such obligation as I feel any sensitive human being would under the circumstances.

Mr. McLENDON. Well, we are not talking about other human beings. We are only talking about you now.

Mr. BOSTICK. Well, I was talking about me.

Mr. McLENDON. All right.

Suppose you confine it to yourself, and not include the universe.

And you say that you wanted to let Mr. Baker down—that was your expression, was it not—let him down easy?

Mr. BOSTICK. That is right.

Mr. McLENDON. So you recognize that he had an interest in that Capitol contract, did you not?

Mr. BOSTICK. I recognized that he had originally recommended them. That is the only interest I recognize.

Mr. McLENDON. Did you know that he had received any compensation in connection with it at that time?

Mr. BOSTICK. I did not.

Mr. McLENDON. Before the contract was actually terminated, on August 28, by a letter from your company, did you have a visit from Mr. Lee and Mr. Collier of the Capitol Co.?

Mr. BOSTICK. Mr. Lee and Mr. Collier came to see me after they received notice of cancellation; yes, sir.

Mr. McLENDON. And did they or Mr. Hill request that the Capitol Co. be afforded an opportunity to bid before you awarded the contract to someone else?

Mr. BOSTICK. They did not, sir.

Mr. McLENDON. They did not.

In this conference with Mr. Lee and Mr. Collier, did they tell you that they had an agreement with Robert G. Baker that the contract between Capitol and Melpar was to run 3 years?

Mr. BOSTICK. They told me that they expected to stay in 2 or 3 years, I think.

Mr. McLENDON. Did they also tell you that they were paying Baker for his services in helping to get that contract?

Mr. BOSTICK. Well, that was my impression. Mr. Weid, who was present, says it didn't happen. My impression was that they told me they had given Baker a fee.

Mr. McLENDON. Did they tell you how much it was?

Mr. BOSTICK. Well, no, sir. But I have since read what it is. And I don't think they did.

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

Mr. BOSTICK. No, sir.

Mr. McLENDON. What do you mean by that?

Mr. BOSTICK. Well, I don't remember them doing so.

Mr. McLENDON. You don't remember that they said that?

Mr. BOSTICK. That they gave me any amount of fee; no, sir.

Mr. McLENDON. Now, before you got to the point of cancelling the Capitol contract, had the Capitol Co. asked for permission to increase prices of drinks and to install a new drink, hot chocolate?

Mr. BOSTICK. Yes, that was some time before that, I think—before the cancellation.

Mr. McLENDON. Who brought that to your attention first, as president?

Mr. BOSTICK. I think Mr. Law brought it to my attention. I think he handed me a little slip of paper at the time.

Mr. McLENDON. A memorandum?

Mr. BOSTICK. Yes.

Mr. McLENDON. What did you do with it when he gave it to you?

Mr. BOSTICK. To the best of my recollection, I gave it to Mr. Weid.

Mr. McLENDON. What did you tell him?

Mr. BOSTICK. To look into it.

Mr. McLENDON. Did Mr. Law tell you where he got the memorandum from?

Mr. BOSTICK. No, sir. Not that I recall. I don't think he did.

Mr. McLENDON. Did Mr. Hill later tell you that this memorandum was delivered by him, Hill, to Baker?

Mr. BOSTICK. I don't—to the best of my recollection, I have never met Hill.

Mr. McLENDON. Did anyone with the Capitol Co. tell you that the memorandum was delivered by Baker?

Mr. BOSTICK. No, sir.

Mr. McLENDON. You had no knowledge of that?

Mr. BOSTICK. No, sir.

Mr. McLENDON. Would you look at this paper I have here and see if you can identify that as the memorandum you have just been talking about?

Mr. BOSTICK. Yes, sir; that is it.

Mr. McLENDON. And on the front is a memorandum addressed to Mr. Marsh, is it not, or memorandum made by Mr. Marsh?

Mr. BOSTICK. I think it is from Mr. Marsh. It doesn't say who it is to.

Mr. McLENDON. And did you tell Mr. Marsh to make the changes?

Mr. BOSTICK. No, sir; I told him to investigate to see whether they were desirable, and whether or not we would come out all right on them.

Mr. McLENDON. Is that all you told him?

Mr. BOSTICK. To the best of my recollection. This was a long time ago.

Mr. McLendon. And is it your testimony that Mr. Marsh is the man who made this decision?

Mr. Bostick. No, sir; I don't know whether Marsh or Weid made it. They worked interchangeably on this.

Mr. McLendon. One or the other of those two made the decision?

Mr. Bostick. Yes.

Mr. McLendon. Now, while Melpar's—I mean Macke's contract was in existence, did they try to get the prices raised?

Mr. Bostick. As I recall, they consistently did.

Mr. McLendon. And—

Mr. Bostick. So does every other vending machine company.

Mr. McLendon. Were they denied?

Mr. Bostick. They were not denied by me. They never spoke to me. They were denied, if they were denied, by Marsh.

Now, I can give you an assumption they were denied, because the prices were not raised.

Mr. McLendon. And you did not participate in that decision as president?

Mr. Bostick. No, sir.

Mr. McLendon. You didn't disapprove it?

Mr. Bostick. Which decision are you speaking of?

Mr. McLendon. The decision to decline to—your decision to refuse Macke's request to raise the prices.

Mr. Bostick. I don't remember it being brought to me.

Mr. McLendon. You don't remember it at all?

Mr. Bostick. No, sir.

Mr. McLendon. Now, Mr. Bostick, in the summer of 1963, did Mr. Baker and Mr. Tucker together visit your plant and see you?

Mr. Bostick. Yes, sir. I am not certain of the time. But the two came out together.

Mr. McLendon. How many times did they come together?

Mr. Bostick. To the best of my recollection, twice.

Mr. McLendon. And the first time they came, did you discuss—did you talk with them?

Mr. Bostick. Yes, sir. They sat in my office for a few minutes, anyway.

Mr. McLendon. Was anyone else with you at the time?

Mr. Bostick. I think Mr. Weid was.

Mr. McLendon. And what was the subject or subjects discussed in that first meeting?

Mr. Bostick. As I recall, numerous food companies.

Mr. McLendon. Numerous food companies?

Mr. Bostick. Yes, sir; someone to handle both the vending and the cafeteria.

Mr. McLendon. What interest did Baker and Tucker have in numerous food companies?

Mr. Bostick. I never was sure of that. I just assumed they wanted to recommend somebody.

Mr. McLendon. Were any of these companies represented by anyone else in the conference?

Mr. Bostick. Well, at that point I don't recall anyone but Baker, Tucker, Weid, and myself. Mr. Weid carried on from there.

Mr. McLendon. But you tell the committee that you talked to these two gentlemen on the assumption that they were speaking for these various food companies?

Mr. Bostick. No, sir; that they were recommending or had in mind the possible recommending of certain food companies.

Mr. McLendon. Did they recommend one or more?

Mr. Bostick. The only one I remember mentioned was Hot Shoppes.

Mr. McLendon. They did recommend Hot Shoppes?

Mr. Bostick. Well, it was mentioned. Whether they recommended it or not, I don't recall.

Mr. McLendon. Did you call for this conference, or did they call for it?

Mr. Bostick. They called for it.

Mr. McLendon. And you went to the trouble to have a conference with them without finding out whom they represented?

Mr. Bostick. Mr. Baker was a friend of mine. I don't generally ask friends what they want before they come out to see me.

Mr. McLendon. Well, after he got there, didn't your business judgment dictate to you that you ought to know for whom these people were speaking?

Mr. Bostick. My understanding was, from what they said, that they were contemplating recommending someone to handle the food and the vending. It was not my understanding that they were representing anybody.

Mr. McLendon. Why would they be interested in recommending food and vending to your company?

Mr. Bostick. I can't conjecture on that.

Mr. McLendon. They are not specialists in that business; are they?

Mr. Bostick. To my knowledge, no.

Mr. McLendon. And, so far as you know, there was never any occasion in all your experience with this company that either one of them ever represented another vending machine company other than Capitol?

Mr. Bostick. Well, I don't say that they represented Capitol. Baker recommended Capitol.

Mr. McLendon. Well, he recommended it.

And you were told later by the Capitol representatives that they employed him and paid him?

Mr. Bostick. That was after they were given notice to get out; much later.

Mr. McLendon. All right.

But did you ask these two gentlemen's advice about what food company you should employ?

Mr. Bostick. I think the day I told Baker that I was combining the vending and the cafeteria, I told him that if he had anyone he could recommend who might handle both I would be happy to entertain such recommendation.

Mr. McLendon. Are you referring to the time you saw him on the golf course?

Mr. Bostick. I am.

Mr. McLendon. So, he having recommended Capitol, you then extended an opportunity to him to recommend somebody else for the next contract?

Mr. BOSTICK. Well, I felt a little apologetic to him, that I had to cancel all the people he recommended.

Mr. McLENDON. And you felt under some obligation to him, I assume.

Mr. BOSTICK. No, sir; not other than what I have stated.

Mr. McLENDON. So as a result of that, these two men appeared at your office by engagement, and you discussed various companies with whom Melpar might make a contract?

Mr. BOSTICK. Well, the only one I remember is Hot Shoppes. There were others mentioned, I think, but I don't remember who they were.

Mr. McLENDON. To refresh your recollection, Mr. Bostick, is it not true that in one or both of those conversations, that you or Mr. Weid raised the question—can you speak for Interstate, and that Baker answered "Yes"?

Mr. BOSTICK. Well, if it was raised, it wasn't raised by me. And if it was raised in my presence, I have no recollection of it.

Mr. McLENDON. Well, you would recollect a thing of that importance, would you not?

Mr. BOSTICK. I don't even think I was there. As a matter of fact, the second meeting I simply said hello to him as I went out of the door.

But, to answer your question, the question of vending is not of primary importance to me. We have got 4,000 employees. And the primarily important thing is getting business to feed them all the time. The side issues, the wax on the floor, the people who mow the lawn; these are not matters of primary importance to me.

Mr. McLENDON. All right.

Then you want the committee to believe that this matter of awarding vending contracts was so unimportant to you—wait a minute—that you could have awarded any of your friends out of favor, and have no further concern about it?

Mr. BOSTICK. I could allow any friend to submit a bid on any of those.

Mr. McLENDON. Following those meetings you did award the contract to Interstate, did you not?

Mr. BOSTICK. Will, Mr. Weid handled that, Mr. McLendon.

Interstate now is at Melpar.

Mr. McLENDON. Did you have anything to do with it?

Mr. BOSTICK. Only when Mr. Weid came to me, told me what he had worked out with Interstate, and I approved it.

Mr. McLENDON. And did you ever find out what the exact relationship between Baker and Interstate was?

Mr. BOSTICK. No, sir; if there was any I never found out what it was.

Mr. McLENDON. You made no inquiry about it?

Mr. BOSTICK. I did not.

Mr. McLENDON. Now, what was the occasion for Mr. Tucker and Mr. Marsh making a trip to various installations throughout the country for the purpose of inspecting vending machine operations?

Mr. BOSTICK. Well, I have no knowledge of trips throughout the country.

I do know that one of Marsh's duties was to investigate anyone who wanted to come in in that type of thing, and I assumed he thought this was necessary, a firsthand inspection.

Mr. McLENDON. Why Tucker?

Mr. BOSTICK. I cannot answer that.

Mr. McLENDON. As far as you know, was he representing any food vending or cafeteria concern?

Mr. BOSTICK. Not as far as I know. I knew Tucker only to be a lawyer.

Mr. McLENDON. Did you instruct Marsh to go with Tucker on these trips?

Mr. BOSTICK. No, sir. I think Mr. Weid would have instructed him if he was instructed. I have no recollection of giving Marsh any such instructions. My dealings with Marsh were through Weid.

Mr. McLENDON. And you never received any report of this trip?

Mr. BOSTICK. You mean——

Mr. McLENDON. The trip made by Marsh and Tucker.

Mr. BOSTICK. No, sir, unless Weid came in and talked to me about it, and I have no recollection of that.

Mr. McLENDON. When did you find out the trips had been made?

Mr. BOSTICK. I don't think that I knew they had been made until—I don't remember that.

Mr. McLENDON. You don't remember anything about it?

Mr. BOSTICK. No, sir; I don't remember that.

As I recall, Weid told me they went to Dulles Airport, and maybe some other trip. I don't remember. Dulles Airport is about 10 minutes from the plant.

Mr. McLENDON. Are you intentionally leaving this committee under the impression that this decision was made by Mr. Marsh and Mr. Weid, without any advice from you?

Mr. BOSTICK. Decision for what, Mr. McLendon?

Mr. McLENDON. About sending Tucker and Marsh on this trip.

Mr. BOSTICK. I think that would be a normal prerogative of Mr. Weid.

Mr. McLENDON. I didn't ask you if it was normal. I am asking if you are leaving this committee under the impression that that was done without approval of you as president of the company.

Mr. BOSTICK. I am so stating. What impression I leave with the committee I cannot tell you.

Mr. McLENDON. You are stating it was done without your knowledge and approval?

Mr. BOSTICK. Not without my knowledge. I may have been told about it. The approval wasn't necessary.

Mr. McLENDON. Then you mean to say that you have no recollection about it? Is that a more accurate way?

Mr. BOSTICK. I think I have a recollection that there was no approval. Whether or not I had knowledge, I don't recall. This is not something I would have remembered.

Mr. McLENDON. I see.

Now, Mr. Bostick, after this suit was instituted by the Capitol Co., did you have a meeting here at the Capitol Rotunda Restaurant with Baker and Weid and Tucker and—and Tucker?

Mr. BOSTICK. Mr. McLendon, my counsel said something to me, and I missed the first part of your question.

Mr. McLENDON. After the suit was instituted by Capitol Vending Co. against Baker and others, did you have a luncheon meeting with Baker, Tucker, and Weid, here at the rotunda?

Mr. BOSTICK. I think I was at a large luncheon at the rotunda at which Baker briefly appeared, if that is what you have in mind.

Mr. McLENDON. How did you happen to be at that luncheon?

Mr. BOSTICK. Well, if my memory serves me, I was there because the president of the Ling Temco Vought was there, one of the people we hoped to business with in reconnaissance.

Mr. McLENDON. Was he in this group?

Mr. BOSTICK. If it is the luncheon I am thinking of, and I can check that, he was, and there were probably 10 people there.

Mr. McLENDON. I am speaking of an occasion when the four of you were there together—you and Weid and Tucker and Baker.

Mr. BOSTICK. I have no recollection of such a luncheon.

Mr. McLENDON. You don't deny that it took place, do you?

Mr. BOSTICK. No, sir; I just don't have any recollection of such a luncheon.

Mr. McLENDON. You consider Mr. Weid a man of good character?

Mr. BOSTICK. I certainly do.

Mr. McLENDON. And a truthful man?

Mr. BOSTICK. I do.

Mr. McLENDON. And you have no recollection of having talked with Baker anywhere immediately after this suit was instituted?

Mr. BOSTICK. I have no recollection—let me clarify this. I have no recollection of ever being at a luncheon with Tucker, Weid, and Baker. Now, whether Tucker was at this large luncheon I just mentioned, I don't remember. I have only met Tucker once or twice.

Mr. McLENDON. So if the luncheon such as I have described attended by the four of you occurred, you have no recollection of it now?

Mr. BOSTICK. No, sir; none whatsoever.

Mr. McLENDON. Mr. Bostick, you knew Mr. Baker's position with the Senate; did you not?

Mr. BOSTICK. I knew his title.

Mr. McLENDON. Had you ever visited his office?

Mr. BOSTICK. Yes, sir.

Mr. McLENDON. How many times?

Mr. BOSTICK. Oh, I think two or three times.

Mr. McLENDON. Do you remember what the occasions were, other than the time you went to see him in connection with some pending legislation?

Mr. BOSTICK. I do. As I recall, I took Mr. Fred Meyers, executive secretary of the Humane Society of the United States, there to introduce him. I took Miss Helen Jones there, executive secretary of the National Catholic Society for Animal Welfare, to introduce her.

Relating to the Randall bill, which is a bill now pending or had been introduced in Congress for the humane treatment of research animals, after operation, or what have you.

Mr. McLENDON. Did you ever discuss business affairs with Baker in his office?

Mr. BOSTICK. No, sir.

Mr. McLENDON. You have had some telephone conversations with him concerning these meetings and conferences about which you already testified?

Mr. BOSTICK. Oh, I am sure I have.

Mr. McLendon. Do you know whether he called you from his office in the Senate for those conversations?

Mr. Bostick. I think on these conferences I would have called him, and I would have called him at his office.

Mr. McLendon. But you would not have called him and asked him to send Tucker and himself down to your office?

Mr. Bostick. I am sorry, sir. I thought you were talking about the meetings in his office, rather than the ones in mine.

On that occasion, Baker called me and asked me if Tucker could come out. I was somewhat surprised to see Baker when he came out.

Mr. McLendon. And he also called, I assume, when Hill and Hancock came out there; did he not?

Mr. Bostick. If he did, he did not call me.

Mr. McLendon. Do you have a record at your company of all visitors to your plant?

Mr. Bostick. Yes. I think there would be, in view of the security involved out there.

Mr. McLendon. Are those records available for inspection by investigators for the committee?

Mr. Bostick. Yes, sir.

Mr. McLendon. And they would show the names of the people and times they were there?

Mr. Bostick. Yes, sir; they would.

Mr. McLendon. Would they show anything about what business they were there about?

Mr. Bostick. Only in general terms. I am not familiar with the ledger that they use. But I suspect it would only show in general terms what it was about, if it shows that. I don't know that, Mr. McLendon.

Mr. McLendon. Did you see Baker frequently on social occasions?

Mr. Bostick. No; I think I saw Baker a total of maybe 14 or 15 times in 2 years. But usually not by prearrangement. I would just run into him somewhere.

Mr. McLendon. Earlier in your testimony you said you knew him and you liked him.

Mr. Bostick. I still say that.

Mr. McLendon. So you did see him to cultivate a personal friendship?

Mr. Bostick. Yes. I think Baker is a warm human being—I think the type of person you can cultivate a friendship with very quickly. I considered him, and I consider him, a friend of mine.

Mr. McLendon. And—

Mr. Bostick. I would not say an intimate friend, but a friend.

Mr. McLendon. And did you on one occasion give a dinner at the F Street Club in his honor?

Mr. Bostick. I don't think I have ever given a dinner in Baker's honor.

Mr. McLendon. That is the one Senator Scott asked you about.

Mr. Bostick. No, sir; I don't remember who was at this dinner. It probably was in nobody's honor. I may be able to find out who was there for you, Mr. McLendon.

Mr. McLendon. You think you might have a list?

Mr. BOSTICK. I might. Ordinarily my secretary would phone the invited guests, and if she kept them—and usually she does—I would have them.

Mr. McLENDON. The committee has information, Mr. Bostick, indicating that on one occasion Mr. Hill was told to go to see Fred Black by you and Baker, or one of you—maybe both. Do you have any recollection about that?

Mr. BOSTICK. I cannot speak for Mr. Baker, but he was never told that by me. I don't remember ever meeting Mr. Hill, unless it was in my office briefly, and I don't think I met him.

Mr. McLENDON. How about Mr. Collier and Mr. Lee?

Mr. BOSTICK. Mr. Collier and Mr. Lee visited me shortly after they received notice they would be terminated.

Mr. McLENDON. Do you have any knowledge of any one of them having been sent to see Mr. Black?

Mr. BOSTICK. I have not.

Mr. McLENDON. And do you have any knowledge that Mr. Black pulled from his files a report on the operations of the vending business by the Capitol company?

Mr. BOSTICK. I have no knowledge of that.

Mr. McLENDON. No knowledge of that.

What percentage of the total business of the Melpar Co. is represented by your contract with North American Aviation?

Mr. BOSTICK. Oh, I cannot tell you, but it is a large percentage. I think I should be allowed to elaborate on this point.

Mr. McLENDON. I am just asking you what percentage it is. Is it 75, 80, 90 percent?

Mr. BOSTICK. I would say the backlog probably would be somewhere in the neighborhood of 50 percent.

Mr. McLENDON. Fifty percent of your total work being done by Melpar?

Mr. BOSTICK. That is right.

Mr. McLENDON. And is your contract arrangements with North American Aviation what might be described as a continuing contract, without a definite terminal point?

Mr. BOSTICK. No, sir; because there is more than one.

May I explain this?

Mr. McLENDON. Well, I don't think the committee is particularly interested in it, other than the fact that you have the contracts with American.

Mr. BOSTICK. Mr. Chairman, if I may, I think it may be relevant as to when we obtained these contracts.

Mr. McLENDON. Mr. Weid has already told the committee that.

Senator CANNON. Mr. Chairman, if the witness wants to make an explanation, I think he is entitled to make it.

Mr. BOSTICK. Give me 3 minutes.

In May 1961 we received notice from North American that we had been selected over 26 other competitors, including IBM, RCA, Martin Co., Lockheed, on certain circuit boards.

Let me say this is what is known as a directed procurement by the Air Force. The Air Force directed North American to farm out a certain percentage of their work on the Minuteman.

As a result of this direction, we bid, again against 26 other companies, and we won.

Now, once that contract was in the house, the follow-on was logical, naturally. We spent over a million dollars tooling up, and the Air Force would have none of anybody else getting in to bid. And this is the business that I just told you about. This came in 6 months before I ever met Baker or Black.

One thing more. In 2 years—and I have checked this—we have bid 520-some-odd times to various companies and to the Government. We have bid 12 times to North American. We spent \$300,000 on bidding costs.

We received one contract for \$140,000 for an antenna, lost the follow-on. Our record with North American is 1-percent dollarwise on contracts bid in that time, and 10 percent with all others.

And that is the picture of our North American business.

Mr. McLendon. Did you ever find out what Mr. Hancock's connections were with any vending machine operators or companies?

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

Mr. McLendon. And you say that notwithstanding the fact that you permitted him to come to your plant?

Mr. Bostick. All I knew was that he apparently was a friend of Baker's or Capitol Vending. That is all I knew. In fact, I thought his name was Hitchcock until a month ago.

Mr. McLendon. Did you ever find out that he had any connection with the Serv-U Corp.?

Mr. Bostick. I understand that—well, let us say—after the suit was filed, or shortly before—but I think afterwards—Mr. Marsh showed me a card with Serv-U and Automatic Vending on it. This is the first knowledge I had that he was connected with Serv-U.

In fact, I don't remember ever hearing of Serv-U.

Mr. McLendon. Did you know anything about Baker's connection with Serv-U?

Mr. Bostick. I did not.

Mr. McLendon. Or Tucker's?

Mr. Bostick. No, sir. I knew nothing about Serv-U.

Mr. McLendon. You knew nothing about it at this time, you mean?

Mr. Bostick. That is correct.

Mr. McLendon. Mr. Chairman, I think that is all I wanted to ask him now.

The Chairman. Senator Cannon?

Senator Cannon. Mr. Bostick, did Mr. Baker ever receive any compensation from your firm in any monetary fashion at all?

Mr. Bostick. No, sir.

Senator Cannon. Did Mr. Tucker, his partner?

Mr. Bostick. No, sir.

Senator Cannon. Did they ever represent you, either or both of them, in connection with any of the procurement of any of your contracts?

Mr. Bostick. No, sir.

Senator Cannon. Are you familiar with the profit situation in respect to the vending contracts, or is that strictly Mr. Weid's territory?

Mr. Bostick. Well, I am familiar with it now more than I was. Ordinarily, I would not be. I was not before this came up.

Senator CANNON. I think Mr. Weid stated that the profits from the vending machine contract are credited to your overhead, and thereby to the Government.

Mr. BOSTICK. Yes, sir. That is since 1959, when the change in the armed services procurement regulations came into effect.

Senator CANNON. When you changed from Macke Co. to Capitol Vending—you said you did that as—gave Capitol Vending the opportunity to bid as a favor to Mr. Baker?

Mr. BOSTICK. That is correct.

Senator CANNON. And did you receive for credit to your capital account a greater amount from Capitol Vending than you had theretofore been receiving from Macke by reason of that contract?

Mr. BOSTICK. Yes, sir; we received 9 percent per employee per month from Capitol and 8 percent per employee per month from Macke.

Senator CANNON. And then when you went from Capitol to the present company, Interstate, what was the reason for that?

Mr. BOSTICK. We determined that the only possible way to run the vending and the food equipment was to tie them together. The vending machines apparently made none. Nationwide, at any rate, who handled our food, was losing money. I just made up my mind we had to combine them. And Nationwide gave us notice in July they were getting out. This is what precipitated this business. We had been thinking about it for several months.

Senator CANNON. Was that the sole reason for changing from Capitol to Interstate?

Mr. BOSTICK. Let us say it was the sole reason for putting Capitol out; yes, sir.

Senator CANNON. So that you could combine the operation?

Mr. BOSTICK. That is right.

Senator CANNON. That is all I have.

The CHAIRMAN. Senator Cooper?

Senator COOPER. Mr. Bostick, prior to the call of Law and Webb and Mr. Baker about Capitol Vending, had you or your company considered canceling the existing vending contract?

Mr. BOSTICK. I had not so considered it, and so far as I know, no, sir.

Senator COOPER. You have stated—I won't go into that.

Was your decision to take this step a result, as I think you have said, of your friendship with Mr. Baker—was it connected with any transaction that you or the Melpar Co. have had with Mr. Baker prior to that time?

Mr. BOSTICK. No, sir.

Senator COOPER. Concerning the company?

Mr. BOSTICK. Concerning Melpar, Senator?

Senator COOPER. Yes.

Mr. BOSTICK. No, sir.

Senator COOPER. Any act or business that he had done for the company?

Mr. BOSTICK. No, sir.

Senator COOPER. Any promise on his part that he might be helpful to the company in the future?

Mr. BOSTICK. No, sir.

Senator COOPER. Have there been any transactions between you and Mr. Baker, or by Melpar Co., through Mr. Baker, that you know about—

Mr. BOSTICK. No, sir.

Senator COOPER. Which represented any influence on his part with either private business with which your company deals or any governmental agencies?

Mr. BOSTICK. No, sir.

Senator COOPER. Or any government official?

Mr. BOSTICK. No, sir. And, Senator, may I elaborate a second on that question?

Senator COOPER. Your answer is "No" to all this?

Mr. BOSTICK. Yes, sir. In the business in which we find ourselves, the situation is much more complicated than asking somebody to do one a favor. I have been a general manager or president of this company for 17 years. Obtaining these contracts is a long, drawn out affair, whereby, on the major ones, perhaps 2 years in advance we will know certain requirements will come up. We will then be working on that. Our technical people will ultimately get to know the technical people in the other company or in the Government. For instance, now with peace possibly in the offering we know that reconnaissance is going to be very, very important, even if nobody is shooting at you, you would like to know what they are doing. We are now going more and more into reconnaissance, and we are spending our own research money on this.

And you just don't ask a Senator or a Congressman or a secretary of the majority leader to help you get a contract. This is not the way these contracts are obtained.

I don't know anything about any of the inquiries that are going on about the large contracts. All I know is that it is blood, sweat, and tears to get these contracts, and usually against anywhere from 6 to 40 other people.

In my opinion, no one man in the Government can give anybody a contract, or even substantially help him, except by a damned good—if you excuse the expression—technical evaluation as a result of one's proposals.

Senator COOPER. Now, prior to your decision of the company to cancel the Capitol Vending contract and make a new contract with Interstate, had there been discussions in the company, or consideration given by you as to either the necessity or desirability of canceling the contract and entering into a different type of contract?

Mr. BOSTICK. You mean of combining the two?

Senator COOPER. Yes.

Mr. BOSTICK. Well, I knew that they were having trouble with Nationwide. I think I was sent a couple of supervisor reports on one occasion. And I personally complained to Nationwide at least once that their service was no good. They sent someone out, promised to do better. But they never seemed to do any better.

Senator COOPER. Prior to the information that came to you—however it came—of the alleged connection of Mr. Baker with these companies, at the time Melpar made the decision first to cancel the contract and enter into the contract with Capitol and the second decision to cancel the Capitol contract and enter into a contract with Interstate,

did you know that Mr. Baker was receiving any type of compensation from either of these—any of these companies?

Mr. BOSTICK. No, sir.

Senator COOPER. That is all.

The CHAIRMAN. Senator Pell?

Senator PELL. I would like to revert back to Senator Cooper's question for a moment.

Am I correct in my understanding that the question of Government contracts was never a subject of conversation between you and Mr. Baker?

Mr. BOSTICK. That is correct. Certainly not with respect to anything relating to Melpar. What all the conversation was that went on in these times I saw Baker I don't remember. I have no recollection of any such conversation. Certainly nothing relating to Melpar itself.

Senator PELL. Or the efforts of Melpar to enlarge its own business?

Mr. BOSTICK. No, sir.

Senator PELL. That is all.

The CHAIRMAN. Senator Clark?

Senator CLARK. Mr. Bostick, let me turn your mind back to the luncheon you had at the Rotunda which I understood you to describe as a large luncheon of about 10 people; is that correct?

Mr. BOSTICK. Yes, sir.

Senator CLARK. I think you said that Mr. Baker came in for a while.

Mr. BOSTICK. I think he came in toward the end of the luncheon and I don't know whether he left early. I think I left shortly afterward. I don't remember how it ended.

Senator CLARK. Did you have any discussion at that time with Mr. Baker about vending contracts?

Mr. BOSTICK. No, sir. Mr. Baker, as I recall, sat way down at the end of the table; I was at the other end.

Senator CLARK. And if you had any conversation with him, it was purely social?

Mr. BOSTICK. Yes, sir.

Senator CLARK. Now, turning your mind to the dinner at the F Street Club, did you have any conversation with Mr. Baker there as far as you recall about any business matters connected with vending contracts?

Mr. BOSTICK. No, sir.

Senator CLARK. I think you told us that you were a member of the Quorum Club.

Mr. BOSTICK. Yes, sir.

Senator CLARK. How many times do you think, on a guess, you have been there?

Mr. BOSTICK. Either two or three times.

Senator CLARK. It has been reported in the press that the bells from the Senate, which indicate quorum calls, adjournments, and so forth, are installed at the Quorum Club. Do you happen to know whether that is true or not?

Mr. BOSTICK. No, sir; I don't recall hearing them. I don't know.

Senator CLARK. Who asked you to join the Quorum Club?

Mr. BOSTICK. Well, I was at Burning Tree one day, some time after the law whereby you could buy drinks had been repealed. The Quorum Club had an outing there. And they found themselves without whisky, and unable to buy any, and I let them use my bottle. So they made me an honorary member, and then sent me a bill.

Senator CLARK. That is all, Mr. Chairman.

The CHAIRMAN. Senator Scott?

Senator SCOTT. Mr. Bostick, what other firms are employed by your company on a consulting basis, other than Webb and Law, and Mr. Black—firms or individuals?

Mr. BOSTICK. Senator, we probably have some 60-odd consultants, I guess—technical and otherwise.

Mr. Ginsburg, of course, is employed, has been for 14 or 15 years, as general counsel.

Senator SCOTT. Could you supply us, then, with a list of the various consultants to your firm?

Mr. BOSTICK. Yes, sir.

Senator SCOTT. I would request that that be done.

I believe I have requested that the payroll be made available.

What did Webb—

The CHAIRMAN. What payroll?

Senator SCOTT. The payroll of Melpar be made available. If not, I want—I asked the witness whether he knew somebody named Sabatini and he says flatly no such person is on the payroll. For the purpose of testing the credibility of the witness, I would request that the payroll for the period covered by this inquiry, 1962 and 1963, be made available to the investigators of the committee.

What did Webb and Law and Mr. Black do to earn their money, Mr. Bostick?

Mr. BOSTICK. Well, I think I should take them one at a time, Senator.

Senator SCOTT. All right.

Mr. BOSTICK. Mr. Black—let me say first that a company of our size is confronted with what we call a make-or-buy decision. Do we hire full-time Washington people and put them in an office here, as Lockheed and the rest do, or do we pay part of a person?

My considered opinion has been it is better to own a part of a very good person than all of a mediocre one.

Mr. Black keeps his ear to the wind on large programs which may be coming up. He generally knows whether they are strong in the military. For instance, on the Skybolt, where we hoped to get quite a bit of business, we spent a lot of money. Mr. Black told me one day; he said, "I don't think this program is going to really go." He might have got it out of the Wall Street Journal, but he got it. And we went into it and just stopped our work on the Skybolt.

Actually, it was to be for Northrop. We have a special products department whereby we thought we had a device which would go in the clock of every automobile in the country. It turned out to be too expensive.

But I would go down and get Black's ideas on this, particularly with reference to whom he knew in the automobile business, and whom he could introduce us to.

My job is constantly circulating and listening to hear what is going on in Washington, what is going on in defense.

Black is a brilliant man; he is a gentleman, he is well liked; he is well thought of; he is a good friend of mine.

This is the type of service he performs. If we had a problem in Arabia, Black likely as not would know somebody relating to it. We have a subsidiary that works in Arabia, and indeed this is why—well, that is another story.

We are in Bolivia; we are in Pakistan. We are trying to get into India.

Black is just a brilliant individual as far as I am concerned, a hell of a reputation. And this is why I hired him.

Senator SCOTT. Did Mr. Black give you any assistance in furnishing leads or obtaining contracts or making contacts with any Government agency at any time?

Mr. BOSTICK. No, sir.

Senator SCOTT. Did you ever draw a distinction between this tremendous knowledge Mr. Black had, and make it clear you didn't want any help from him with regard to contacts with Government agencies?

Mr. BOSTICK. I don't think Mr. Black's contacts with the Government agencies would be of any value to me. The contacts generally come down at the engineering level. We have engineering representatives for that.

Senator SCOTT. Although you have said Mr. Black is a brilliant man, and has contacts everywhere?

Mr. BOSTICK. He does. And I think through these contracts he will know the situation with respect to many things I am interested in, relating to possibly large programs coming up, or the trend away from certain types of aircraft. This is what he is a specialist in.

Senator SCOTT. You said that you buy a piece of a person. Do you know whether or not Mr. Black is an employee or is a consultant, also, to North America Aviation?

Mr. BOSTICK. I do.

Senator SCOTT. And you obtain contracts from North American Aviation?

Mr. BOSTICK. Well, the one that I told you about, and one for \$140,000.

Senator SCOTT. And do you know what Mr. Black's compensation is at North American Aviation?

Mr. BOSTICK. No, sir; I have no idea.

Senator SCOTT. You have never discussed that with him?

Mr. BOSTICK. No, sir.

Senator SCOTT. What did Webb and Law do to earn their money?

Mr. BOSTICK. Well, they are more oriented toward the consular corps. Our problem in this field, relating to our subsidiary in India, what programs are coming up in what countries—whether they are going to pay for it or whoever—what programs are coming up. Then the question is how do we get our people down to demonstrate what we have got.

And these people seem to be knowledgeable in this field.

We originally hired them for an Asian deal which we got, I think. And I would say this is just about the general field.

Senator SCOTT. Would Mr. Weid be pretty familiar with these kinds of services furnished to you by the consultants we have mentioned, Black and Webb and Law?

Mr. BOSTICK. Not as familiar as I am.

Senator SCOTT. Would he have any familiarity with it at all?

Mr. BOSTICK. I cannot speak for Mr. Weid. But I don't think he would, again, have as much knowledge as I.

Senator SCOTT. How many employees do you have, Mr. Bostick?

Mr. BOSTICK. I think there are about 3,700 at the moment. It fluctuates. It goes up to 6,000-some-odd, down to 2,900. About 3,700 at the moment.

Senator SCOTT. You say you threw Capitol out, but you had taken them in as a favor to Mr. Baker. Then you say you threw them out.

But Mr. Baker came right back in by way of Interstate, did he not?

Mr. BOSTICK. I don't have any knowledge of Mr. Baker's dealings with Interstate, if he has any.

Senator SCOTT. Were you at a meeting where Mr. Weid, who had Interstate's proposal with him, asked Mr. Baker whether he, Baker, could speak for Interstate, whether he represented Interstate, and Baker replied "Yes"?

Mr. BOSTICK. Mr. Weid has told me at the first meeting he asked that question. I have no recollection of it. It would have meant nothing to me if he had. Tucker and Baker were lawyers.

Senator SCOTT. You either knew that Baker represented Interstate or you did not know it.

Now, which is correct?

Mr. BOSTICK. I do not know. No, sir. I would suspect that Baker does not represent Interstate.

Senator SCOTT. But you did discuss Baker and his possible connection with Interstate with Mr. Weid, did you not?

Mr. BOSTICK. No. I was in the first meeting for some time with Mr. Weid. My understanding at that meeting was that a Mr. Sabella would represent Interstate.

Senator SCOTT. And you have never heard any reference at any time to Mr. Baker representing Interstate; is that right?

Mr. BOSTICK. Not to my recollection, Senator. You are speaking now only of this meeting?

Senator SCOTT. Well, I am speaking of this meeting or any other occasion when you might have learned that Baker represented Interstate.

Mr. BOSTICK. No, sir. The answer is "No."

Senator SCOTT. And then you are prepared to stand on the statement that you never at any time knew that Baker represented Interstate?

Mr. BOSTICK. Yes, sir.

Senator SCOTT. And that you never discussed with Weid whether or not Baker represented Interstate?

Mr. BOSTICK. That is correct.

Now, remember, I was at this meeting when Baker, Tucker, and Weid were there, and I don't recall any such question, whether Baker represented Interstate.

Senator CLARK. Will the Senator yield?

You didn't stay through the entire meeting, did you?

Mr. BOSTICK. No, sir.

Senator CLARK. So it might well have been that Mr. Weid did ask the question after you left the meeting?

Mr. BOSTICK. It might well have been.

Senator SCOTT. But if he did, Mr. Weid never discussed it with you; is that your answer?

Mr. BOSTICK. I don't recall any discussions with Mr. Weid about this meeting, except that I wanted a firm in there who could properly handle this food. And the only name I recall as representing them is Sabella.

Senator SCOTT. I thought you said a little while ago that you felt a little sorry about letting Mr. Baker down on Capitol Vending, and that you later—I may be incorrect in my recollection—but that you later tried to make it up to him with Interstate.

Mr. BOSTICK. I don't think I said exactly that, Senator. I said I felt a little awkward about having to put his friends out, and I told him if he had any other remedies, I would be happy to hear him.

Senator SCOTT. And then one of the remedies later was Interstate, was it not?

Mr. BOSTICK. I think so. Although I am told by Francis Law that he, Law, recommended two or three. They were running through there like trained pigs. I don't recall exactly what happened on this food business.

Senator SCOTT. And so you may or may not have known that Baker represented Interstate?

Mr. BOSTICK. To my knowledge, he does not represent Interstate. And I have never had any information which would lead me to believe he did.

Senator SCOTT. Then how do you explain your remark that you thought that would be a way to make it up to him?

Mr. BOSTICK. Well, you don't have to represent people to do favors for people. Baker is a friend of mine; I assume he has friends. I have no objection to Baker doing a favor for a friend, or giving him the opportunity to do so. I am not talking about money.

Senator CLARK. Will the Senator yield?

Or, for that matter, if a friend wanted to pay him, paying him?

Mr. BOSTICK. It never occurred to me. But it would not have occurred to me as being wrong, if it wasn't paid out of Melpar's profits, Senator.

Senator SCOTT. That is all I have.

Senator CLARK. Mr. Chairman, I have one more question.

The day you were made an honorary member of the Quorum Club at Burning Tree—

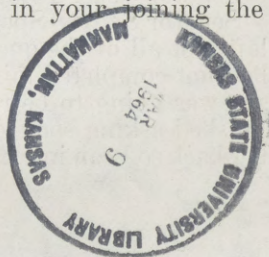
Mr. BOSTICK. Well, it wasn't that day I was so made. I was notified several weeks later they were going to make me an honorary member.

Senator CLARK. Did Mr. Baker participate in your joining the Quorum Club?

Mr. BOSTICK. No, sir.

Senator CLARK. In no way?

Mr. BOSTICK. No, sir; in no way.



Senator CLARK. Do you remember who it was in the Quorum Club that—

Mr. BOSTICK. Well, it was Tom Webb who told me I was going to be made an honorary member. That is all I remember. Then I got a letter, I suppose, but the letter enclosed a bill for \$60.

Senator CLARK. Mr. Webb is a member?

Mr. BOSTICK. Yes, sir.

Senator CLARK. That is all I have?

The CHAIRMAN. Mr. McLendon?

Mr. McLENDON. Mr. Bostwick, your counsel has suggested that I ask you this matter about the lunch in the Rotunda.

Is it possible that there was only one such luncheon meeting?

Mr. BOSTICK. That is the only one I remember. I have been to the Rotunda two or three times, but always with different people.

Mr. McLENDON. Well, the record shows that this suit that was instituted by Capitol Vending Co. was filed on the 9th of September. Would that help you fix the date this luncheon meeting occurred?

Mr. BOSTICK. Well, since the luncheon meeting had nothing to do with Capitol, I don't see how it would help me fix a date.

Mr. McLENDON. You don't think—to refresh your recollection, don't you recall that it was shortly after this suit was instituted, that you had this meeting?

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

Mr. McLENDON. You do not recall that?

Mr. BOSTICK. I do not recall that.

Mr. McLENDON. And you are not sure whether there were two such meetings or only one?

Mr. BOSTICK. I am positive that I have no recollection of any meeting with these three other people you mentioned—Weid, Tucker, and Baker.

Mr. McLENDON. All right.

I am through, Mr. Chairman.

Can we excuse Mr. Bostick, Mr. Chairman?

The CHAIRMAN. Yes; Mr. Bostick, we appreciate your coming and we appreciate your cooperation. You may go now.

Mr. BOSTICK. Thank you, Mr. Chairman.

Senator CANNON. Mr. Chairman, before we recess, I would like to make a motion. I have thought carefully about this testimony of Mrs. Novak, and I believe rather than try to go through an exercise to bring these people back, to go through a hearing again, where their testimony can be released without any injury to our case, I am in favor of it. And I am going to move, and I so move now, that Mrs. Novak's testimony be released to the press, or be made public, however it needs to be done.

I don't believe there is anything in that that would affect our case or that should not be released.

Senator PELL. I would like to support that motion.

Senator SCOTT. Speaking to the motion, I believe when Mrs. Novak left, not all of the questioning of her had been completed. I know I had not completed mine. I have asked members of the staff whether she was going to be recalled. They did not know. But I have not finished asking some questions of Mrs. Novak. I would like to have her back so I can interrogate her.

And, after that, I have no objection to releasing it.

Senator CANNON. That would not affect my motion, Mr. Chairman. This would only cover the testimony up to this time, and it would not affect bringing her back.

I have made my motion, and it has been seconded.

Senator CLARK. Mr. Chairman, I think Senator Cannon is right. What concerns me is here we were expecting to hear today, to hear by noon, four, and maybe five witnesses. The time we are going to take on this thing is obviously going to be far greater than we originally anticipated. Unless our counsel, to whose opinion I would defer, thinks this would hurt the investigation, I think we ought to get in the habit of releasing all of this testimony, censoring it to the extent that you and counsel think necessary.

I am opposed to having public hearings to go over the same ground all over again. We would just be here until after election day next year.

And as far as the press is concerned, I don't see why we have to put on a television, radio, public show. Let them have the testimony.

Senator SCOTT. I would hope you would not release the testimony of any witness until the questioning has been completed, simply as a matter of comity. If I am overruled, I am overruled, and then I will have to say to the press I have not finished questioning Mrs. Novak.

Senator COOPER. Mr. Chairman, this is the first time this has arisen—although Senator Cannon mentioned it last time. I hope we would not vote on this today. I think we ought to give Senator Scott the chance to call her back, let her be questioned, and then release it—so we are not put in the position of opposing each other on procedural questions. This being the first time this has arisen, a member has said he has not completed his questioning.

Senator SCOTT. I think the record shows we have recessed—

Senator COOPER. I hope—

Senator PELL. Why is there any conflict? Why can't it be released, and Senator Scott still question?

Senator SCOTT. Then you are releasing partial testimony of witnesses in bits and pieces.

The CHAIRMAN. There is another reason that I discussed with counsel a few days ago.

Off the record.

(Discussion off the record.)

The CHAIRMAN. Back on the record.

Senator SCOTT. I think the process of releasing testimony bit by bit and witness by witness is weakening the committee's ultimate action, whatever it may be, because as you do that you are supplying one of the persons being investigated steadily with all of the information that has come to your attention about him. We don't know whether that person is going to testify or whether he is going to take the fifth amendment. And in a situation where the person most closely involved has yet to advise this committee whether he is willing to testify, whether he is going to take the fifth amendment—we are giving him—and I am saying apart from the press—I have no objection to the press knowing it—but we are giving to that person a complete disclosure of everything the committee has heard. And then he will decide on the basis of having seen all of that in the press, seeing the press reac-

tion, and everything else, whether he is going to testify or take the fifth amendment.

I think you are going to let the committee in for a great deal of criticism.

The CHAIRMAN. Well, there is one other thing that I want to bring up.

We have repeatedly said we are going to have some open hearings. Well, you are going to have to have this kind of hearing before you have an open hearing.

Senator PELL. Would you yield there?

It would seem to me that the counsel, with thorough questioning beforehand, could prepare the ground for either open or closed hearing. We could abide by his judgment.

But for us to go through the process twice would seem redundant.

The CHAIRMAN. That is what we plan to do, if we can get the cooperation of the Senators. But if every Senator wants to engage in the questioning when we have an open hearing and bring in—well, the very thing that was brought up today—I am not saying this is not germane to it—but if you bring up something like that without the knowledge of counsel—we don't want to do that. We want to be certain of what we are going to ask.

Senator SCOTT. General counsel may not have been advised, but someone associated with general counsel.

Mr. VAN KIRK. Mr. Drennan, the GAO employee, interviewed Don Reynolds. I sat in on the interview. Also present was his counsel, Mr. Fitzgerald. At that interview, those two names were brought up. I marked them down in my notes and referred to them today, to determine whether Mr. Reynolds was lying to us or not. Senator Scott asked the questions.

Senator CANNON. What do they have to do with this?

Mr. McLendon. Mr. Chairman, will you permit me to make a statement about the Novak problem?

Our investigators have just gotten access to those books and records over in Baltimore, in the banks. You recall we asked her about the financial statements, her own statements and Baker's, and she could not give us any information about that. She didn't have copies.

I would suggest that you give us a few more days to get that record information from the banks, and then decide whether you want to release Mrs. Novak's testimony, because it is possible that we would have to recall her in connection with some of those records. Some of it might be very pertinent, as it bears upon the MGIC, and also some of these other transactions in which we know that Baker was involved.

The CHAIRMAN. There is another thing about it. You know she said she came by and picked up this cash in Bobby's office. Now, the investigators are going to the bank and verify, did she deposit the money in the banks, what dates, and the whole transaction. It is not in that transcript. And that is a question—what happened to the money?

Senator SCOTT. That is it, Mr. Chairman. You are going to raise 10 questions for every question you answer by releasing the testimony. The press are going to fine comb it.

Mr. McLendon. You remember she testified that Baker said he had influence with the two Rogers. We are investigating that. We don't know what there is to it yet. We don't know what the significance of it is. But my point is that if you are going to release it, I think it would be a little premature to do it right now. That would be my personal judgment.

I think the staff would agree with me.

Senator CANNON. May I ask when will the staff have checked these loose ends?

Mr. McLendon. They are over there today.

Senator PELL. May I put another question to counsel?

With your experience, wisdom, and so forth, what is your estimate as to when this proceeding will get wound up, going at the pace we are going?

Mr. McLendon. We are working awfully hard to try to finish the investigation part of it.

I am not talking about the hearing now, because that is under your control.

As far as the investigation is concerned, we are going to try to finish it by the latter part of January. That means all this extensive thing.

Senator SCOTT. I think the question raised by Senator Cannon is one that ought to be discussed by the full committee, and at some length, because I frankly think if you do proceed to release bits and pieces of testimony, if there is a case to be made you are going to give the case away. It is unavoidable.

Senator CANNON. It is done by the courts every day.

Senator SCOTT. When it is thrown away, the press are going to say to us it is done deliberately, and I am not going to be a party to it.

The CHAIRMAN. Since the last meeting we have put on three more former FBI agents who are now working—one of them went to work yesterday. And it was apparent we would be here for months with one or two investigators. They just could not possibly check all these. Somebody is going to have to go to Milwaukee, for instance. And they may have to check that meat situation, in Chicago and Puerto Rico. It all ties into the business activities he has got here.

I don't see how you can do much releasing on a lot of this until you get some of the answers complete on one area. I think when we get Mrs. Novak complete, you can turn over that whole business.

Senator SCOTT. I think I would like to withdraw my statement that I am not against releasing any testimony when it is complete, because I think we ought to discuss whether any testimony, the releasing of it, would imperil the rest of the case, because I don't want us to be accused of having thrown away the case because we prematurely tipped our hand.

Senator PELL. But the more of the closed meetings, the more the publicity is.

I think if the press were aware how dull the proceedings are, they would not give it the attention they do.

Senator COOPER. That has come up hurriedly here. Other members of the committee are not here. I would agree it ought to be discussed when all the members of the committee are notified that this question is going to arise—perhaps next week.

I had no notice of it. There are members not here.

Senator CANNON. I indicated at the last meeting that this is what I intended to do. But in view of Senator Scott's request and your request, and the chairman's request, I will defer pressing the motion at this time, but I will put everybody on notice that I intend to continue this motion, unless there is some good reason shown that it should not be continued.

The CHAIRMAN. Would you not want to finish up the witness before you turned any of it loose?

Senator CANNON. I think I would want to be sure I was finished. But at the time Mrs. Novak was released, the record indicates we were through with her.

The CHAIRMAN. No; not near through with her.

(Discussion off the record.)

The CHAIRMAN. At this time, we will recess until Monday morning at 10 o'clock.

(Whereupon, at 2:15 p.m., the committee recessed, to reconvene at 10 a.m., Monday, December 9, 1963.)

FINANCIAL OR BUSINESS INTERESTS OF OFFICERS OR EMPLOYEES OF THE SENATE

MONDAY, FEBRUARY 24, 1964

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

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

Present: Senators Jordan, Cannon, Pell, Byrd, Curtis, Cooper, and Scott.

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

The CHAIRMAN. The committee will come to order.

Mr. Bostick, you heard my statement read to you the first day you were here when you were sworn?

TESTIMONY OF EDWARD M. BOSTICK, ACCOMPANIED BY DAVID GINSBURG AND ROBERT M. HOUSMAN, COUNSEL—Resumed

Mr. BOSTICK. Yes; I did.

The CHAIRMAN. Let the record show, Mr. McLendon, that pursuant to notice given by the chairman, Mr. Bostick has reappeared for further examination in executive session.

And he is accompanied by you. Will you state your names again?

Mr. GINSBURG. David Ginsburg.

Mr. HAUSMAN. Robert Hausman.

Mr. McLENDON. The oath which was administered to you before, Mr. Bostick, is still in effect.

Mr. BOSTICK. I am sorry; I didn't understand you.

Mr. McLENDON. The oath administered before to you is still in effect.

Mr. BOSTICK. Yes, sir; I understand.

Mr. McLENDON. Mr. Bostick, pursuant to the request made when you last appeared before the committee, have you supplied counsel for the committee with a list of your dinner guests at the F Street Club on February 17, 1962?

Mr. BOSTICK. Yes, sir.

Mr. McLENDON. I hand you a document which purports to be a copy of the list which you have furnished.

Would you examine that and state whether that is correct?

Mr. BOSTICK. Yes, sir; it is.

Mr. McLENDON. Mr. Reporter, put that in the record and mark it.

(The document referred to was marked "Bostick Exhibit 1," for identification, and is as follows:)

BOSTICK EXHIBIT 1

Edward Mr. Bostick—Information furnished at the request of the Committee on Rules and Administration:

Mr. and Mrs. E. M. Bostick
Mr. and Mrs. Arthur C. Weid
Mr. and Mrs. William Purple
Mr. and Mrs. C. B. Raybuck
Colonel and Mrs. Thomas M. Belshe
Mr. and Mrs. Lyle S. Garlock
Mr. and Mrs. Norm Hayes
Mr. and Mrs. Robert Baker
Mr. and Mrs. John E. Horne

Mr. McLENDON. Have you also furnished the committee with a list of business consultants employed by Melpar?

Mr. BOSTICK. Yes, sir.

Mr. McLENDON. Would you look at that list and state whether that is a copy of the list as you furnished it?

Mr. BOSTICK. It is.

Mr. McLENDON. Mark that, Mr. Reporter.

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

BOSTICK EXHIBIT 2

Edward M. Bostick—Information furnished at the request of the Committee on Rules and Administration:

Melpar business consultants

	1961	1962	1963
1. Thomas M. Belshe.....	X.....	X.....	X.....
2. Frederick Black.....			X.....
3. John J. Courtney.....			X.....
4. Lyle S. Carlock.....		X.....	X.....
5. Arthur D. Little, Inc.....	X.....		
6. James T. Philbin.....	X.....	X.....	X.....
7. Webb and Law.....	X.....	X.....	X.....

Mr. McLENDON. In order that the record be clear, it is my recollection, and if you didn't understand it you correct me, that I advised you by letter that the list of consultants that the committee wanted would not include technicians?

Mr. BOSTICK. Yes, sir; that is correct.

Mr. McLENDON. At your own request, you have submitted to me, as general counsel for the committee, a memorandum concerning sub-contracts which your company has with North American Aviation. Do you recall that?

Mr. BOSTICK. Yes, sir.

Mr. McLENDON. Would you like for this whole memorandum to be made part of the record, or would you prefer to orally state it in a briefer form?

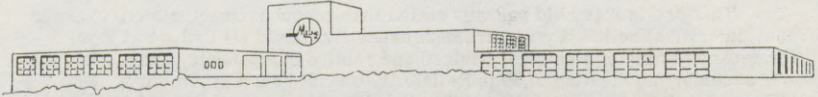
Mr. BOSTICK. Part of the record, Major, as far as I am concerned.
Mr. McLendon. Suppose you look at that and be sure that I have got it all there.

Mr. BOSTICK. That is it. That is the memorandum furnished, Major.

Mr. McLendon. Mark that, Mr. Reporter.

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

BOSTICK EXHIBIT 3



MELPAR, INC. 3000 ARLINGTON BOULEVARD, FALLS CHURCH, VIRGINIA · JEFFERSON 4-6000

January 13, 1964

Lennox Polk McLendon, Esquire
Room 305
Old Senate Office Building
Washington, D. C.

Dear Mr. McLendon:

You have requested the dates of the three North American Aviation Minuteman subcontracts which were won by Melpar. Herewith enclosed, for the record, is a memorandum giving all the relevant dates and the history of these contract awards. The memorandum also makes clear why it is that Melpar won the original contract out of a field of about thirty contenders.

Sincerely,

Edward M. Bostick
President

Enclosure

A SUBSIDIARY OF WESTINGHOUSE AIR BRAKE COMPANY

Minuteman Presolicitation and Contract Awards to Melpar

On 1 December 1960, Melpar received a copy of a Request for Quotation which was sent to potential Minuteman subcontractors by Autonetics Division of North American Aviation. The Request for Quotation advised that "Autonetics Division of North American Aviation will select a qualified subcontractor source for producing High Reliability etched circuit board assemblies Minuteman Missile Guidance control system -----."

This preliminary bid package stated that the subcontractor's effort would result in critical reliability requirement areas and would (1) include at least storage and testing of electrical devices and related components, and (2) fabrication, assembly and testing of High Reliability circuit board assemblies. On 12 December 1960 the then Melpar Vice President of Engineering and Manufacturing established a proposal team to prepare a quotation for this effort.

On 27 December 1960 the Autonetics Division forwarded to Melpar a formal request for bid further delineating and prescribing the reliability required, the fabrication required, and the delivery required. In addition to the stringent reliability requirements, in essence the scope of the work outlined by this formal request was the fabrication of 144,000 printed circuit sub-assemblies excluding the Hi-Rel components which were to be customer furnished equipment. This formal request was amended on the 21st of February 1961 by a second part of the invitation to bid which further included functional test equipment requirements.

On the 9th of December 1960 Melpar received a TWX stating that a survey team would visit Melpar on or about December 13, 1960. Purpose: to perform a capability survey as part of North American Aviation's program to select the subcontractor for production described in a symposium held on December 1st and 2nd at which Melpar representatives attended as did representatives from approximately 30 other corporations. On 14 December 1960 Melpar was in fact surveyed by a large group of Autonetics personnel and it was learned that approximately 30 companies would be inspected for the same possible procurement. Melpar learned at that time that the original task might be modified.

At that time, the state-of-the-art of printed circuit fabrication was not advanced; but Melpar led the field. Its facilities, while of small capacity, were elaborate and advanced. It had completed approximately 20,000 printed circuit type sub-assemblies for the B-58 programs and about 30,000 for the B-47 type equipments (some test equipment, some ground and airborne equipments). General Dynamics had recognized this superiority, and had sent engineers from a leading simulator contractor, whose printed circuitry (for a Bomb/Nav simulator) had been unreliable, to Melpar, to obtain the latest information in this field. Thus, Melpar enjoyed other corporations' recognition of its leadership in this field.

On 6 January 1961 Melpar received (Classified at that time) from Autonetics Appendix 1, Attachment 1, subject: Invitation to Bid - Major Sub-contract for Minuteman High Reliability Printed Circuit Board Assemblies. In essence, this

Appendix and Attachment outlined quantity/configuration requirements and schedule.

On 15 February 1960 Melpar formally submitted proposal # P60-1003 for a reliability program and fabrication of approximately 144 thousand printed circuit boards excluding providing the Hi-Rel components. This submission showed an amount of \$8,257,465.24 ceiling for this effort.

On 10 March 1961 the Melpar negotiation team traveled to NAA Autonetics, Downey, California to attend a negotiation meeting wherein it was announced that the original scope would be reduced to 7,080 boards, data, reliability program, etc. At that time Melpar made the first revision to the original proposal reflecting a change in scope to include functional test equipment and the 7,080 boards.

Melpar orally accepted (by N. J. Sargis) the negotiated amount of \$1,347,205.99 for the 7,080 printed circuit boards excluding the Hi-Rel components, on 15 May 1961. To accomplish the scope of work that was to transpire within this original contract, Melpar established the Minuteman Division on 25 May 1961.

As further evidence of Melpar's position as probably the most advanced company in the U. S. in the general field of printed research, testing and fabrication, the following patents, applications, Research Laboratory notes, testing documents and recorded IOM are cited:

INVENTIONS AND PATENT APPLICATIONS 1954-1961

<u>Docket</u>	<u>Title</u>	<u>Current Patent Status</u>
136	A method for plating through holes in printed circuit patterns	Trade Secret Status
139	Method for producing etched circuits in a flush condition	Trade Secret Status
151	Edge plating; a method for providing electrical continuity around the edge of double copper clad plastic material	Trade Secret Status
152	Method for plating at least two different kinds of metals on printed circuits	US 2,959,525
492	Technique for printed circuit layout	Trade Secret Status
495	Technique for increasing speed and accuracy of preparing printed circuit masters	Trade Secret Status
567	Printed Circuit Layout Machine	Patent Pending

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831	Printed Circuit Layout Machine	Patent Pending
100	Card Punch	US 2, 800, 181
92	Stapling machine	US 2, 778, 691
89	Stapling machine	US 2, 904, 785
91	Stapling machine	US 2, 904, 786
104	Automation; automatic machinery for assembly of electronic components to printed circuit wafers	US 2, 911, 646

LABORATORY NOTE BOOKS

Lab Notebook # 718	1955	Records basic experiments on flush circuit networks
Lab Notebook #1, 003	1956	Records basic experiments on flush circuit networks
Lab Notebook # 893	1955-1956	Records plated through hole experiments and techniques
Lab Notebook # 855	1956	Records miscellaneous plating, bath and handling techniques
Lab Notebook #1, 564	Early 1961	Record of gold plating bath experiments and techniques
Lab Notebook # 449	1954	1st PC recorded experiments

INTEROFFICE RECORDED MEMORANDA

IOM	Riley to Ritt	12 Jan '56	Fab. Printed Circuit boards for Minemech
IOM	Ritt to Raybuck	31 Mar '58	Study of Undercutting (PC technique)
IOM	Riley to Stevens	5 Feb '58	PC pilot prod. rates at Arl. Plant
IOM	Riley to Ritt	19 Mar '57	Equipment needs for P. C. mfg section
IOM	Riley to Ritt	4 Apr '56	PC production, 3 Simulator Jobs
IOM	Riley to Butts	26 Sept '58	Study to Eliminate Conductor Raggedness
IOM	Riley to Butts	21 Aug '58	Fab. of Min thru hole PC

IOM	Riley to Golden	18 May '59	Wear tests on gold plated PC Contacts
IOM	Riley to Golden	1 May '59	Wear tests on gold plated PC Contacts
IOM	Reid to Riley	17 Sept '58	Eval. of Korathlad Gold

Most significant of these documents are: (1) U. S. Patent 2,959,525 dated November 8, 1960, method of plating 2 different kinds of metals on P.C.'s. In this case the very basis of printed circuit fabrication was established, in that, for example, the field of the board need not be one and the same as the contacts. (2) Melpar Research laboratory notebook #449 records on December 7, 1954 the first recorded controlled printed circuit experiment.

Melpar was awarded the Minuteman Contract primarily because of its demonstrated ability to produce high quality module assemblies; we had produced between 60,000 and 70,000. Because of its experience in (1) printed circuitry obtained on the B-58 Navigation, Reconnaissance and Recording Systems, (2) the study of soldering techniques and the elimination of cold solder joints, and (3) the excellent maintainability and operation of FINDER, in particular, Melpar enjoyed a high measure of confidence. Our efforts on the B-47 program augmented this confidence.

Another reason for the award was that all essential facilities were owned by Melpar. It was subsequently stated by an Air Force Contracting Officer that the fact that Melpar had full capability and all required facilities, without dependence upon Government facilities in any way, enhanced to a great degree its competitive position.

The opinion was general, as reflected in an item in Electronic News, that Melpar had received a contract which eventually would amount to \$100 million.

The First Supplemental Contract

On 9 November 1961 Melpar received from NAA Autonetics a Request for Quotation for the work which ultimately resulted in Supp. #1. This Request for Quotation stated that the contemplated contract would be continued under a cost-plus-fixed-fee arrangement until a mutually agreed date to convert to a fixed-price subcontract. The scope of the effort in this Request for Quotation was in essence 34,499 printed circuit module assemblies and the furnishing of High-Rel components except those minor items such as special transformers which were to be provided by NAA Autonetics. Melpar responded with proposals showing facility, technical capability, and production capacity; and on 1 December 1961 Melpar quoted an amount of \$31,544,640.81 CPFF.

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On 18 January 1962 Melpar received a partial go-ahead for Supp. #1 with a funds limitation of \$800,000 permitting the procurement of long lead items and non-dimensional tooling. On March 24, 1962 Melpar received a full go-ahead and an increase of funding limitation to \$8,300,000. On 29 June 1962 after additional negotiations, a summary of cost was agreed to in the total amount of \$25,632,511.34. This cost summary resulted in three separate and distinct fixed-price contracts as follows:

E23C-51146(EPI)	Target Profit 11%
\$22,731,357.97	Sharing formula 85/15 both sides of line
	Ceiling 125% target cost
	Maximum profit 15%
E23C-519196 (Redeterminable, limited upward 115% target price)	
\$2,552,144.11	Target Profit 10%
E23C-519197 (FP)	
\$348,983.51	

The difference between this cost summary and the proposed cost was occasioned by a reduction in quantity to 34,068; a reduction in test equipment; and through negotiations.

During this time it became a Government policy to permit NAA itself to perform one-third of Minuteman manufacture of this type, and to require NAA to sub-contract two-thirds. It was cross-referenced in the contract that the approved "sources" would continue as such and exceptions would require a new approval by the Government. This came about because NAA had, on behalf of the Government, carefully evaluated Melpar's performance of the original contract to fabricate 7,080 printed circuitry assemblies and found it satisfactory, if not excellent, in all respects. To develop a third alternate source (other than NAA and Melpar) would have been too costly and would have delayed the Minuteman program.

As a contribution toward the continued production effort, Melpar offered the use of all the facilities it owned, and to provide, at its own expense, any additional capital equipment and all facilities necessary to attain and maintain the desired rate of the minuteman production. No Government owned facilities would be necessary in the performance of Melpar's proposed effort.

The Second Supplemental Contract

On 5 July 1962 Melpar received a Request for Quotation from Autonetics Division of NAA for production of raw board, completed circuit board assemblies and modules, special tooling and administrative and data processing. This Request for Quotation was ultimately identified as Supp. #2.

On 16 July 1962 Melpar submitted a price and technical proposal for follow-on production to the prior contract AF04(897)-223. This proposal was quoted in three alternates. The first alternate was for 100,308 boards for a total price

of \$76,074,829.62; the second alternate, for 50,935 high reliability circuit boards and modules for a price of \$42,003,772.01; and the third, 33,434 high-reliability circuit boards and modules for a price of \$29,696,716.45. These were target prices. The scope also included the furnishing of Hi-Rel components.

On July 31, 1962 Melpar received contract #E23C513203 authorizing procurement of designated long lead time high-rel production material only, with a funding limitation of \$300,000.

On October 6, 1962 Autonetics notified Melpar exact quantities and configurations and requested a price proposal for the quantities.

On 3 December 1962 Melpar submitted the revised proposal Supp. #2 for target prices of: \$69,057,017.14 for production, \$2,859,646.52 for special tooling, and \$797,791.63 for administration and data processing.

On 12 February 1963 Melpar notified Autonetics of a cost summary for the work as outlined in Supp. #2 and as modified by NAA and finally negotiated. This summary indicates

Target Cost	\$50,799,338.38
Target Profit	10%
Cost Ceiling	110% of Target Cost
Sharing	85/15 above Target Cost, 70/30 below Target Cost

On 27 March 1963 Melpar submitted the final task and cost firming reflecting the deletion of two items of functional test equipment and making a correction in the cost of recalibration and maintenance of component test equipment. At this time the delivery schedule for Supp. #2 was finalized in items by modules and configurations.

On 1 May 1963 the Supp. #2 contract dated 27 February 1963 was executed.

ELECTRONIC NEWS, MONDAY, MAY 22, 1961

Gov t. Procurement

Melpar Gets Autonetics Pact

Special to Electronic News

DOWNEY, Calif. — Autonetics division of North American Aviation, Inc., said it has selected Melpar, Inc., Falls Church, Va., for the second source on electronic portions of the Minuteman ICBM system.

While the initial contract is still being negotiated, trade sources said ultimate value of the contract was estimated to be "in the hundreds of millions of dollars" over the next several years.

The NAA division said it had selected Melpar after an "exhaustive evaluation of 27 firms which submitted detailed bids."

The contract will cover high reliability circuit boards and the assembly of all components on the boards into modules for the inertial guidance, flight control and ground checkout equipment, for which Autonetics holds the prime contract.

Autonetics said it will make available to Melpar the production know-how developed in the assembly of the specialized components for the circuit boards and modules by its Minuteman manufacturing personnel. This contract with Melpar is expected to lead to additional purchases from many other firms, it was said.

Mr. McLENDON. This letter, Mr. Bostick, I show you dated February 19, 1964, addressed to Chairman B. Everett Jordan, was addressed to him asking permission to make a correction or corrections in your testimony, your previous testimony.

Mr. BOSTICK. Yes, sir.

Mr. McLENDON. This letter, Mr. Chairman, and gentlemen, is intended as a matter of clarification of one or two things in Mr. Bostick's prior testimony. It does not change the substance of it, and at his request I recommend that the committee make it a part of the record.

The CHAIRMAN. Counsel, while you are up there for a minute, I would like to get into the record that I am going to have to leave. There is a pending wheat-cotton bill that hasn't been able to reach the floor, and I am going to have to do some work to try and get it up on the floor if I can. I am a member of that committee and have to do some work on that.

Senator Cannon is going to preside in my absence. I have got my proxy here. I am sorry I have to leave, but this is something I have to do and which I promised I would do.

Thank you very much.

I will be back as soon as I can.

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

Mr. McLENDON. Mark this letter an exhibit number.

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

BOSTICK EXHIBIT 4



MELPAR, INC.

3000 ARLINGTON BOULEVARD, FALLS CHURCH, VIRGINIA 22046
AREA CODE 703 JEFFERSON 4-6000

February 19, 1964

Chairman B. Everett Jordan
Senate Committee on Rules and Administration
Room 305
Old Senate Office Building
Washington, D.C.

Dear Mr. Chairman:

In my appearance in Executive Session on December 6, 1963, in your Committee's investigation of the financial or business interests of officers or employees of the Senate, I testified, of course, to the best of my recollection. Having reviewed that testimony, and other evidence in the record, I would like to make the following observations:

1. With regard to the memorandum on Capitol Vending Company stationery entitled: "Recommendation for improvement of service in Melpar": contemporaneous documents which Melpar has voluntarily furnished to the Committee, and other testimony, indicate that Mr. Weid was out of town at the time this memorandum came to my attention, that I gave the memorandum to Mr. Marsh, and that I instructed Mr. Marsh to act on items one and three. My memory of the event is not clear enough to contradict any of this.

2. I testified that in the summer of 1963 Messrs. Baker and Tucker came to the Melpar plant together, twice, to see me. As my counsel informed you by a letter dated December 12, 1963, the Melpar Visitors Register indicates that Mr. Baker came to the plant, without Mr. Tucker, on August 15, 1963. Messrs. Baker and Tucker came to the plant together only once, on August 28, 1963, and the meeting on that date was the only one with them regarding Interstate Vending Company. The impression that there were two such meetings seems to have arisen because Mr. Marsh was called into the meeting after I had left it; he did not know that I had been in the meeting earlier.

Please make this letter a part of my testimony. If the Committee should choose to publish my testimony, I request that this letter, as well as my letter dated December 10, 1963, and the memorandum submitted January 13, 1964, be published together with it.

Sincerely,

Edward M. Bostick

A SUBSIDIARY OF WESTINGHOUSE AIR BRAKE COMPANY

Mr. McLendon. You also addressed a letter to Chairman Jordan of the committee confirming testimony about a lunch in the rotunda restaurant; did you not?

Mr. Bostick. I did.

Mr. McLendon. You would like that to be in the record?

Mr. Bostick. Yes, sir.

Mr. McLendon. Mark that, please.

(The document referred to was marked "Bostick Exhibit 5" and is as follows:)

BOSTICK EXHIBIT 5

December 10, 1963

Senator B. Everett Jordan, Chairman
Senate Committee on Rules and Administration
Room 305, Old Senate Office Building
Washington, D. C.

Dear Mr. Chairman:

After the Executive Session on December 6, 1963, I had a talk with Arthur Weid, and he refreshed my recollection concerning the lunch at the Rotunda Restaurant. This is to confirm that such a lunch did take place as Mr. Weid has testified.

Please make this letter a part of the record of my testimony in the Executive Session.

Sincerely yours,

Edward M. Bostick
President



Mr. McLendon. Mr. Bostick, it is my recollection that after you testified, that some of the committee's investigators, acting with your consent, examined the records of Melpar and found the memorandum dated August 28, 1963, a copy of which I now show you, for the purpose of asking you whether you had personal knowledge of that. If you did, say yes, and if you did not, say no, and I will be governed by your answer to further questions.

Mr. Bostick. Major, I have knowledge, and it was voluntarily submitted. My knowledge of the body of paragraph one is very vague, and exactly when I obtained the knowledge I can't say.

Mr. McLendon. Paragraph 1 is the paragraph in which this language appears, does it not:

However, there will be another agreement between Mr. Baker or Mr. Baker's company in which Melpar can cancel the contract with Interstate providing the feeding or vending operation is unsatisfactory.

Mr. Bostick. That is paragraph 1, Major.

Mr. McLendon. You say your recollection about that is vague?

Mr. Bostick. Yes, sir; it is. My best recollection is that some time or other Mr. Weid may have mentioned this to me, and my statement to him was that, "This is too complicated, no go."

"We want a reliable national food outfit and that is what we are going to get." Or words to that effect.

Mr. McLendon. This memorandum appears to have been prepared by Mr. Marsh and not by you.

Mr. Bostick. Yes, sir; apparently it was prepared by Mr. Marsh, and apparently it was prepared for his records rather than for me.

Mr. McLendon. All right.

I will hand a copy of it to the reporter.

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

BOSTICK EXHIBIT 6

MELPAR, INC.

DATE August 28, 1963

TO Memorandum to File

FROM R. B. Marsh *RB Marsh*

SUBJECT CAFETERIA AND VENDING

This afternoon, Mr. Weid invited me to attend a negotiation on obtaining a new caterer for the cafeteria. In attendance were Messrs. Tucker and Baker, plus Mr. Cosby who arrived towards the end of the discussion. Mr. Weid agreed to the following:

1. Melpar would have a two-year contract with Interstate for both cafeteria operation and vending. After two years there could be an automatic 30-day notice of cancellation by either party. However, there will be another agreement between Mr. Baker, or Mr. Baker's company, in which Melpar can cancel the contract with Interstate providing the feeding or vending operation is unsatisfactory.
2. Interstate will guarantee Melpar a minimum of \$25,000 per year. This will be based on \$7.00 per year, per employee in the Northern Virginia area. They will supply us with a formula to be used in determining the number of employees. The average number of employees during each month will be supplied by the Accounting Department. This figure will be multiplied by \$7.00 and divided by 12. Interstate will forward a check.
3. Melpar will be responsible for replacing any of the original nonexpendable equipment, which is worn out, in the cafeteria. Any new equipment that is needed in the Falls Church cafeteria will be paid for by Interstate. Melpar will be responsible for providing utilities and ventilating to any new or additional facilities at Leesburg Pike, Hardin Street, Shirley Engineering and Shirley Research where new feeding operations will be installed.
4. All equipment needed at these facilities will be furnished by Interstate.
5. A conference will be held on Security but if the present Security arrangements cannot be changed, then Interstate will be backbilled for Security costs provided by Melpar in connection with cafeteria and vending operations.
6. The contract will be drawn by others but will include the basic provisions found in the present Nationwide Agreement. Compensation will be added.
7. Melpar will work with Interstate in the establishment of prices, but the final word will be up to Melpar.

RBK:hmc

Mr. McLendon. Counsel called my attention to the fact that this particular document is one of a group of documents that the company turned over to our group of investigators. I intended to make it clear it was a voluntary act on the part of the company and was not a result of a subpoena or anything of that sort.

Mr. Bostick, with reference to the seven consultants listed on the memorandum introduced in evidence earlier, will you tell the committee whether Robert G. Baker or any other officer or employee of the Senate ever discussed with you the employment of any one of those?

Mr. Bostick. They did not. Neither Mr. Robert Baker nor any employee of the Senate.

Mr. McLendon. Did either one of them, did Mr. Baker or any other employee of the Senate recommend any of these people to your company for employment?

Mr. Bostick. No, sir.

Mr. McLendon. To your knowledge, did Baker or any officer or employee of the Senate have anything to do with paying them, compensating them?

Mr. Bostick. To my knowledge; no, sir.

Mr. McLendon. Do you have any knowledge other than your testimony about Mr. Black when you were here before, do you have any knowledge of any of these other consultants having any conversation at any time with Baker concerning the vending operations at your company?

Mr. Bostick. Well, the only one who had would have been Law, who originally asked me if a friend of Baker's could bid on the contract. I don't remember Webb talking to me about it. He may have.

Mr. McLendon. How about Black?

Mr. Bostick. Black? No, sir. I don't remember any conversation with Black on that.

Mr. McLendon. Then your testimony is that other than as indicated about Webb and possibly Law, none of these consultants—

Senator Byrd. Law and possibly Webb?

Mr. McLendon. Law and possibly Webb. None of these consultants had at any time had any communication with Baker about your vending business?

Mr. Bostick. That is correct.

Mr. McLendon. Mr. Chairman, that is all that I want to ask the witness in addition to his previous testimony.

Senator Cannon (presiding). Senator Cooper, do you have any questions?

Senator Cooper. Not at this time, Mr. Chairman.

Senator Cannon. Senator Pell?

Senator Pell. No questions.

Senator Cannon. Senator Scott?

Senator Scott. Yes.

Mr. Bostick, when Mr. Webb was here he testified to an organization known as the Pasantic Corp., which had to do with certain real estate, I believe, in Puerto Rico, and he mentioned the same names that I am going to mention here, and I would like to know whether you had any conversation with Mr. Baker regarding any of these people or whether you had any conversation with them other than that which would have any connection with Mr. Baker.

First of all, I notice the people at the F Street Club, Mr. and Mrs. Bostick, Mr. and Mrs. Weid.

Who are the Weids again?

Mr. BOSTICK. He is the executive vice president of Melpar, Senator. Senator SCOTT. Mr. and Mrs. William Purple; who are they?

Mr. BOSTICK. He is vice president and general manager of Melpar.

Senator SCOTT. He is vice president and general manager of Melpar?

Mr. BOSTICK. Yes, sir.

Senator SCOTT. One of the persons interested in the Pasantic Corp. is mentioned as a Mr. Nick Popich. Have you had any business dealings with Mr. Popich in connection with Pasantic or Bobby Baker, or any other business connections with him?

Mr. BOSTICK. I don't know anything about Mr. Popich. I think I met him once. I have \$2,000 in Pasantic at the suggestion of Mr. Webb. I have had no dealings with Mr. Baker.

May I elaborate a little on that, Senator?

Senator SCOTT. Yes; of course.

Mr. BOSTICK. The interest I had in Pasantic was a Woodbridge low housing project. I happen to be interested in a homestead, I guess you would call it, in Woodbridge.

Senator SCOTT. Another person connected with Pasantic in which Mr. Baker was in this group, Mr. Webb, Mr. Popich. Another is Warren Neil. Did you know him?

Mr. BOSTICK. I have met him, Senator, I think, in Mr. Webb's office.

Senator SCOTT. Have you had any conversations with him regarding Mr. Baker or Mr. Baker's interest in any enterprise?

Mr. BOSTICK. In answer to your first question, it is possible, I suppose, that we discussed the *Baker* case. The answer to the second is "No," sir.

Senator SCOTT. Again, someone interested in the *Pasantic* case, Mr. Paul Aguirre, of Puerto Rico.

Mr. BOSTICK. Again, I have only met him in Mr. Webb's office.

Senator SCOTT. Did your conversations there have anything to do with Mr. Baker or any of Mr. Baker's interests?

Mr. BOSTICK. My first answer is, again, it may have been discussed. I was not meeting with him. He happened to be there.

Secondly, no, sir; I have had no discussions with him about Mr. Baker's financial interest.

Senator SCOTT. You said may have been discussed. What may have been discussed?

Mr. BOSTICK. Well, there had been newspaper stories in the paper every day, and it is possible that this was brought up. I don't remember.

Senator SCOTT. In the same framework, have you had any conversations with Mr. Bedford Wynne?

Mr. BOSTICK. Well, again, I have known Mr. Wynne for years. I suppose we probably have discussed the *Baker* case. I have had no conversations with Mr. Wynne with respect to Mr. Baker's financial holdings.

Senator SCOTT. And the same—

Mr. BOSTICK. May I add something, Senator, that Mr. Wynne is the Washington attorney for one of our competitors, and I have known him for some time.

Senator SCOTT. The same question, then, with regard to Mr. Wilson Abraham.

Mr. BOSTICK. I don't recall ever meeting him, Senator.

Senator SCOTT. And the same question is with regard to Mr. James T. Barnes.

Mr. BOSTICK. How do you spell that last name?

Senator SCOTT. B-a-r-n-e-s.

Mr. BOSTICK. I don't remember meeting him. I don't think I know him.

Senator SCOTT. Now, you testified that you were acquainted with Fred Black, I believe.

Mr. BOSTICK. Oh, yes.

Senator SCOTT. Quite well acquainted? When and where, if ever, have you met with Mr. Black when Mr. Baker was also present?

Mr. BOSTICK. As I recall, one day I had an appointment with Mr. Black, and when I went in Mr. Baker, I think, and Mr. Hancock were there. The meeting was not between the four of us. My appointment was with Black, and they left shortly after I got there.

I am not certain, there may have been other occasions when Baker was around when I was with Black. I don't recall any at the moment.

Senator CURTIS. Senator Scott, will you yield for one question?

Senator SCOTT. Yes.

Senator CURTIS. Did Robert Baker have anything to do in connection with any conversation concerning your employment of Mr. Black as a consultant?

Mr. BOSTICK. No, sir; absolutely not.

Mr. McLENDON. Mr. Chairman, would you permit me to go answer an urgent telephone call? It won't take but just a minute.

Senator CANNON. Would you like us to suspend?

Mr. McLENDON. If you would.

Senator CANNON. The committee will suspend temporarily.

(Brief recess.)

Senator CANNON. You may proceed.

Senator SCOTT. Do you have a public relations firm, Mr. Bostick?

Mr. BOSTICK. Yes, sir; we have a combination advertising and public relations firm.

Senator SCOTT. Who are they?

Mr. BOSTICK. I think it is Lewis Dobrow and Lamb. They changed their name some time back, but that is the present name.

Senator SCOTT. It was once Larrabee and Lewis, wasn't it?

Mr. BOSTICK. Yes, sir; I think that is it.

Senator SCOTT. The services performed for you by the public relations firm in cases where you have cost-plus contracts with the Government would be included as a part of your advertising and public relations expenses, wouldn't they, in working out your cost-plus contracts?

Mr. BOSTICK. No, sir; only the annual fee. Those matters relating to institutional advertising, special problems such as setting up new plants and various other categories would not be charged against Government contracts. There is a set fee for that.

Senator SCOTT. But there is an annual fee which could be charged against—would be charged against the Government?

Mr. BOSTICK. There is an annual fee which is charged against overhead.

Senator SCOTT. What is the amount of that annual fee?

Mr. BOSTICK. I think it is \$37,500, Senator.

Senator SCOTT. Did this advertising company, to your knowledge, provide any public relations services to Serv-U Corp.?

Mr. BOSTICK. To my knowledge, no, sir.

Senator SCOTT. Isn't it a fact that Deane Beman receives compensation from this advertising firm as one of their employees or consultants?

Mr. BOSTICK. I have no knowledge of that, Senator.

Senator SCOTT. Do you know Mr. Beman?

Mr. BOSTICK. I do.

Senator SCOTT. You have no knowledge of whether or not he is employed by this firm?

Mr. BOSTICK. That is correct.

Senator SCOTT. Do you know whether or not Miss Linda Morrison has received compensation from this firm?

Mr. BOSTICK. I do not; no sir.

Senator SCOTT. You have no personal knowledge of that?

Mr. BOSTICK. No personal knowledge whatsoever.

Senator SCOTT. Were you introduced to Miss Morrison by Mr. Baker or Mr. Black?

Mr. BOSTICK. Senator, no; the answer is "No."

Senator SCOTT. You have had meetings with Mr. Black, Miss Morrison, and others, have you not?

Mr. BOSTICK. Senator, at this point I would again like to raise the question of germaneness of this question to the inquiry.

Senator SCOTT. My further question would be at such meetings were Serv-U or the Pasantic Corp., or Mr. Baker's financial interests discussed?

Mr. BOSTICK. I think I would raise the same question of germaneness, Senator.

Senator SCOTT. In other words, you are saying that if Serv-U or Pasantic Corp. or Mr. Baker's issues were discussed by you with certain persons, you are not prepared to say that those persons included Mr. Black and Miss Morrison; is that right?

Mr. BOSTICK. Let me answer another way. To my knowledge, no such discussions were held.

Senator SCOTT. With these people or on these subjects?

Mr. BOSTICK. I didn't hear the last part of your—

Senator SCOTT. I am not clear as to what your answer means. With these people I have named or on these subjects I have named?

Mr. BOSTICK. My answer is that I have no knowledge of any discussion of Serv-U or any interests of Mr. Baker that were discussed by these people.

Senator SCOTT. Are you now prepared to say whether there were such meetings, with these people?

Mr. BOSTICK. I again raise the question of germaneness thereto.

Senator SCOTT. Have you met with Mr. Baker and Mr. Black and Miss Morrison on any occasion?

Mr. BOSTICK. I have not.

Senator SCOTT. Have you met with Mr. Baker and Miss Morrison on any occasion?

Mr. BOSTICK. I have not.

Senator SCOTT. Have you ever discussed with the advertising firm or with Miss Morrison whether she is receiving compensation from this firm; that is, whether she is on the payroll?

Mr. BOSTICK. I have not.

Senator SCOTT. Do you have any arrangement with the public relations firm by which Melpar pays Deane Beman and/or Miss Morrison?

Mr. BOSTICK. The answer to both is "No." As a matter of fact, Senator, Beman is an insurance statistician and paid directly by Melpar.

Senator SCOTT. Yes.

Mr. Black has testified, I think, he—that is, Deane Beman—is a consultant to Melpar.

Mr. BOSTICK. I don't think you would call him a consultant in the sense that we talked about consultants, earlier. He is an insurance statistician. He does not work with me. He works with our treasurer who has charge of the insurance program at Melpar.

Senator SCOTT. Is that all of the work for which he is employed, or is he further employed to play golf with customers?

Mr. BOSTICK. I would say he is employed solely for the statistician work. He has on occasion played golf with me when customers were around.

Senator SCOTT. That is all.

Senator CANNON. Any other questions?

Senator CURTIS?

Senator CURTIS. Has Robert Baker ever recommended, advised, or requested you to place anyone on your payroll?

Mr. BOSTICK. On my payroll?

Senator CURTIS. Yes.

Mr. BOSTICK. Not to my knowledge; no, sir.

Senator CURTIS. Has Mr. Baker advised, suggested, or requested that you cause compensation to be paid to any persons by your public relations firm?

Mr. BOSTICK. No, sir.

Senator CURTIS. Has Mr. Baker advised, requested, or suggested the employment of any individual by you personally as contrasted to Melpar?

Mr. BOSTICK. No, sir.

Senator CURTIS. That is all.

Senator CANNON. Senator PELL?

Senator PELL. Did you ever discuss with Mr. Baker the problems of Government contracts and the securing of Government business?

Mr. BOSTICK. No, sir.

Senator CANNON. Senator BYRD?

Senator BYRD. Mr. Bostick, inasmuch as the name of Miss Linda Morrison has been injected here, has she at any time ever been involved in any discussion or had any connection whatsoever between you, Bobby Baker, and/or any other Senate employee with reference to any vending operation, vending contract, or any other business or financial transaction?

Mr. BOSTICK. No, sir.

Senator BYRD. With reference to the increase which Melpar agreed to permit Capitol Vending Co. to put into effect, did this not involve drinks in larger cartons or bottles than were theretofore made available to the employees?

Mr. BOSTICK. Yes, sir; drinks in larger cups with ice added.

Senator BYRD. So the increase also involved the addition of ice which had theretofore not been a part of the drink?

Mr. BOSTICK. Yes, sir; ice and size.

Senator BYRD. Was an additional drink included?

Mr. BOSTICK. Yes; hot chocolate, as I recall.

Senator BYRD. Previous testimony on the part of some witnesses indicated that a number of requests had been submitted to Melpar for its approval concerning the increase in the price of these commodities by Capitol Vending. Were all of these requests in writing, was only the last request in writing, or was part of the requests in writing and part oral?

Mr. BOSTICK. I think the last request is the only one which I ever saw in writing, Senator.

Senator BYRD. Mr. Chairman, I have no further questions.

Senator CANNON. Senator Cooper?

Senator COOPER. Mr. Bostick, other than the Capitol Vending Co. contract with Melpar, do you know of any other transaction in which Melpar was engaged or has been engaged with which Bobby Baker, Mr. Baker, had any connection or relationship?

Mr. BOSTICK. No, sir.

Senator COOPER. Have you been engaged in any business transaction with Mr. Baker?

Mr. BOSTICK. I have not.

Senator COOPER. I thought you said a few minutes ago you had been a part owner or a stockholder in Pasantic Co.

Mr. BOSTICK. I said I had bought \$2,000 worth of stock. Mr. Baker is not in that.

Senator COOPER. At the time that you purchased it, or before that time, did you have knowledge that Mr. Baker intended to be a partner in that transaction?

Mr. BOSTICK. No, sir. I specifically asked Mr. Webb if Mr. Baker had any interest in it, and I was told no. I have no reason to think he ever had any interest in it. If he had planned to, I know nothing about it.

Senator COOPER. You answered, then, as to your knowledge?

Mr. BOSTICK. To my knowledge.

Senator COOPER. Whether or not he had any part in it?

Mr. BOSTICK. To my knowledge, Baker never had any part in it.

Senator COOPER. That you know of?

Mr. BOSTICK. Yes, sir.

Senator SCOTT. Do you know of any interest that he had in Pasantic in view of a question asked by Senator Curtis of Mr. Webb:

And Bobby Baker was in the group up until the investigation came along?

Mr. WEBB. That is right, but he never put any money in it.

Would you know of that?

Mr. BOSTICK. I knew about it only from reading the testimony or perhaps Mr. Webb told me about it. I did not know it of my own knowledge; no, sir.

Senator SCOTT. Did you ever place any bets with Mr. Baker or through Mr. Baker?

Mr. BOSTICK. Bets?

Senator SCOTT. Bets.

Mr. BOSTICK. You mean horserace bets?

Senator SCOTT. Well, or any other form of gambling.

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

Senator SCOTT. You gave us a list of consultants, but you did not list your advertising and public relations consultants on that list. Was there any reason for that or was that just an oversight?

Mr. BOSTICK. No, sir; I would not say that it is an oversight. We thought what you wanted were consultants who advised us in the conduct of our business generally. These we consider specialists in a certain field. I think, if I may mention it, Mr. Ginsburg and Major McLendon worked this out.

Mr. GINSBURG. That is correct.

Mr. McLENDON. That is right. I told him that we would not ask for the names of specialists or engineers, but only consultants in the general terms.

Senator SCOTT. That is all I have.

Senator COOPER. Mr. Chairman, I have one other question.

Mr. Chairman, in preface to my remarks I will state that there has been testimony given to the committee by Mr. Webb in which he stated that he had an interest in the Pasantic Corp. and that he knew that Mr. Baker was within a group, so I will ask my question now on the basis of that.

Is the Pasantic Corp. in existence now?

Mr. BOSTICK. Yes, sir; I think it is.

Senator COOPER. Do you know the names of the persons who are interested in Pasantic?

Mr. BOSTICK. No, sir; I don't. It was just a little investment on my part.

Senator COOPER. Do you know any of them?

Mr. BOSTICK. Oh, I have met—I think if Aguirre was in it I met him in Webb's office, and, of course, I think Webb and Law are in it.

Senator COOPER. What is the business of the Pasantic Corp.

Mr. BOSTICK. The only business I know of was buying some land. I think they had some options on some land around Woodbridge, Va. It has been completely inactive.

Senator COOPER. A real estate development?

Mr. BOSTICK. Yes, sir. I think it has moved now into—the original idea as I understood it was to have mobile homes there, and it is now, I think, a low-cost housing—this is still in its beginning stage. Nothing has been done, to my knowledge.

I think I have put \$2,000 in it, so I don't think much could have—

Senator COOPER. Was there any reason for establishing it at Woodbridge, Va.?

Mr. BOSTICK. The idea of Woodbridge was not mine. I became interested in it because I have a little interest in a savings and loan outfit in Woodbridge.

Senator COOPER. Was it contemplated that it would engage in real estate development in Puerto Rico?

Mr. BOSTICK. Senator, I am sorry, I didn't hear the first—

Senator COOPER. I say, was it contemplated or has it been contemplated or discussed that this corporation would engage in developments, real estate developments, in Puerto Rico?

Mr. BOSTICK. Not to my knowledge, Senator.

The only thing I recall about it was the Woodbridge situation.

Senator COOPER. That is all I have.

Senator CANNON. Senator Curtis?

Senator CURTIS. Did you ever deliver to Robert Baker, secretary to the majority of the Senate, any money, check, or anything of value whatever?

Mr. BOSTICK. No, sir.

Senator CURTIS. Did Robert Baker have anything to do with the negotiations or arrangements for the price increase on the articles dispensed by the vending machines belonging to the Capitol Vending Co.?

Mr. BOSTICK. My understanding was, and my previous testimony I think indicated, that he was the transmittal agent to Mr. Law who then gave it to me.

Senator CURTIS. You knew that Mr. Baker transmitted it?

Mr. BOSTICK. No, sir; I don't think I did. All I knew was this was a request for this larger Coca-Cola and the hot chocolate, and where it came from I didn't know. If I did, I don't remember, but to my recollection, it was handed to me by Law.

Senator CURTIS. Of the firm of Webb & Law?

Mr. BOSTICK. Yes, sir.

Senator CURTIS. They are employed by you?

Mr. BOSTICK. They are consultants of ours, and have been for, I suppose, 5 years or so.

Senator CURTIS. You did not know that Robert Baker had anything to do with it?

Mr. BOSTICK. Senator, I do not recall whether or not Mr. Baker ever mentioned that to me. If he did, I do not recall it.

Senator CURTIS. Did Law mention it?

Mr. BOSTICK. I don't remember whether Law mentioned Baker. As I recall it, Law handed me this piece of paper. I took it out and handed it to some of my subordinates.

Senator CURTIS. Who had written the paper?

Mr. BOSTICK. I do not know. I assume that Capitol Vending had.

Senator CURTIS. You didn't know that Baker had anything to do with that?

Mr. BOSTICK. Only in the sense that Baker had originally recommended Capitol Vending. He had originally asked if he could recommend it through Law, but my feeling on it was it was a request by Capitol. I don't think it would have made any difference to me whether Baker recommended it or Capitol recommended it, if it was fair and reasonable, and I thought so, we would do it.

Senator CURTIS. Baker had recommended Capitol in the first instance?

Mr. BOSTICK. He had asked Law to ask me if I would allow some friends of his to bid on the vending account.

Senator CURTIS. And was there a bid?

Mr. BOSTICK. Yes, sir; there was.

Senator CURTIS. A competitive bid?

Mr. BOSTICK. What is that?

Senator CURTIS. Was there a competitive bid?

Mr. BOSTICK. There was not.

Senator CURTIS. But you knew that Baker was back of the request that was transmitted to you from Law?

Mr. BOSTICK. Only in the sense that Baker apparently had been interested as a friend of Hill of Capitol Vending.

Senator CURTIS. But you knew of it?

Mr. BOSTICK. In that sense, yes.

Senator CURTIS. You knew of Baker's interest in it?

Mr. BOSTICK. Now, Baker's interest in getting the prices raised?

Senator CURTIS. No; in getting the contract originally for Capitol Vending?

Mr. BOSTICK. Oh, yes. Law asked me if a friend of Baker could come in and submit a proposition on the vending.

I have so testified, Senator, last time.

Senator CURTIS. And I think you testified that the company that had the vending operation at that time was satisfactory to you?

Mr. BOSTICK. Yes, the service was reasonably satisfactory. I also testified that—may I add this, Senator?

Senator CURTIS. Sure.

Mr. BOSTICK. That the take on the Capitol as opposed to vending was, I think, 86 cents per person to 98 cents, not including any increased prices that came later, and I also testified that this was in the nature of a credit to overhead, this increase, the increase from 86 to 98.

Senator CURTIS. You did not regard it as strange or unusual that the secretary to the majority of the Senate would be suggesting to someone doing Government work as to who should handle the vending contract?

Mr. BOSTICK. Senator, at that time I didn't even know what the secretary to the majority leader of the Senate did. I just assumed that this was a friend of Baker's, and obviously there was nothing I could do for Baker and I had no reason to think it was strange, in my opinion, sir.

Senator CURTIS. You say you didn't know what he did, but you knew that he was a Government employee?

Mr. BOSTICK. I did.

Senator CURTIS. That is all.

Senator CANNON. Mr. Bostick, you said that that increase per capita was credited to overhead. What do you mean by that? Does that mean that it inured to the benefit of the Government, the increased take?

Mr. BOSTICK. That is correct, sir.

Up to 1959, as I recall, any profits from vending machines went to the company. Then this Armed Services Procurement Regulation was changed. It then became a credit to overhead, meaning in essence, that in the last analysis if we made \$50,000 on the vending, the Government would put up \$50,000 less in overhead, because we got it from the vending profits, so it inured to the benefit of the Government.

Senator CANNON. So you are saying that when Capitol Vending took over in your company then, the Government's cost was reduced?

Mr. BOSTICK. By the amount, yes, sir; of returns we got from Capitol Vending over and above the Macke contract.

Senator CANNON. Any further questions?

Senator BYRD?

Senator BYRD. Mr. Bostick, you said that Macke's services were satisfactory, did you not?

Mr. BOSTICK. Yes, Senator. I would like to amend that a little. So far as I know I had had no complaints, and I think they were generally satisfactory.

Senator BYRD. You said that Mr. Baker recommended, or did you say that he asked your permission to have Capitol Vending submit a proposal?

Mr. BOSTICK. He asked such permission through Mr. Law, Senator; yes.

Senator BYRD. Was this as far as Mr. Baker's influence, if I might use that term, went in the matter?

Mr. BOSTICK. It certainly was. My instructions to Mr. Weid were that they were only to be given an opportunity to come in if they had a substantial increase in return to Melpar as a result, if we had a substantial increase in return to Melpar as a result of it.

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

Senator BYRD. And Capitol's proposal was such that you foresaw a substantial increase in the return?

Mr. BOSTICK. After that, Mr. Weid handled it. I don't think the first proposal was satisfactory. I think they negotiated, and at the end Mr. Weid, feeling that he carried out my general instructions, let them come in.

Senator BYRD. Then at the time that Melpar was considering joining the cafeteria and the vending operations, did not a request come either directly or indirectly from Mr. Baker that Interstate be given an opportunity to submit a proposal?

Mr. BOSTICK. Senator, the chronology of that is that I met with Mr. Baker at a golf course to tell him that I had to put Capitol out. I did it because I felt a little bad about it, I had done him a favor and I was taking it back. At the same time, I told him that if he knew of anyone who could handle both vending and food, I would be happy to have him recommend him.

Senator BYRD. Did he recommend other companies as well at that time?

Mr. BOSTICK. Yes; I am not completely certain, although I thought he did. My last testimony was he recommended Interstate. A number of companies were recommended by a number of people, and I am not sure who recommended what at this point, nor was I ever.

Senator BYRD. Did you ever have any other transactions with Mr. Baker or any other Senate employee that could be termed a business—that would be of a business or financial character or nature?

Mr. BOSTICK. No, sir.

Senator BYRD. Other than these which have been discussed on the record?

Mr. BOSTICK. That is correct.

Senator BYRD. Is there anything further, Mr. Bostick, that you would like to state to the committee that perhaps you haven't touched on up to this point that would in your judgment be pertinent to our investigation of the business and financial activities of Senate employees?

Mr. BOSTICK. No, sir; I have no relevant information as to that; no further information.

Senator BYRD. Mr. Chairman, I have no further questions.

Senator CANNON. Mr. Bostick, in the files there are memorandums and/or letter between executives of your company and Automatic Canteen Co. of America, the Brass Rail Food Service. Are these two of the companies that made proposals in connection with your most recent change of vending contracts?

Mr. BOSTICK. Senator, Automatic Canteen was the owner of Nationwide, whom Interstate replaced.

Senator CANNON. And these were two companies who presented proposals in connection with your transfer over to Interstate?

Mr. BOSTICK. I think that they did. I want to make it plain that Nationwide was in there before. I think they discussed with Mr. Weid anyway a further proposal before they gave us notice or after they gave us notice they were getting out.

Senator CANNON. Any other questions?

Senator CURTIS. Did Robert Baker ever assist you or take part in any of your business operations?

Mr. BOSTICK. No, sir.

Senator CURTIS. Did he ever assist you or take part in any entertaining or contacting customers or potential customers?

Mr. BOSTICK. No, sir.

Senator CANNON. Senator Cooper, anything further?

Senator COOPER. Nothing more.

Senator CANNON. You may be excused, Mr. Bostick. If you will just stand by, I think the committee will want to resolve the question of whether your testimony is to be released or whether we will proceed with going over the same thing again in an open hearing.

Mr. BOSTICK. Thank you, Senator.

Mr. McLENDON. Mr. Chairman, before the witness leaves, and his counsel. I have been told by counsel this morning that in the event that the committee decides to release this testimony taken in executive session, which would include this testimony this morning, they want to make a motion about deleting something from the previous testimony.

Is that correct?

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

Mr. GINSBURG. May I respond?

Will this be on the record or off the record?

Mr. McLENDON. Either way.

Mr. GINSBURG. I would like to have it off the record.

(Discussion off the record.)

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

Senator CANNON. On the record.

Senator CURTIS. Mr. Bostick, how many employees do you have?

Mr. BOSTICK. I think at this point, Senator, around 3,200.

Senator CURTIS. And has it been in that neighborhood in the last 3 or 4 years?

Mr. BOSTICK. No, sir. I suppose in 1959 we had 6,200. It went down to 2,700. We got back up early this year, I guess in the middle of last year, to around 3,900, and we have now laid off 600 or 700 in the last few months.

It varies.

Senator CURTIS. You, of course, do not know them all?

Mr. BOSTICK. Do I know all the employees?

Oh, no, sir; I am sure I don't.

Senator CURTIS. That is all.

Senator CANNON. That is all. You may be excused, Mr. Bostick.

Mr. McLENDON. Will you wait out in the other room until we notify you?

(Whereupon, at 11:10 a.m., the committee recessed, to go into further business.)

The Board of Postage and Telegraphs (B.P.T.) has been established by the Government of India to regulate the postal and telegraph services. The Board is composed of the Secretary to the Government of India, the Secretary to the Board of Postage and Telegraphs, and the Secretary to the Board of Railways. The Board is empowered to make rules and regulations for the postal and telegraph services, and to control the rates of postage and telegraph charges. The Board is also responsible for the management of the postal and telegraph services, and for the improvement of the same.

FINANCIAL OR BUSINESS INTERESTS OF OFFICERS OR EMPLOYEES OF THE SENATE

TUESDAY, DECEMBER 10, 1963

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

The committee met, pursuant to recess, at 2:30 p.m., in room 301, Old Senate Office Building, Senator B. Everett Jordan (chairman) presiding.

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

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

Senator CURTIS. Mr. Chairman, there are a couple of procedural matters I want to raise.

I think that these hearings now, where we have explored the Melpar situation—the staff has been working. I think these hearings should—plans should be made now to go very soon into public hearings.

I believe that the investigation would have to include public hearings. I think to delay it is inviting the charge of lack of a full investigation.

Then—I agree the investigation should never be made for the benefit of the press. If they are public, the press are there, they hear the questions, they hear the answers, and all of the possible misinformation, partial bits of information that they insist on trying to get would end.

I think when the Senate voted the investigation that everybody had in mind public hearings.

I agree that we should explore these things in executive session because that is where you can find out what facts are relevant and what not—after you have had an answer to the questions.

But I believe to go on indefinitely without specifically announcing public hearings—I think the staff and everybody else is entitled to some Christmas.

I am not suggesting when it should be.

But I think the determination should be made and the announcement should be made.

And, also, we would be less than fair—and in these things I speak for the minority—I have examined into the problem that arose toward the end of Mr. Bostick's testimony, when he was being questioned by Mr. Scott, as to the scope of this investigation. We will totally reject

the theory that this investigation should be confined to business transactions alone. We think that every impropriety should be gone into, and we think that until it is done the cloud is cast over all the fine men and women working for the Senate.

Senator PELL. Will the Senator yield?

I just want to be sure I understand you. Are you suggesting that personal or sexual peccadillos would be within the framework of this committee?

Senator CURTIS. Yes.

Senator PELL. I would strongly disagree.

Senator CURTIS. I will state my position.

I believe that this general issue is covered in the scope of our resolution.

Now, for sake of argument, that the resolution confines it to business transactions, I have seen Bobby Baker's financial report that he submitted himself, which shows a net worth of something over \$2 million. This didn't happen just by clever operation.

Party girls and entertaining were part of the business promotion apparatus. The facts are available if we pursue it. Individuals were induced to enter into certain business arrangement as part of that promotion. Girls were solicited on Government telephone lines, taken to the place, entertained the prospective customer, and it is part and parcel of the transaction.

If that is hushed up, I think that it would be very, very bad for the committee.

Another thing that I take sharp issue with is this. After a witness is once called, and this is especially true in executive session, any Senator can ask what he wants to. The counsel is the agent or the employee of the committee. He is not the censor of an individual Senator.

And if an inquiry into a social activity, involving the party girls—there is only one way to find out whether or not it is tied up with the business being transacted, and that is to ask the question and answer it.

Now, I think it would be better to follow that rule in executive session, where we can, where the witness is cooperative, he doesn't claim privilege or tell the committee that he as a witness is going to decide what is relevant.

A legislative investigation is far different than a court hearing. There is no one to be punished. We are without authority to punish. It is to get the information.

While we should follow rules of evidence as near as we can to be fair to people—so that no one is blackened by hearsay, untruthful testimony. There is no jury to be prejudice. And the only way that you can get all the facts is to ask all the questions.

Questions asked without answers give you no facts.

I didn't mean to filibuster here.

And I am not going to make a public statement. But I would be less than candid if I kept quiet.

Senator Scott, do you have anything to add?

The CHAIRMAN. Let me ask you this: Would you mind putting this off—any decision on this thing—until Thursday, when we can have a meeting on some of these procedural matters?

Senator CURTIS. I say, I didn't have in mind this be decided at this instant. But I did not want to sit here and be silent and acquiesce as to what is being done.

Senator SCOTT. I would like to be heard on it.

I don't suppose you can settle all these things today. But again, if I were to remain silent after not being permitted to pursue a line of interrogation, it might be construed that I agreed to it. And you will remember that I reserved the right to ask the witness be recalled.

The CHAIRMAN. Oh, yes.

Senator SCOTT. Since then, I have talked to Senator Williams yesterday, and I don't think Senator Curtis would mind my saying part of the time he was there.

Senator Williams said that his interpretation of his resolution is that it is broad enough to cover the lines of inquiry mentioned by Senator Curtis, that he so intended it, that the use of the phrase "or other impropriety"—the very word "other" in itself would remove it from the limitation expressed above involving conflicts of interest. Therefore, the very first of the two clauses, the right and the duty to investigate conflicts of interest "or other impropriety."

Now, the use of call girls for business promotion, the use of Government property and Government telephone lines for the arrangement of assignments, in my judgment, is an impropriety.

Senator Williams feels the same way.

I would hope we could settle it within the committee. If not, Senator Williams has undertaken to broaden his resolution by offering a second one or an amendment, to make it quite clear that he did have this intent—as he may have said on the floor, as I know he said in public statements—that the resolution is broad enough to include these other areas of investigation, because there are more kinds of honesty than money honesty, there are more kinds of conflicts of interest than money conflicts of interest, and there are more kinds of impropriety, as we all know, than fiscal impropriety.

Now, as to the question of relevancy, I believe it was our understanding, as Senator Curtis has brought out, that if we wanted to call a witness, any member of this committee would have a right to request such a witness to be called, and that if the chairman felt that it was not relevant to have the testimony of that witness, it would be submitted to the vote of the committee.

Once the witness is here, to attempt ex parte or by a decision of counsel to say that the witness himself may be the judge of relevancy is to my mind something new in the law and something new in committee procedure.

The witness may testify or refuse to testify. If he refuses to testify, he may take the fifth amendment. If he testifies, he is open to any question which may be asked him. And if the chairman then feels such a question is not relevant, it can be taken up in executive session, we can have a rollcall vote on it, and determine whether it is relevant or not.

With the greatest respect to counsel, and he knows I do have this respect, I cannot conceive that counsel can overrule a Senator or decide whether a Senator's question is relevant or not. And the same thing applies as to the seeking of information or evidence by the committee's minority counsel. I don't believe that if minority counsel is seeking

information, or seeking to follow lines of inquiry, he can be ruled out of those lines of inquiry by a decision of counsel or of any Senator.

Again, if the minority counsel is to be barred from a particular line of inquiry, I think it would have to be by the action of the full committee.

I want to second what Senator Curtis has said with regard not only to the desirability of public hearings—it is probably our duty to hold public hearings. It is certainly our duty to protect the innocent and not to bring out in public hearings those matters which the committee has decided are not relevant after they have been explored, not before. And, therefore, I think—I believe the chairman has made a public statement that there will be public hearings.

And, therefore, I think that we must protect the integrity of the committee and the integrity of the investigation. There are different points of view as to how you protect it. I am stating only mine, with the understanding there may be a minority viewpoint.

But I want you to know that Senator Williams does construe this to be broad enough, is willing to ask for a broader procedure if the committee feels it necessary.

Senator CLARK. Mr. Chairman, why don't we postpone further discussion of this matter until the meeting on Thursday in order to hear the witness?

I have to leave in about an hour, and I am anxious to hear that testimony.

Senator CURTIS. We have no objection to that. We didn't want to delay this thing, and then pull something after the fact, and complain about what is being done.

Senator CLARK. Mr. Chairman, I cannot be here any time Thursday. But I will leave my proxy with you.

The CHAIRMAN. All right. Thank you very much.

We will now call the witness.

Mr. HARRISON. I am reading a statement for the chairman of the committee:

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

This executive session of the committee is being held today to receive under oath the testimony of witnesses who, the committee has good reason to believe, possess information relevant to the investigation which the Committee on Rules and Administration is conducting pursuant to Senate Resolution 212 of the 88th Congress, 1st session, agreed to on October 10, 1963, and Senate Resolution 221, also of the 88th Congress, 1st session, agreed to on November 1, 1963.

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

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

Each of the witnesses to be examined today has voluntarily conferred with the committee's investigators and voluntarily appears here today to be examined under oath. The committee appreciates their cooperative attitude.

The witness is Mr. Marsh.

The CHAIRMAN. Mr. Marsh, will you please stand, sir, and put your hand on the Bible and raise your right hand?

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

Mr. MARSH. I do.

Mr. McLENDON. State your full name and business address.

**TESTIMONY OF R. BRANDON MARSH, STAFF ASSISTANT TO THE
EXECUTIVE VICE PRESIDENT OF MELPAR, INC.; ACCOMPANIED
BY ROBERT HAUSMAN, COUNSEL**

Mr. MARSH. R. Brandon Marsh, 3000 Arlington Boulevard, Falls Church, Va.

Mr. McLENDON. Do you have a business address?

Mr. MARSH. That is it, sir.

Mr. McLENDON. That is your business address?

Mr. MARSH. Yes, sir.

Mr. McLENDON. What is your residence?

Mr. MARSH. 610 Juniper Lane, Falls Church, Va.

Mr. McLENDON. Is your personal counsel with you today?

Mr. MARSH. Yes.

Mr. McLENDON. Will you state his name in the record?

Mr. MARSH. Mr. Hausman.

Mr. McLENDON. Mr. Marsh, are you employed by the Melpar Corp.?

Mr. MARSH. Yes, sir.

Mr. McLENDON. In what capacity?

Mr. MARSH. I am staff assistant to the executive vice president, Mr. A. C. Weid.

Mr. McLENDON. Briefly, what are your duties in that capacity?

Mr. MARSH. I have numerous duties—anything that he wishes to assign me. But one of my main jobs is helping in the construction of new buildings, the obtaining of buildings, the writing of leases, the handling and administration of the vending, cafeteria.

I am official representative, shall we say, with many organizations—voluntary fire department. I go to the chamber of commerce meetings. I take care of the neighbors when they might complain. I take care of zoning matters.

Mr. McLENDON. I think that is sufficient.

Mr. Marsh, in your official position, have you had the responsibility for the operation of vending services in the Melpar plant?

Mr. MARSH. Yes, sir.

Mr. McLendon. Did you personally select the Macke Co. as the operator of vending machines in the Melpar plant?

Mr. Marsh. I recommended the Macke Co. to Mr. Weid.

Mr. McLendon. And were you familiar with their services while they were in the plant?

Mr. Marsh. Yes, sir.

Mr. McLendon. Tell the committee—were the services satisfactory?

Mr. Marsh. Yes, sir.

Mr. McLendon. In February 1962, were you introduced at the plant to Mr. Hill and a man named Eugene Hancock?

Mr. Marsh. Yes, sir.

Mr. McLendon. By whom?

Mr. Marsh. Mr. A. C. Weid.

Mr. McLendon. Where were you—in his office?

Mr. Marsh. Yes; his office.

Mr. McLendon. What company did Hill say he represented?

Mr. Marsh. Capitol Vending.

Mr. McLendon. What company did Hancock say he represented?

Mr. Marsh. He gave me a card which said Serv-U on it. I believe it had a Florida address.

Mr. McLendon. Florida address?

Mr. Marsh. I believe so.

Mr. McLendon. At that time did you know anything about Serv-U Corp?

Mr. Marsh. No, sir.

Mr. McLendon. Do you now?

Mr. Marsh. Only what I have read, sir.

Mr. McLendon. You have no knowledge as to what Hancock's position is now with that company?

Mr. Marsh. No, sir.

Mr. McLendon. Were you requested by your superior to show these gentlemen over the plant, particularly in connection with the vending machine operations?

Mr. Marsh. Yes, sir.

Mr. McLendon. After they had been shown through the plant, and given all the information requested, did Mr. Hill submit a bid for the Capitol Co. that very day?

Mr. Marsh. No, sir; not to my knowledge, sir.

Mr. McLendon. When did he submit it?

Mr. Marsh. I received a letter from him within the next couple of days outlining certain contractual possibilities.

Mr. McLendon. What did you do with it when you received it?

Mr. Marsh. I discussed it with him, and there were some changes made on it, some of the commissions were upped. I then turned it over to Mr. Weid.

Mr. McLendon. And did you have anything to do with the actual execution of the contract with Capitol?

Mr. Marsh. Mr. Weid approved the letter, and I prepared a contract.

Mr. McLendon. Prior to the signing of the contract with Capitol, did you have any conversation with Mr. Goldman representing the Macke Co., accompanied by a man named Duckett?

Mr. Marsh. Yes, sir. I know both Mr. Goldman and Mr. Duckett. I have seen them many times. I cannot recall whether it was prior to that.

Mr. McLendon. Were you present when they were told that the Macke contract had been canceled?

Mr. Marsh. Yes, sir.

Mr. McLendon. And did you and Mr. Weid both tell these gentlemen that the Macke Co.'s services had been canceled?

Mr. Marsh. Yes, sir.

Mr. McLendon. Did you give them any explanation of why you were canceling their contract?

Mr. Marsh. Well, I had little to say, sir, at the meeting, because I was with my boss.

Mr. McLendon. What about your boss, Mr. Weid?

Mr. Marsh. He indicated that their services were satisfactory, but said we were getting a better contract from Capitol, and it was to the best interests of Melpar to make the change.

Mr. McLendon. Now, after Capitol was awarded the contract, did they request a modification of the contract with respect to prices for drinks and also the sale of an additional drink, some sort of chocolate?

Mr. Marsh. Yes, sir.

Mr. McLendon. Did you handle that?

Mr. Marsh. They asked me several times. It was also included in their original letter proposal that they vend a larger drink with ice, and charge 10 cents for it.

Mr. McLendon. Had you refused all of those requests up until the one you received on the 15th of February 1963?

Mr. Marsh. Refused?

Mr. McLendon. Had you refused?

Mr. Marsh. Yes, sir.

Mr. McLendon. On the 15th of February 1963, did you write this memorandum, a copy of which I show you?

Mr. Marsh. Yes, sir.

Mr. McLendon. Will you read it?

Mr. Marsh (reading):

Memorandum from R. B. Marsh to file, dated February 15, 1963.

Mr. Bostick gave me the attached yesterday and told me to ignore item 2 and put 1 and 3 in operation. He said that he had no direct contact with Capitol Vending. He does not want the 10-cent cold drink to be vended until an article has appeared in Melparagraph stating that because of increased cost we could no longer hold the line with a nickle drink.

I called Mr. Hill and asked him to send me a letter stating what commissions he wanted for the two new items and when he could make the changeovers. I told him that under no circumstances was the 10-cent drink to be vended until we gave him the word.

(The document referred to was marked "Marsh Exhibit No. 1" and is as follows:)

562 FINANCIAL INTERESTS OF SENATE OFFICERS OR EMPLOYEES

MARSH EXHIBIT 1

MELPAR, INC.

DATE February 15, 1963

TO Memorandum to File



FROM R. B. Marsh *RM*

SUBJECT VENDING

Mr. Bostick gave me the attached yesterday and told me to ignore Item 2 and put 1 and 3 in operation. He said that he had no direct contact with Capitol Vending. He does not want the 10¢ cold drink to be vended until an article has appeared in Melpargraph stating that because of increased cost we could no longer hold the line with a nickle drink.

I called Mr. Hill and asked him to send me a letter stating what commissions he wanted for the two new items and when he could make the change-overs. I told him that under no circumstances was the 10¢ drink to be vended until we gave him the word.

REM:hmc

Mr. McLendon. Mr. Marsh, was the memorandum to which your memorandum refers handed to you by Mr. Bostick?

Mr. MARSH. It was, sir.

Mr. McLendon. Did he tell you where he got it?

Mr. MARSH. No, sir.

Mr. McLendon. Did he instruct you in accordance with the memorandum you read there to approve items 1 and 3 and to disapprove item 2?

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

Mr. MARSH. Did he instruct me—

Mr. McLendon. Yes; did he instruct you to approve items 1 and 2, and disapprove—1 and 3.

Mr. MARSH. Yes; we discussed items 1, 2, and 3, and my memorandum says, we went ahead with, and I don't know whether he decided or I said you just couldn't do No. 2 because security regulations would not permit it.

Mr. McLendon. No. 2, that he told you to refuse, was one that dealt with the security costs?

Mr. MARSH. And the other two items were immediately put in effect?

Mr. McLendon. No, sir. There had to be certain changeovers made in the vending equipment. And as my memo said, I instructed when I called Mr. Hill that the 10-cent drinks could not go in until our employees were notified through what we call the Melpargraph.

Mr. McLendon. That is your company magazine?

Mr. MARSH. Yes, sir.

Mr. McLendon. As soon as that was done, it was put into effect?

Mr. Marsh. Yes, sir.

Mr. McLendon. Do you know how much increase in operating revenue the Capitol Co. experienced as a result of these changes?

Mr. Marsh. No, sir.

Mr. McLendon. You have no information?

Mr. Marsh. No, sir.

Sir, I have commission figures, as far as there are. But as far as their operating revenue is concerned, I don't know.

Mr. McLendon. You know it would substantially increase their revenue?

Mr. Marsh. Yes, sir. I am a little confused. I don't want to mislead you, sir.

I pay attention to the commissions. I can translate those into sales. I have those figures. There is no question but the volume of both went up. But as far as their operations are concerned, I have no knowledge at all.

Mr. McLendon. Could you give the committee the benefit of your estimate of the increase in the volume of sales resulting from these price changes?

Mr. Marsh. Sir, I don't remember.

Mr. McLendon. Can you approximate it?

Mr. Marsh. Well, their commissions ran anywhere from, we will say, \$2,500, and they got up as high as, I think, a little short of \$6,000 before they left.

Senator Clark. For what period?

Mr. Marsh. That is per month, sir, and the highest volume they ever had was in January, about \$25,000 in sales, which would give them \$275,000 a year.

You see, part of the problem is the difference in the seasons, and the two changes came at a different time, and I just plain don't remember them in detail.

Senator Clark. Mr. Counsel, I am a bit confused, because he speaks of the highest sales being in January, and yet they didn't up the prices until after February 15, 1963.

Mr. McLendon. What we are talking about, Mr. Marsh, and asking you to give us the benefit of your testimony, is the increase in gross sales resulting from the increase in the prices that you approved.

Mr. Marsh. Yes, sir. There was an increase in both our commissions and his sales.

Mr. McLendon. Can you give us any figures on either of those?

Mr. Marsh. I don't have them in my mind, sir.

Mr. McLendon. You couldn't even estimate it?

Mr. Marsh. Well, it came in at different times. I think all of this took place during March and April. Maybe they jumped a thousand dollars in commissions, something like that. It was a substantial change after they had a full month with both machines in operation. There is no question about that, sir.

Mr. McLendon. All right.

Would you look at this letter signed by Ralph Hill, dated February 15, 1963, and state whether or not that is a copy of the letter from Mr. Hill transmitting that request?

Mr. MARSH. Yes, sir; this is the result of—after Mr. Bostick giving me the memorandum or statement with the three requests on it, and I took it back to my office.

I think you have a copy of it.

I immediately got in touch with Mr. Hill, and this is what he sent me.

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

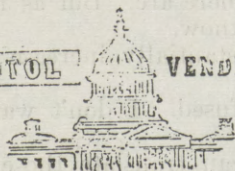
MARSH EXHIBIT 2

CAPITOL

VENDING CO., INC.

23 Eye Street S.E. Washington 3, D.C.

11-6-9100



Febr. 15, 1963

Mr. Brandon Marsh
Melpar Inc.
3000 Arlington Boulevard
Arlington, Va.

Dear Mr. Marsh,

It is our desire to improve and increase the service we are privileged in rendering to the personnel of your company and to simultaneously increase the profits for our mutual benefit.

Experience gained at Patuxent River, the Securities and Exchange Commission and in the U.S. Capitol has shown that by placing hot-whipped chocolate into machines otherwise dispensing coffee, an average increase in sales by 15% may be expected during the first month which will then level off to an 8.5% increase through the year. Our cost factor for a cup of this chocolate is the same as for a cup of coffee, and for this reason we do not suggest a change in the prevailing rate of 23% payable to your company if we would be permitted to place chocolate into the machines. It would take approximately seven days to effect the necessary technical changes to adapt the machines to this new service.

Another suggestion we would like to make refers to the cold beverage machines. Here we would recommend to increase the size of the presently employed cup of seven ounces to a nine ounce cup capable of absorbing one ounce of crushed ice, while increasing the sales price from 5 cents to 10 cents. We have experienced an increase in sales on a year-round basis of approx. 25% when supplying crushed ice in the necessarily larger cup in spite of the higher price. Indeed, about the same increase was experienced on locations which, although selling at 10 cents, did not supply crushed ice, a fact which demonstrates the customers' desire for a truly ice-cold drink. The cost of converting machines which lend themselves to such adaptation is approx. \$ 465.00 per machine, an expense which we are prepared to absorb. Preparations for the conversion of these machines will take about 30 days, while the conversion itself could be carried out within about a week on your premises.

The competitive commission on high volume sales of 10 cent drinks with crushed ice in this area is 32%, and we would like to offer your company a rate of 35.0% as against the present rate of 20%. As to the machines now in use on your premises which do not lend themselves to such adaptation, we suggest that they be replaced by us by adaptable units.

We are submitting these suggestions for change to you in firm belief that they will satisfy your personnel's preferences and will at the same time increase profits derived from each unit for your and our benefit. - It would be very kind of you if you would take these suggestions under consideration and acquaint us with your evaluation.

Very sincerely yours
CAPITOL VENDING COMPANY Inc.

[Signature]
Ralph L. Hill, President

Envison

Mr. McLendon. The memorandum referred to is the one identified by Mr. Hill yesterday, with the three paragraphs.

While we are looking for that memorandum, Mr. Marsh, in the spring of 1963 did Mr. Weid call you to the office and introduce you to Mr. Eugene Hancock, and tell you that he, Hancock, wanted to get information about Capitol Vending Co.'s operations?

Mr. MARSH. Without being discourteous, sir, he didn't introduce me because I met him before. He did call me to his office.

He did tell me what you said.

Senator CURTIS. When was that?

Mr. McLendon. In the spring of 1963.

Can you be any more certain about that date?

Mr. MARSH. No, sir; I don't specifically remember the date.

Mr. McLendon. All right.

Did Hancock tell you, when you met him that morning, that he was there to take over the Capitol account, Capitol Co. account?

Mr. MARSH. He certainly gave the impression that something was going to happen, sir. Whether the exact words were he was going to take over or what, I would not care to be quoted under oath.

But he certainly indicated to me that there was going to be a change, he didn't like the way the thing was being run.

Whether he meant by that he was going to buy them out, operate it for them. But I said my concern administratively is if you have a decent bunch of mechanics, and his answer was, "I will get a good bunch of mechanics."

And I asked him, "What if Mr. Hill calls me and asks me about your being here?"

He said, "Don't worry, I will see him tomorrow."

I have not seen Mr. Hancock since.

Mr. McLendon. To refresh your recollection, I ask you about a statement made by Mr. Hancock on that occasion to the effect that he was going to take over the Capitol account—if that didn't surprise you to the extent that you told Mr. Weid about it the next morning?

Mr. MARSH. Sir, as staff assistant I might tell Mr. Weid anything that happens in the building.

Mr. McLendon. I am asking you what you did about this?

Mr. MARSH. Yes, sir.

Mr. McLendon. And Mr. Weid made no comment, did he?

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

Mr. McLendon. Later, in August 1963, prior to the cancellation of the Capitol contract, did you meet with Mr. Lee, of the Capitol Co., in Mr. Weid's office?

Mr. MARSH. Yes; I did, sir.

Mr. McLendon. And did you there discuss the pending cancellation of the Capitol Co. contract?

Mr. MARSH. Yes; it was discussed.

Mr. McLendon. And following that, on August 28, I believe it was, a letter was written to Capitol notifying them that their contract was terminated?

Mr. MARSH. That is correct.

Mr. McLendon. That was made under the 30-day termination provision in the contract?

Mr. MARSH. That is correct.

Mr. McLendon. Now, had you had conversations with a number of vending companies looking toward the selection of another vending company to take over after the Capitol contract was terminated?

Mr. Marsh. There was quite a few companies that came in and looked at either or both our vending and food operations.

Mr. McLendon. Were they there together or separately?

Mr. Marsh. No, sir; separately.

Mr. McLendon. To run through them hurriedly, I ask you if the Interstate Vending Co. was there?

Mr. Marsh. Yes, sir.

Mr. McLendon. Represented by Mr. Sabella?

Mr. Marsh. Yes, sir; vice president of Brass Rail, I believe.

Mr. McLendon. Was the Gladioux Co. there?

Mr. Marsh. Yes, sir.

Mr. McLendon. How about the Autovend Coffeetime?

Mr. Marsh. Yes; a Mr. Colt.

Mr. McLendon. How about Hot Shoppes?

Mr. Marsh. Mr. Barlow and another important executive.

Mr. McLendon. And the purpose of these interviews with these gentlemen was to find out whether they would be interested in making a proposal for the vending business, was it not?

Mr. Marsh. My responsibility, sir, was to show them any figures that I had on vending or the food service.

Mr. McLendon. Is it correct that of all of these companies, only two submitted proposals, one being Interstate and the other one being Nationwide?

Mr. Marsh. Those are the only two proposals that I saw. I heard conversation of the Hot Shoppes sending a proposal.

Mr. McLendon. Did you make the final decision as to which company the contract was to be awarded to?

Mr. Marsh. No, sir.

Mr. McLendon. Who made it?

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

Mr. McLendon. Well, were you instructed to whom the contract was going to be awarded, or had been awarded?

Mr. Marsh. Yes; I was told.

Mr. McLendon. And what company were you told?

Mr. Marsh. Interstate.

Mr. McLendon. And were you familiar with any representative of Interstate prior to that time, except this Mr. Sabella?

Mr. Marsh. Yes, sir.

Mr. McLendon. Who else?

Mr. Marsh. There was a Donegan. He was sales representative.

Mr. McLendon. Who told you that the contract had been awarded to Interstate?

Mr. Marsh. Well, it was a conversation in Mr. Weid's office, with many people present. A gentleman there was asked to see that the contract was drawn up. And then the contract was drawn up, changed over a few times, and that was it.

Mr. McLendon. But you did not participate in making the decision?

Mr. Marsh. No, sir.

Well, I may state this, sir. I did go to New York, and I did see several of the Interstate operations. And I was asked what I thought of them, and I said I thought they were excellent.

Senator CLARK. Did not Mr. Weid tell you the contract had been awarded to Interstate?

Mr. MARSH. I don't recall his having told me that.

Senator CLARK. Did Mr. Bostick tell you?

Mr. MARSH. No, sir.

Senator CLARK. Would it not have to be either Mr. Bostick or Mr. Weid who told you in the chain of their command? Nobody else had authority to tell you, did they?

Mr. MARSH. That is correct.

Mr. McLENDON. Now, before you were given advice that the contract had been awarded to Interstate, did you learn about the location of a number of machines in the Washington area in storage—I believe it was a hundred machines?

Mr. MARSH. Yes, sir; I heard about that.

Mr. McLENDON. In consequence of that information, did you call someone by telephone—namely, Mr. Rock of Nationwide—to find out whose machines they were, and what the significance of their being here was?

Mr. MARSH. No, sir. What happened was that Nationwide was going to bid, and Mr. Rock called Mr. Weid and said, "I understand these machines are here. Why should I waste my time writing a proposal if the decision has already been made?"

And later on I had occasion to talk to Mr. Rock, and at that time he told me that they were Rowe machines.

Mr. McLENDON. Did he tell you to whom they belonged?

Mr. MARSH. Not to my knowledge, sir.

Mr. McLENDON. Did you find out?

Mr. MARSH. No, sir.

Mr. McLENDON. Were they actually installed in the Melpar plant by Interstate after the award of the contract?

Mr. MARSH. Yes, sir.

Mr. McLENDON. The same hundred machines?

Mr. MARSH. Well, I know they got them out of the warehouse over there, because they got picked up for having too much weight on Arlington Boulevard.

Mr. McLENDON. And before the contract to Interstate was awarded, were you asked by Mr. Weid to make a trip with Ernest Tucker?

Mr. MARSH. Yes, sir.

Mr. McLENDON. Where did he tell you to go and for what purpose? Mr. MARSH. He told me to go to Dulles Airport and take a look at the Gladieux.

Mr. McLENDON. Dulles Airport?

Mr. MARSH. Yes, sir.

Mr. McLENDON. That is here in Washington?

Mr. MARSH. Yes, sir.

Mr. McLENDON. Go ahead.

Mr. MARSH. And take a look at the Gladieux feeding operation.

Mr. McLENDON. Did you do that?

Mr. MARSH. Yes, sir.

Mr. McLendon. Where else did you and Mr. Tucker go?

Mr. Marsh. New York City.

Mr. McLendon. What installations did you inspect there?

Mr. Marsh. Interstate installations, sir.

Mr. McLendon. How many installations in all did you and Tucker inspect?

Mr. Marsh. Tucker and myself, sir?

Mr. McLendon. Yes.

Mr. Marsh. Gladieux, one. One at Sixth Avenue. Two, three, four—five, I believe, sir.

Senator Curtis. What Tucker are you talking about?

Mr. McLendon. Ernest Tucker—Baker's law partner.

Did you know Ernest Tucker before that day?

Mr. Marsh. No, sir.

Mr. McLendon. Who introduced you to him?

Mr. Marsh. Mr. Weid.

Mr. McLendon. What did he tell you was Tucker's interest in this business?

Mr. Marsh. He didn't

Mr. McLendon. Didn't tell you anything?

Mr. Marsh. No, sir.

Mr. McLendon. You mean that the vice president of the company sent you with a perfect stranger to inspect vending machine operations without telling you who the stranger was?

Mr. Marsh. Yes, sir.

Mr. McLendon. Didn't you have enough curiosity to ask him who he was?

Mr. Marsh. No, sir.

Mr. McLendon. You didn't?

Mr. Marsh. No, sir.

Mr. McLendon. How many days did you live with him and work with him?

Mr. Marsh. Tucker?

Mr. McLendon. Yes.

Mr. Marsh. About a full day. One afternoon at Dulles, and took a 9 or 10 o'clock plane, and I left him in New York about 2.

Mr. McLendon. And you got back from the trip and still didn't know who this gentleman was?

Mr. Marsh. I didn't know who he was.

Mr. McLendon. Or what his interest was?

Mr. Marsh. No, sir.

Mr. McLendon. Since then, you have learned that he was a partner in a law firm of Mr. Baker, have you not?

Mr. Marsh. That is correct.

Mr. McLendon. Now, about a week later, after you made this trip with Tucker, did you attend a meeting attended by Tucker, Baker, Weid, yourself, and Mr. R. Taylor Cosby?

Mr. Marsh. Yes, sir.

Mr. McLendon. Do you know the date of that meeting?

Mr. Marsh. I would say the 25th of August, or possibly the 28th of August.

Mr. McLendon. It was very close to the day the letter of cancellation was mailed to Capitol, was it not?

Mr. Marsh. It was the same day.

Mr. McLendon. Who called the meeting?

Mr. Marsh. Mr. Weid. To best of my knowledge, Mr. Weid.

Mr. McLendon. Where was it held?

Mr. Marsh. In Mr. Weid's office.

Mr. McLendon. Mr. Weid's office?

Mr. Marsh. Yes, sir.

Mr. McLendon. Who is Mr. T. Taylor Cosby?

Mr. Marsh. He is our financial man, sir—vice president in charge of finance.

Mr. McLendon. What was the purpose of this meeting, Mr. Marsh?

Mr. Marsh. It was conversations concerning the possibility of Interstate taking care of our vending and cafeteria feeding.

Mr. McLendon. Well, would it be accurate to say that you discussed some details of the possible contract with Interstate?

Mr. Marsh. I think that would be a fair statement, sir.

Mr. McLendon. It would include such things as the type of installations they put in?

Mr. Marsh. Definitely, sir.

Mr. McLendon. And the sort of food and beverage that they would serve?

Mr. Marsh. Yes, sir.

Mr. McLendon. In that conversation, did Robert G. Baker say more than once that he represented the Interstate Vending Co.?

Mr. Marsh. No, sir.

Mr. McLendon. What?

Mr. Marsh. He said it once.

Mr. McLendon. Said what?

Mr. Marsh. He said it once.

Mr. McLendon. How did that happen? Tell us how it arose, and just exactly what he said.

Mr. Marsh. Mr. Weid asked Mr. Baker if he was authorized to represent Interstate. The answer was, "Yes."

Mr. McLendon. The answer made by Baker was "Yes"?

Mr. Marsh. Yes, sir.

Mr. McLendon. At the end of the meeting, did Tucker make the statement that, "We will forward you a proposed contract"?

Mr. Marsh. May I state that a little differently, because I am not sure.

Mr. McLendon. Yes.

Mr. Marsh. Toward the end of the meeting, the question was asked, and I believe it was by Mr. Weid, as to who was going to draw up the contract. And Mr. Tucker said that he would draw up a contract.

No—he said he would take care of it, as I remember.

Mr. McLendon. Tucker said that?

Mr. Marsh. That is right.

But I would like to point out, sir, for clarification, that the contract came from Mr. Sabella, to the best of my knowledge—prepared by him—because I had to rewrite it.

Mr. McLENDON. But Mr. Sabella was not present in this conference?

Mr. MARSH. No, sir.

Mr. McLENDON. And when you did receive the proposal from Mr. Sabella, you say you had to write it.

Mr. MARSH. Yes, sir.

Mr. McLENDON. And the terms were finally agreed upon?

Mr. MARSH. Yes, sir. There were a few more interchanges with Mr. Sabella on the contract.

It often happens. But it was finally signed and agreed to.

Mr. McLENDON. Mr. Marsh, other than as you have testified this afternoon, about Baker's presence at this conference, and his statement that he could speak for Interstate, did he on any other occasion make any statement in your presence that he represented any vending company or could speak for any vending company?

Mr. MARSH. Sir, this is the only occasion I ever saw Mr. Baker.

Mr. McLENDON. Did you have any knowledge about him, or who he was, or what he did?

Mr. MARSH. The first time I heard of Mr. Baker was when Mr. Lee told him what he was going to do—what Mr. Hill was going to do.

Mr. McLENDON. That is when Mr. Lee visited the plant and told you and Mr. Weid, was it?

Mr. MARSH. Mr. Hill was supposed to come. He didn't. Mr. Lee came. I was in the meeting. He was late. Mr. Weid had another engagement. He left rather soon, and he asked me to take Mr. Lee back to my office. That is the first time Mr. Baker's name came into any conversation with me.

Mr. McLENDON. Tell the committee what Lee told you then, on that occasion. I am asking you about Baker.

Mr. MARSH. He said, "Mr. Marsh, I am scared to death."

I said, "What's the problem?"

He said, "Mr. Hill is a very vindictive person, and when he sets his teeth in something, he doesn't let go. He has investigators working, and if we lose this contract, he is going to ruin Bobby Baker, a Mr. Black, and it is not going to be—not going to help Mr. Bostick any."

Senator CURTIS. Who said that?

Mr. MARSH. Mr. Lee.

And at this point, I said, "Sir, I don't like that kind of conversation. If you have any operating problems, we will continue. Otherwise, let's call it a day."

Mr. McLENDON. Did you report that conversation to your superior, Mr. Weid?

Mr. MARSH. Yes; I did.

Mr. McLENDON. How about Mr. Bostick?

Mr. MARSH. No, sir.

Mr. McLENDON. What was Mr. Weid's comment when you reported to him?

Mr. MARSH. I don't remember his saying anything.

Mr. McLENDON. Mr. Chairman, that is all I have to ask this witness. Senator CURTIS. How long did you say you had been with Melpar?

Mr. MARSH. Eleven years this February, sir.

Senator CURTIS. How long has Mr. Bostick been around there?

Mr. MARSH. Oh, gee, it goes way back, sir.

Senator CURTIS. Prior to your time?

Mr. MARSH. Yes, sir.

Senator CURTIS. How long has Mr. Weid been around there?

Mr. MARSH. Almost as long as Mr. Bostick, I would say.

Senator CURTIS. Who, in your opinion, made the final decisions on the question of the vending machines involving Macke and Capitol Vending, and later on—

Mr. MARSH. Sir, all I can give you is my own thoughts on this.

Senator CURTIS. Well, you have been there 11 years and worked with it. I want your opinion as to who makes the decision—who did make the decisions.

Mr. MARSH. Well, may I rephrase it, sir?

Senator CURTIS. Yes, sir.

Mr. MARSH. All right.

I have been there, and I have worked as staff assistant for Mr. Weid. And I take these things to him. Some he takes to Mr. Bostick, and some he doesn't. I have no way of knowing what he takes and what he doesn't take.

But either of those two men made the decision, not me.

Is that a fair answer, sir?

Senator CURTIS. Well, who made the decision to give the business in the first instance to Macke?

Mr. MARSH. I made the recommendation to Mr. Weid.

Senator CURTIS. Mr. Weid?

Mr. MARSH. Yes, sir.

Senator CURTIS. Made the decision?

Mr. MARSH. Yes, sir. I don't know whether he or Mr. Bostick made the decision. The decision came back from Mr. Weid to me. They always do.

Senator CURTIS. Where is your office located in reference to Mr. Weid, Mr. Bostick?

Mr. MARSH. Relatively close. It is not along mahogany row. It is down the side a little ways.

Senator CURTIS. Well, was Macke's service satisfactory?

Mr. MARSH. Yes, sir.

Senator CURTIS. How much notice did Macke get that he would lose the business?

Mr. MARSH. How much notice?

Senator CURTIS. Thirty days?

Mr. MARSH. Thirty days, according to contract terms.

Senator CURTIS. That was a 30-day notice given pursuant to the contract after the decision had already been made to terminate it, and give it to Capitol Vending; is that right?

Mr. MARSH. To the best of my knowledge, yes.

Senator CURTIS. Was Macke ever given a chance to meet Capitol Vending Co.'s bid?

Mr. MARSH. Not to my knowledge, sir.

Senator CURTIS. Do you believe that it was given to Capitol Vending over Macke because they offered a greater commission?

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

Mr. MARSH. That was one of the factors, sir.

Senator CURTIS. Was that the controlling factor?

Mr. MARSH. I cannot tell you whether it was controlling or not, sir. I think Mr. Bostick wanted to do Mr. Baker a favor.

Senator CURTIS. Had they known each other a long time?

Mr. MARSH. I don't know how long they knew one another, sir.

Senator CURTIS. When did you first hear Mr. Bostick speak of Mr. Baker?

Mr. MARSH. I can't recall. As I say, the first time I heard it was when Mr. Lee was in, and some time after that date.

Senator CURTIS. But it is your opinion that it was Mr. Bostick and not Mr. Weid who wanted to do Mr. Baker a favor?

Mr. MARSH. Yes, sir.

Senator CURTIS. Upon what do you base that opinion?

Mr. MARSH. Beg pardon, sir?

Senator CURTIS. Upon what do you base that opinion? What happened or what took place that caused you to feel that it was Bostick's decision to favor Baker?

Mr. MARSH. I don't even know whether Mr. Weid knew Mr. Baker, until all this ruckus started.

Senator CURTIS. But Mr. Bostick did before?

Mr. MARSH. Yes.

Senator CURTIS. They knew each other socially?

Mr. MARSH. I would not know, sir. I think they did. I have read something about playing golf together.

Senator CURTIS. In other words, would this be a correct statement of the situation: You don't know from your own personal observation, but you understood they were?

Mr. MARSH. That is correct. Thank you.

Senator CURTIS. Well, now, was Capitol Vending Co.'s service satisfactory?

Mr. MARSH. It was pretty bad at first, sir, awfully bad. And it gradually improved until toward the end they were doing a satisfactory job.

Senator CURTIS. I believe they mentioned they had to take some bugs out of the machines. That was the operating of the machines?

Mr. MARSH. Any new installation is rough, sir. Theirs was rough a little bit too long, a little bit longer than normal.

But new machines, adjustments, put in a quarter you don't get any change back, not servicing them correctly, run out of merchandise.

Senator CURTIS. But that was ultimately straightened around?

Mr. MARSH. So that we had a reasonably good operation.

Senator CURTIS. And so, then, it became satisfactory?

Mr. MARSH. Pardon?

Senator CURTIS. It became satisfactory?

Mr. MARSH. Yes, sir; they got a better serviceman, and things picked up.

Senator CURTIS. Well, was it terminated because it was unsatisfactory—Capitol Vending's arrangement?

Mr. MARSH. No, not to my knowledge.

Senator CURTIS. Well, why, in your opinion, was Capitol Vending's contract terminated, and given to someone else?

Mr. MARSH. We had had a great deal of trouble over a period of years with Nationwide, our food vendors, and they canceled out on us. They had threatened many times to cancel. And at this time

we decided—management decided that we should combine vending and the cafeteria.

Senator CURTIS. And who got it?

Mr. MARSH. Brass Rail, sir.

Senator CURTIS. Brass Rail?

Mr. MARSH. Brass Rail; yes. That is the same as Interstate.

Senator CURTIS. That is the same as Interstate?

Mr. MARSH. Yes—they have dozens of companies.

Senator CURTIS. What do you mean by dozens of companies?

Mr. MARSH. Well, I mean Interstate has a lot of subsidiaries and so forth. The actual contract was with Brass Rail.

Senator CURTIS. So Interstate ended up with both the cafeteria and the vending service?

Mr. MARSH. That is correct.

Senator CURTIS. Now, is that the Interstate that Mr. Baker said in your presence he represented, he could speak for?

Mr. MARSH. Yes, sir.

Senator CURTIS. Where did that conversation take place?

Mr. MARSH. Mr. Weid's office.

Senator CURTIS. And do you remember when?

Mr. MARSH. I believe it was the 25th or the 28th of August.

Senator CURTIS. What year?

Mr. MARSH. This year.

Senator CURTIS. Now, did he explain in what capacity he could speak for Interstate?

Mr. MARSH. No, sir. That conversation I gave the chairman was the full conversation to the best of my knowledge on that particular subject.

Senator CURTIS. Did you know who he was at that time, Bobby Baker?

Mr. MARSH. Yes, sir.

Senator CURTIS. Did you know that he was an employee of the U.S. Senate?

Mr. MARSH. Yes, sir.

Senator CURTIS. That he had an office in the Capitol?

Mr. MARSH. No.

Senator CURTIS. But you assumed that?

Mr. MARSH. I am sorry?

Senator CURTIS. I withdraw that last question.

You did know that he was an employee of the U.S. Senate?

Mr. MARSH. Yes, Mr. Lee told me.

Senator CURTIS. I see.

Well, was Mr. Baker present at that time?

Mr. MARSH. No.

Senator CURTIS. When Mr. Lee said that?

Mr. MARSH. No. This was when Mr. Lee came in to threaten what he was going to do. That is when he told me he was—

Senator CURTIS. Now, when Baker told you he could speak for Interstate, that was after you had heard Mr. Lee identify him?

Mr. MARSH. That is correct.

Senator CURTIS. Well, now, what type of business is Melpar in?

Mr. MARSH. Electronic field, basically, research and development, some manufacturing.

Senator CURTIS. What portion of their work is Government work, including under Government work where it is subcontracted? Is the major portion of it?

Mr. MARSH. Yes, sir.

Senator CURTIS. Substantially all of it?

Mr. MARSH. Yes, sir.

Senator CURTIS. What was the relation, business relationship, if any, between North American Aviation Co. and Melpar?

Mr. MARSH. Well, sir; this is not my end of the business, but, obviously, I know that we have a large Minuteman contract, circuit board.

Senator CURTIS. You were a subcontractor from North American?

Mr. MARSH. Yes—autonetics, I believe.

Senator CURTIS. Did you know Mr. Black?

Mr. MARSH. No, sir.

Senator CURTIS. Well, when Mr. Bostick appeared here before this committee in executive session on December 6, 1963, Senator Scott said:

Mr. Bostick, what was the compensation of Mr. Black from Melpar?

Mr. BOSTICK. Approximately \$25,000 per year.

Senator SCOTT. What was the compensation of Messrs. Law and Webb?

Mr. BOSTICK. Originally, it was \$10,000 a year. Then they moved over as consultants also to Westinghouse Air Brake. It was raised to \$40,000. Westinghouse Air Brake discontinued using them. It is still \$40,000.

Do you know anything about that employment?

Mr. MARSH. Are those salaries you are giving, sir?

Senator CURTIS. Yes.

Mr. MARSH. No, I don't know any of those men, I don't know any salaries.

Senator CURTIS. You don't know whether Robert Baker or his partner Tucker indirectly received any part of this?

Mr. MARSH. I have no knowledge on the subject, sir.

Senator CURTIS. That is all for the moment.

Senator CANNON. Senator Pell?

Senator PELL. Mr. Marsh, do you have any knowledge of any contracts that were helped along as a result of these vending contracts, of these vending arrangements?

Mr. MARSH. No, sir.

Senator PELL. Did you ever hear any report to the effect that Mr. Baker had played a role in the securing of a contract for Melpar?

Mr. MARSH. No, sir.

You are talking about defense contracts?

Senator PELL. Defense contracts.

Mr. MARSH. No, sir.

Senator PELL. Thank you.

That is all.

Senator CANNON. Senator Scott?

Senator CURTIS. I would like to ask one more question.

Now, you showed—was it you that showed to Mr. Hancock the vending machine records, or the vending business records, when he came there?

Mr. MARSH. Yes. I had an assistant with me the first time, and I don't think I did the second time. But both times I showed showed him the records.

Senator CURTIS. The first time Mr. Hill was with him?

Mr. MARSH. Mr. Hill was with him; yes, sir.

Senator CURTIS. Do you know whether Macke got any notice of the fact that the records would be opened up to a competitive company?

Mr. MARSH. This is beyond my knowledge, sir.

Senator CURTIS. Well, now, the second time was at a later time, when Mr. Hancock came back?

Mr. MARSH. When he came back alone?

Senator CURTIS. Yes.

Mr. MARSH. Yes, sir.

Senator CURTIS. About when was that?

Mr. MARSH. That was roughly the spring of this year, say a year later.

Senator CURTIS. And he was allowed to look at the vending machine business records then?

Mr. MARSH. Yes, sir.

Senator CURTIS. Was that your idea?

Mr. MARSH. No, sir.

Senator CURTIS. Who told you to do it?

Mr. MARSH. Mr. Weid.

Senator CURTIS. To your knowledge was any notice given to Mr. Hill or to anybody else connected with Capitol Vending that the records were being opened up to a competitor?

Mr. MARSH. Not to my knowledge, sir. You heard part of my answer to that when I asked if Mr. Hill should call me, because we had conversations all the time—if I had a complaint about service, any matter that might come up. He said, "I am going to see Mr. Hill tomorrow. Don't worry about it."

Senator CANNON. Who said that?

Mr. MARSH. Mr. Hancock.

Senator CURTIS. Can you give this committee any information as to why there was a reason existing for Mr. Bostick to want to favor Robert Baker?

Mr. MARSH. That is beyond my knowledge, sir.

Senator CURTIS. That is all.

Senator CANNON. Senator Scott?

Senator SCOTT. The questions I had in mind have all been covered. I have no questions.

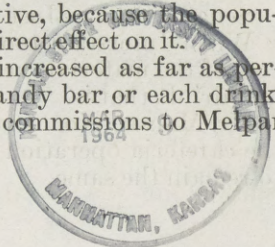
Senator CANNON. Mr. Marsh, I don't know whether you stated or not, but in the event you did not I will ask you whether or not the commissions paid to Melpar increased after Capitol Vending took over.

Mr. MARSH. The commission?

Senator CANNON. Yes.

Mr. MARSH. The percentage of commission increased, and if my memory serves me, the total commission increased. I would have to have the figures in front of me to be positive, because the population was changing, and, of course, that has a direct effect on it.

My memory is that it increased—I know it increased as far as percentage—we get a better percentage on each candy bar or each drink. And I believe that the per capita payment of commissions to Melpar increased.



Senator CANNON. And did you ever have any other companies handle vending alone, other than Macke and Capitol?

Mr. MARSH. At Melpar?

Senator CANNON. Yes.

Mr. MARSH. Yes, sir.

Senator CANNON. What company?

Mr. MARSH. Well, to be real specific, we had started out with the Coca-Cola vending of bottles, which I think we would certainly have to call a vending machine. And then we did have a Pepsi-Cola. And then when we started taking buildings, down at the Bailey's Cross-roads area, Mr. Irvin Payne, Jr.—Mr. Payne, who was putting considerable money into these buildings, short-term leases, asked if he could not put his own vending machines in these buildings, and I believe at that time, or subsequent to that he had the Pentagon vending. So he was well qualified to do it.

So with Mr. Weid's permission he put some machines in.

Those are the only ones I can recall.

Senator CANNON. So you, in fact, had three vending machine companies before Macke came in?

Mr. MARSH. Yes—no, sir. Coca-Cola, Pepsi-Cola, and then Macke, and then Payne. I think that was the order.

Senator CANNON. Did Payne come in after Macke?

Mr. MARSH. Well, they were both in at the same time, because this was only in Payne's own buildings that he had the vending.

Senator CANNON. I see.

With any of those companies did you have a term contract or simply a 30-day cancellable contract?

Mr. MARSH. Frankly, sir, in the early days it was so small we didn't have any contract. We just knew what the commission was. I don't know exactly what we did have.

May I make one other point clear, sir?

Mr. Payne also had the vending on coffee, and when he lost the Pentagon business he sold out to Mr. Macke. So Mr. Macke then had all of the vending with the exception of one minor point, that the contract with Nationwide permitted them to have cigarette machines on the cafeteria floor alone.

I think that is all of them, sir.

Senator CANNON. And Nationwide is still operating for you—Interstate is still operating for you at the present time?

Mr. MARSH. They are our new contractors, sir.

Senator CANNON. With both the food and the vending?

Mr. MARSH. That is correct.

Senator CANNON. And they are the only company that has handled both for you?

Mr. MARSH. That is correct—with the exception of the two little machines.

Senator SCOTT. Just one question on that.

When Interstate took over from Capitol, did Interstate raise the cost of the materials vended by its machines to the purchasers? Food and drink, that is.

Mr. MARSH. No. It was very carefully explained to them that both the cafeteria operation and the vending operation, prices would have to remain the same.

Now, maybe they had a few more 10-cent items in the machines than Macke did, because you cannot get much more for a nickel now. And the menu in the cafeteria is the same. The only instructions I gave them was that after they gave the basic inexpensive meal, if they wanted to put an extra on at a higher price that was all right with me.

Senator SCOTT. That is all I have.

Senator CANNON. Anything further?

Very well. Thank you, Mr. Marsh, for appearing here.

Mr. MARSH. Thank you for being so courteous.

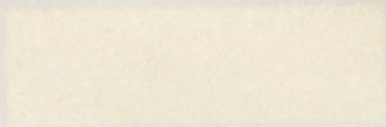
Senator CANNON. The committee will now recess subject to the call of the Chair.

(Whereupon, at 3:30 p.m., the committee recessed, subject to the call of the Chair.)



Now, maybe they had a few more percent items in the morning than those that because you cannot get much more for a nickel now. And the same in the afternoon is the same. The only instruction I gave them was that after they gave the basic inexpensive meal, if they wanted to put an extra one at a higher price that was all right with me.

Senator Larkin: That is all I have.
Senator Larkin: Anything further?
Yes, well. Thank you, Mr. Larkin, for appearing here.
Mr. Larkin: Thank you for being so courteous.
Senator Larkin: The committee will now recess subject to the call of the chair.
At 2:30 p.m. the committee recessed, subject to the call of the chair.





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