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CONSTRUCTION OF THE DISTRICT OF COLUMBIA  
STADIUM, AND MATTERS RELATED THERETO

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HEARINGS  
BEFORE THE  
COMMITTEE ON  
RULES AND ADMINISTRATION  
UNITED STATES SENATE

EIGHTY-EIGHTH CONGRESS

SECOND SESSION

PURSUANT TO

S. Res. 212 and S. Res. 367

RESOLUTIONS AUTHORIZING AN INVESTIGATION INTO THE  
FINANCIAL, BUSINESS, OR OTHER INTERESTS OR ACTIVITIES  
OF PRESENT OR FORMER MEMBERS, OFFICERS, OR EMPLOYEES  
OF THE SENATE, WITH PARTICULAR EMPHASIS ON THE ALLE-  
GATIONS RAISED IN CONNECTION WITH THE CONSTRUCTION  
OF THE DISTRICT OF COLUMBIA STADIUM, AND MATTERS  
RELATED THERETO

DECEMBER 8, 1964

PART 6

Testimony of Maurice Hughett, Wayne L. Bromley,  
Samuel J. Scott, Edward T. Hugler, Maywood Boggs,  
C. Franklin Daniels, William K. Stewart, and  
James Dennis McMenamin

Printed for the use of the Committee on Rules and Administration



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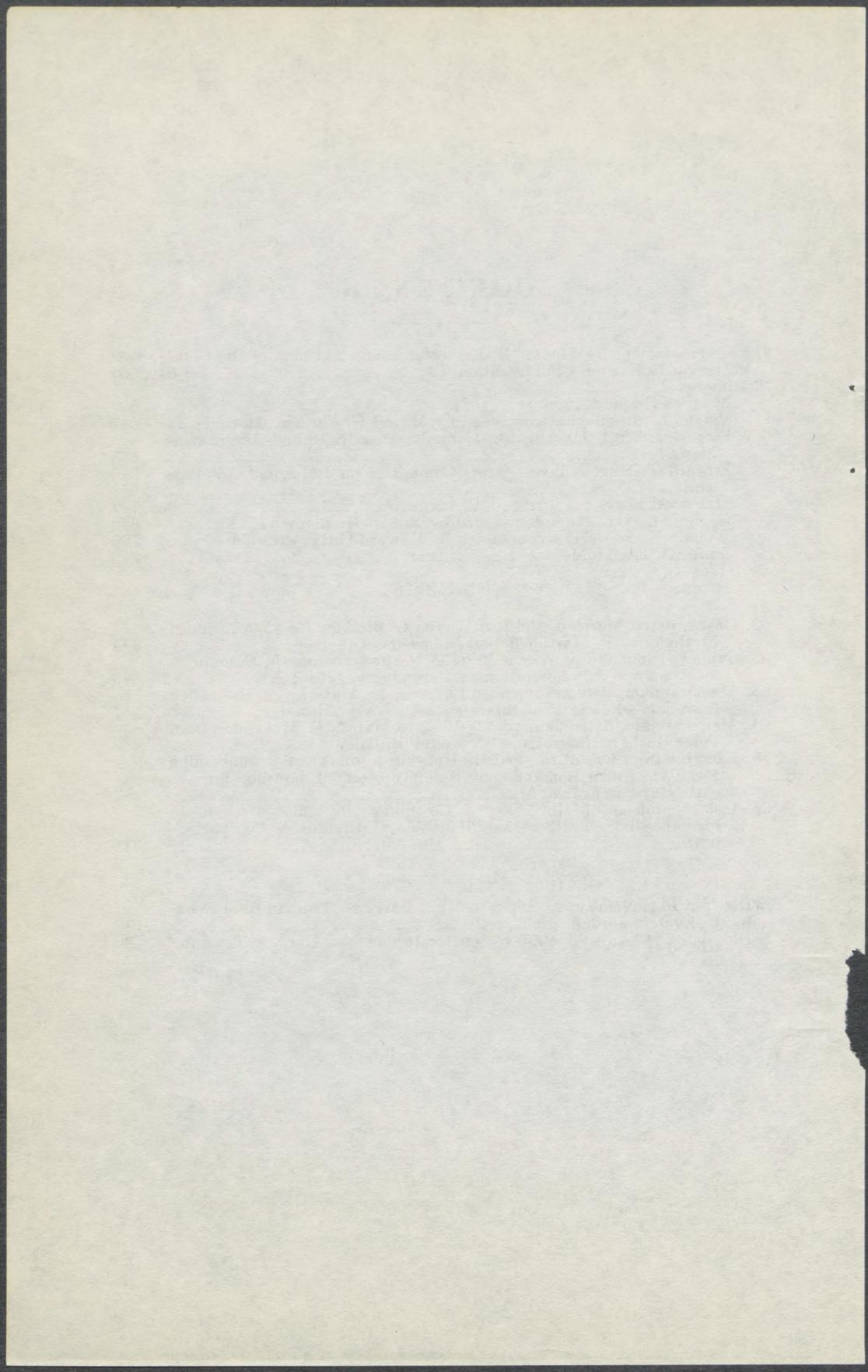
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## CONSTRUCTION OF THE DISTRICT OF COLUMBIA STADIUM, AND MATTERS RELATED THERETO

TUESDAY, DECEMBER 8, 1964

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

The committee met, pursuant to call, at 9:55 a.m., in the caucus room, Old Senate Office Building, Senator B. Everett Jordan (chairman) presiding.

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

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

The CHAIRMAN. The committee will please come to order. We have a quorum. Counsel, Major McLendon, has a statement he wants to make before we call the first witness.

Mr. McLENDON. Mr. Chairman, gentlemen of the committee, I have been asked to make a statement which I am very happy to do. A lawyer in Washington, D.C., named Myron Wiener, a member of the law firm of Wachtel, Wiener & Schlezinger, offices at 1100 17th Street NW., Washington, came to see me and said that he was terribly embarrassed about the information that the committee had heard in public hearings concerning Myron Weiner, that the names are pronounced exactly the same, and that in fairness that he often had been confused with the Myron Weiner who testified here the other day and about whom the evidence was taken, and he wanted a public statement to be made so that the public would distinguish between the two of them.

Mr. Wiener, who asked that this statement be made, is 59 years old and has practiced law since 1953, and has said that he has never acted as a public relations adviser. He has been Commissioner of the U.S. War Claims Commission from 1950 to 1953, has been acting judge of the U.S. Consular Court at Shanghai and Commissioner of the U.S. Court for China in 1937. He is a graduate of the University of California School of Jurisprudence, in 1928; was born in San Francisco, Calif. He is a member in good standing of the District of Columbia bar, of the bar of New York, and of the bar of California.

Mr. Chairman, the next statement I would like to make is in compliance with your direction. The correspondence between you, the chairman of the committee, and Senator John Williams, and between

Senators Williams and myself in my capacity as general counsel for the committee has been assembled and has been inserted in the record at the place that you ordered it inserted some days ago. So far as I am able to tell, this correspondence is complete with one exception. There was one letter, that I have personal knowledge of, received by me from Senator Williams, which we can't find. Neither can we find my answer to it, but I remember the letter very well, and the one subject mentioned in the letter was a report that Senator Williams had received to the effect that ex-Senator Daniel, of South Carolina, had made a gift of some \$30,000 or \$34,000 worth of Winn-Dixie Stores stock to Baker, and the Senator suggested that it be looked into and an interview held with Senator Daniel. It so happened at the time I received that letter that we had heard the same report some 2 or 3 weeks before that, and a member of our staff had already been to Greenville, S.C., and interviewed the Senator and filed a written report which is in the files of the committee dated March 3, 1964, and I wrote the Senator a letter telling him that Senator Daniel had been interviewed, that he denied that he gave Baker that stock or any stock, and said that the only business transaction that he had ever had with Baker was that he had permitted Baker to take over a part of his subscription for stock to be issued by the company whose name, as near as I remember it, was Carolina Pipeline. It has reference to some gas, natural gasline company, and this was an original issue of stock or at least a public issue, and he permitted Baker to take part of his subscription for \$2,500 worth of stock, as I recall it, for \$3,000 at about \$1 a share. I so reported to Senator Williams. I feel sure that we will find those letters, but in the short time that we have had opportunity to search the files, this one is missing, or it is difficult to find.

One other thing I would like to say, Mr. Chairman and gentlemen of the committee. In compiling this list of correspondence, I did not include the documents referred to in the correspondence for two reasons. In most instances the documents have been put in evidence in hearings before the committee. In other instances the documents referred to amount to accusations against certain individuals, and to put them in evidence would be tantamount to making the accusation without affording the accused an opportunity to be heard. Those documents, of course, are available and if the committee decides that they should be put in the record along with this correspondence, they are available and can be added.

(The correspondence referred to may be found at pp. 411 and 563 in the printed hearings, pt. 4, of December 3, 1964.)

Senator COOPER. May I ask a question at this point?

Mr. McLENDON. Yes, sir.

Senator COOPER. The documents to which you refer are documents that are in the possession of Senator Williams?

Mr. McLENDON. Yes, sir.

Senator COOPER. Made available to the committee?

Mr. McLENDON. That is right. In most instances they describe, Senator, in the letters, I think practically all of them—

Senator COOPER. I might get in touch with him because at the time he came before the committee the other day he told me that in submitting his correspondence from his files he was anxious that all of that correspondence be incorporated in the record.

Mr. McLendon. I had no instructions. I just had to use my own discretion about it and whatever the committee orders to be done will be done.

Senator COOPER. I will speak to Senator Williams.

The CHAIRMAN. Do you have any further statement to make?

Mr. McLendon. No.

The CHAIRMAN. Who is your first witness, Major?

Mr. McLendon. Mr. Maurice Hughett.

The CHAIRMAN. Mr. Hughett, will you please come forward and take the witness chair?

Mr. McLendon. Do you have counsel, Mr. Hughett?

Mr. HUGHETT. No, sir.

The CHAIRMAN. Mr. Hughett, have a seat until I read this opening statement to you, please, sir. It is necessary that I read this to you in order that you may know your rights and privileges before this committee before you are sworn. A quorum being present, the committee will please come to order. This committee is acting by direction and under the authority of Senate Resolution 367, agreed to on September 10, 1964, and Senate Resolution 212, agreed to on October 10, 1963. Senate Resolution 367 renews the powers authorized by Senate Resolution 212 and broadens the scope of jurisdiction conferred. The Committee on Rules and Administration has now been granted the power to investigate all interests or activities of present or former Members, officers, or employees of the U.S. Senate for the purpose of determining whether such interests or activities have involved any violation of law or other impropriety or have reflected unfavorably upon the integrity of the Senate, and whether additional laws, rules, or regulations are necessary or desirable for the purpose of prohibiting or restraining any such interests or activities. The study and investigation authorized by this resolution is directed to give particular emphasis to the allegations raised in connection with the construction of the District of Columbia Stadium and matters related thereto.

The committee believes that witnesses who are called to testify possess information which is material and pertinent to the subject under investigation as authorized, and will add to the committee's fulfillment of its legislative purpose. The Chair advises each witness that he is entitled under the rules of procedure adopted by the committee to retain and be accompanied by counsel who may advise the witness of his legal rights during the course of the inquiry, but who shall not coach or answer for the witness. Should the witness not fully understand any question directed to him, he may ask for clarification. The committee will now proceed to hear the testimony of the witness present under subpoena or by request.

Major McLendon, you may call your first witness who is now in the chair. Will you please stand, sir? Raise your right hand and put your left hand on the Bible, please, sir. Thank you, sir. Do you solemnly swear that the evidence you are about to give before this committee in the matters under investigation is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. HUGHETT. I do.

The CHAIRMAN. Thank you, sir. Please be seated.

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

## TESTIMONY OF MAURICE HUGHETT

Mr. HUGHETT. Maurice Hughett. I live at 624 Delashmut Circle, Falls Church, Va.

Mr. McLENDON. You spell your last name H-u-g-h-e-t-t?

Mr. HUGHETT. Yes; that is correct.

Mr. McLENDON. Mr. Hughett, do you have counsel?

Mr. HUGHETT. No; I do not.

Mr. McLENDON. You understood from the Senator's statement that you have a right to counsel?

Mr. HUGHETT. I see no reason to have counsel.

Mr. McLENDON. You are perfectly willing to testify without the advice of counsel?

Mr. HUGHETT. I am.

Mr. McLENDON. Mr. Hughett, you accepted service of a subpoena just a day or two ago very courteously, and in the subpoena you were asked to bring with you any and all records, correspondence, receipts, canceled checks, and other memorandums of any business or financial dealings with Wayne Bromley, Myron Weiner, Fred Black, Jr., and Robert G. Baker. Do you have any such documents?

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

Mr. McLENDON. Have you ever had any such documents?

Mr. HUGHETT. No, sir.

Mr. McLENDON. Mr. Hughett, are you an engineer?

Mr. HUGHETT. Yes, sir.

Mr. McLENDON. Are you a graduate engineer?

Mr. HUGHETT. Yes, sir.

Mr. McLENDON. From what college?

Mr. HUGHETT. Texas Technological College.

Mr. McLENDON. What businesses were you engaged in prior to the time that you came to Washington, I believe, in February 1961?

Mr. HUGHETT. I was vice president of Cook Electric Co. in Chicago, prior to coming to Washington.

Mr. McLENDON. Immediately prior?

Mr. HUGHETT. Yes.

Mr. McLENDON. And what business were you with prior to that?

Mr. HUGHETT. I was with a company in Dallas, Tex. I was president of Space Corp.

Mr. McLENDON. President of Space—S-p-a-c-e?

Mr. HUGHETT. They are an engineering manufacturing concern.

Mr. McLENDON. What kind of manufacturing business was that company engaged in?

Mr. HUGHETT. It was primarily in rocket, jet engine, and test facilities.

Mr. McLENDON. Electronics generally?

Mr. HUGHETT. Electronics; yes, sir.

Mr. McLENDON. Did it have contracts with the Government?

Mr. HUGHETT. Yes, sir.

Mr. McLENDON. Direct contracts?

Mr. HUGHETT. Yes, sir.

Mr. McLENDON. Did it have any subcontracts from other contractors with the Government?

Mr. HUGHETT. Yes, sir.

Mr. McLENDON. How long were you with that company?

Mr. HUGHETT. Well, with that company and its predecessor about 12 years.

Mr. McLENDON. During the time that you served these two companies that you have identified, did you have any experience in negotiating contracts with the Defense Department?

Mr. HUGHETT. Yes, sir.

Mr. McLENDON. Did you personally participate in negotiation of contracts?

Mr. HUGHETT. Yes; I did.

Mr. McLENDON. Were you familiar with the procedure that was followed in negotiating Government contracts?

Mr. HUGHETT. Yes; I am.

Mr. McLENDON. Were you then, at that time?

Mr. HUGHETT. Yes, sir.

Mr. McLENDON. According to the information you gave us, you came to Washington in February 1961; is that correct?

Mr. HUGHETT. Approximately; yes, sir.

Mr. McLENDON. And when you came to Washington, you became associated with the Blyco Corp.

Mr. HUGHETT. That is correct.

Mr. McLENDON. Had you made arrangements for association with that company before you came to Washington or did you make it after you came?

Mr. HUGHETT. Before.

Mr. McLENDON. With what individual did you make those arrangements?

Mr. HUGHETT. Mr. Fred Black.

Mr. McLENDON. What was his connection with Blyco Corp.?

Mr. HUGHETT. He was president of Blyco.

Mr. McLENDON. Was it a corporation or just a trade name?

Mr. HUGHETT. It was a corporation.

Mr. McLENDON. Did you understand the nature of the Blyco business before you came up here?

Mr. HUGHETT. Basically, yes.

Mr. McLENDON. And after you came did you confer with Mr. Black about the nature of the business he was doing?

Mr. HUGHETT. I am sure I did.

Mr. McLENDON. Let me put it this way. Did you become acquainted and familiar with the business which Blyco was doing?

Mr. HUGHETT. Well, I wouldn't say all of the business. I became acquainted with the part that I was connected with.

Mr. McLENDON. Will you tell the committee, Mr. Hughett, what business that concern was doing at the time you became associated with it?

Mr. HUGHETT. Blyco was representing companies as business consultants; one of the companies was North American Aviation, and the other one was Aeronca Manufacturing Co.

Mr. McLENDON. I didn't get that last.

Mr. HUGHETT. Aeronca.

Mr. McLENDON. A-r-o-n-c-a?

Mr. HUGHETT. A-e-r-o-n-c-a.

Mr. McLENDON. Where was that?

Mr. HUGHETT. They are headquartered in Ohio—Middletown.

Mr. McLENDON. Any others?

Mr. HUGHETT. That was the only two that I was aware of at that time. That was the only two that I was aware of.

Mr. McLENDON. After you became associated with Mr. Black in the Blyco Corp., what sort of work were you assigned to do?

Mr. HUGHETT. Mostly technical, plant inspections, writing reports, making recommendations.

Mr. McLENDON. And what—

Mr. HUGHETT. Investigating possible subcontractors and other smaller companies that could do subcontracting work.

Mr. McLENDON. Was that with relation to subcontractors with these companies that Black represented?

Mr. HUGHETT. Potential subcontractors.

Mr. McLENDON. Potential subcontractors?

Mr. HUGHETT. In a lot of cases, yes.

Mr. McLENDON. In most instances that concerned subcontractors with, say, North American?

Mr. HUGHETT. Some; not too much. Mr. Black handled the North American account primarily on his own. I did some work, quite a bit with Aeronca and also for companies that there were possibilities of acquisitions or mergers.

Mr. McLENDON. In the performance of your duties was it part of your duty to ascertain when contracts, defense contracts, would become available?

Mr. HUGHETT. Not too much. Of course, in some cases, well, this was in line with trying to put together a group of contractors or subcontractors; it was important to know what kind of work was going to come up.

Mr. McLENDON. How did you go about getting information with respect to proposed or contemplated contracts?

Mr. HUGHETT. Oh—

Mr. McLENDON. Specifically, did you contact people in the Defense Department itself?

Mr. HUGHETT. Oh, upon occasion. Mostly from the records—

Mr. McLENDON. Explain what you mean.

Mr. HUGHETT. Mostly from the records, published records of procurement for the coming year, the budget and so forth of the projects that are coming up.

Mr. McLENDON. Will you explain to the committee what you did in the cases that you did make personal contact?

Mr. HUGHETT. Well, actually I did very little. I was in the technical side of this particular operation. I did very little personal contact in that area.

Mr. McLENDON. When you said you made some, my question is predicated upon your statement that you made some personal contact. Now I would like you to inform the committee.

Mr. HUGHETT. Yes. Well, I did some work for a company down in Dallas, a construction company, the independent contractors and engineers, and they did bid on—these were all IFB's, invitation for bids—but they were on contracts for the installation of the missile launching sites, the Atlas and the Titan and so forth, and I did quite a bit of work for them, on determining, which was public knowledge I suppose, where these sites were going to be, when they were going to be bid. They were handled by the Corps of Engineers on

IFB's, invitation for bids. And then after they received one or two contracts, I worked with them in accomplishment of these contracts, the technical end of it.

Mr. McLENDON. Let me see if I understand you. Are you saying that in some instances you actually visited the offices, appropriate office in the Defense Department, and conferred with the individuals there who had knowledge of where the contracts were to be let, in what area or what place?

Mr. HUGHETT. Yes, sir.

Mr. McLENDON. And when they would be let?

Mr. HUGHETT. Yes, sir.

Mr. McLENDON. And the nature of the work to be performed?

Mr. HUGHETT. Correct.

Mr. McLENDON. Did you get any information as to possible competitors or bidders on those jobs?

Mr. HUGHETT. No, no; not at that time at all. However, in most cases the Corps of Engineers publishes a list of bidders prior to the bidding.

Mr. McLENDON. And when you would get this information what would you do with it?

Mr. HUGHETT. Pass it along to the company.

Mr. McLENDON. Mr. Black's company?

Mr. HUGHETT. That I was working for. Well, no; in this particular case to the company in Dallas.

Mr. McLENDON. And while you were with Black did you do the same thing; get information such as you are talking about and pass it on to the company or pass it on to Mr. Black?

Mr. HUGHETT. No; in working with Mr. Black, though, my work was practically all technical, as I stated before, in plant inspections, writing recommendations for improvement of production, evaluating plant capabilities, this sort of thing.

Mr. McLENDON. But the specific question I am asking you is when you made personal contact with people in the Defense Department who held positions of responsibility, and obtained information about proposed contracts, did you notify Mr. Black to give him the information you had obtained?

Mr. HUGHETT. No, sir; I don't believe so.

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

Mr. HUGHETT. No, because in this one particular case this was a client that I had brought in and I worked with this client pretty well myself.

Mr. McLENDON. Then is it correct that you communicated directly with the client?

Mr. HUGHETT. Yes, sir.

Mr. McLENDON. Do you remember any clients that you communicated directly with?

Mr. HUGHETT. Yes; independent contractors and engineers in Dallas.

Mr. McLENDON. The one down in Dallas, Tex., that you referred to?

Mr. HUGHETT. Yes.

Mr. McLENDON. How long did you stay with Blyco in this business?

Mr. HUGHETT. Just about a year.

Mr. McLENDON. About a year. Did you get information, Mr. Hughett, from any person connected with the Defense Department in connection with these contracts, proposed contracts and contemplated contracts, that was not available to other people, to the public generally?

Mr. HUGHETT. No, sir; never.

Mr. McLENDON. Are you sure?

Mr. HUGHETT. Positive.

Mr. McLENDON. Your contracts that you had made with the Defense Department while you were in the manufacturing business yourself did not give you any inside track or inside information?

Mr. HUGHETT. No, sir. I might say that most every contract there were bids, publicly open bids.

Mr. McLENDON. Publicly open bids?

Mr. HUGHETT. Yes, sir.

Mr. McLENDON. Now after you had been with Blyco for about a year, I believe you left and became associated in some fashion with Myron Weiner?

Mr. HUGHETT. No, sir; I was never associated with him.

Mr. McLENDON. Well, you tell it in your own way.

Mr. HUGHETT. Yes, sir.

Mr. McLENDON. What did you do?

Mr. HUGHETT. When I left Blyco I went in business for myself as a management—a business consultant, and I believe I had about three clients at that time, and I was looking for office space, and I had met Mr. Weiner, and he offered to let me use his office, and I used his office for about, oh, 2 months, and then I found office space in the Riddell Building.

Mr. McLENDON. What name did you use when you went in business for yourself?

Mr. HUGHETT. My own name.

Mr. McLENDON. But you were in what is called public relations business?

Mr. HUGHETT. No, sir.

Mr. McLENDON. What was it?

Mr. HUGHETT. No, sir; I have no knowledge of public relations.

Mr. McLENDON. What did you call yourself?

Mr. HUGHETT. A management consultant.

Mr. McLENDON. Management consultant?

Mr. HUGHETT. Yes, sir.

Mr. McLENDON. And is that the title that you carried on your stationery?

Mr. HUGHETT. Yes, sir.

Mr. McLENDON. And did I understand you to say you occupied part of Weiner's office?

Mr. HUGHETT. Well, I used his office for about 2 months.

Mr. McLENDON. Did you pay him for it?

Mr. HUGHETT. No, sir.

Mr. McLENDON. You mean he didn't charge you anything?

Mr. HUGHETT. No, sir.

Mr. McLENDON. Did you offer to pay him?

Mr. HUGHETT. I think maybe—I think I did and he said "No," that it wasn't necessary.

Mr. McLENDON. What did he get in return for giving you free office space?

Mr. HUGHETT. Well, my good companionship.

Mr. McLENDON. I beg your pardon?

Mr. HUGHETT. My companionship, I suppose.

Mr. McLENDON. Didn't you also give him information?

Mr. HUGHETT. Oh, I am sure that anything that I thought would help him, I would pass along to him, but I don't know of anything in particular.

Mr. McLENDON. Well, he would ask you from time to time for information and advice, would he not?

Mr. HUGHETT. I think he did about procurement procedures and so forth. I have been in direct military procurement on the industry side for the last 18 years.

Mr. McLENDON. He knew that, of course, didn't he?

Mr. HUGHETT. Yes.

Mr. McLENDON. And he knew you had knowledge that he didn't have, didn't he?

Mr. HUGHETT. Well, probably.

Mr. McLENDON. Well, isn't it more than probable? Isn't it a fact that he knew you had more knowledge than he did?

Mr. HUGHETT. In this area, well, I think he would have to answer that.

Mr. McLENDON. He would have to answer that; all right. What sort of business was he entering on when you became associated with him?

Mr. HUGHETT. My understanding it was public relations.

Mr. McLENDON. Can you give the committee any more information than that general statement?

Mr. HUGHETT. Well, I don't believe I can except to say I used his office for a place to take calls, and that was about the extent of it.

Mr. McLENDON. Didn't you learn the identity of Weiner's clients?

Mr. HUGHETT. Yes. There was one client that I knew of, of course, was Otis Elevator Co.

Mr. McLENDON. What did he do for Otis Elevator Co.

Mr. HUGHETT. He was a consultant, public relations man for them, to the best of my knowledge.

Mr. McLENDON. By the way, before I get so far away from it, can you tell us the exact time, the months that you were associated with Weiner in this way?

Mr. HUGHETT. I believe that it was about in March or April of 1953; about that time.

Mr. McLENDON. About 1953?

Mr. HUGHETT. March or April.

Mr. McLENDON. You don't mean 1953, do you?

Mr. HUGHETT. 1963; I am sorry.

Mr. McLENDON. 1963?

Mr. HUGHETT. Yes, sir.

Mr. McLENDON. Wasn't it in 1962?

Mr. HUGHETT. Yes; it was. I am sorry; it was in 1962; that is right.

Mr. McLENDON. Because you were with Blyco in the beginning in 1961.

Mr. HUGHETT. It was in 1962; beginning 1962.

Mr. McLENDON. Is it not true that you were first introduced to Myron Weiner by Mr. Black?

Mr. HUGHETT. Yes.

Mr. McLENDON. And at the time you were introduced to him Wayne Bromley was also present, wasn't he?

Mr. HUGHETT. In fact, if I recollect properly, Mr. Bromley brought Mr. Weiner into—

Mr. McLENDON. Say that again?

Mr. HUGHETT. Mr. Bromley, I believe, brought Mr. Weiner into the Blyco offices, and then Mr. Black called me in and introduced me to the two of them.

Mr. McLENDON. Did Wayne Bromley and Weiner have some business interests in common that caused them to come there together?

Mr. HUGHETT. That I don't know. Mr. Weiner, I believe, had a client, and I don't know who it was, some electronics company—there are hundreds of them—but he had a client that he was trying to promote some business for.

Mr. McLENDON. Do you mean by that that Weiner was soliciting the help of—

Mr. HUGHETT. Blyco.

Mr. McLENDON (continuing). Of Black and Bromley?

Mr. HUGHETT. I don't know about Mr. Bromley. He was soliciting the help of Blyco.

Mr. McLENDON. In connection with some client of his?

Mr. HUGHETT. He had a company that he said was exceptionally able to—exceptionally able in the electronic field and communication. I believe it was subminiature communications equipment, and he was trying to promote this business.

Mr. McLENDON. That is, Weiner had a client.

Mr. HUGHETT. Yes, sir.

Mr. McLENDON. That was unusually capable, he said, in the electronics field?

Mr. HUGHETT. Right.

Mr. McLENDON. And he wanted to work out some deal through Black, did he?

Mr. HUGHETT. I believe so.

Mr. McLENDON. What part did Bromley take in that?

Mr. HUGHETT. I believe he brought him over and introduced him.

Mr. McLENDON. Did Bromley participate in any of these discussions?

Mr. HUGHETT. In this first discussion he was there, but I don't believe he actually participated.

Mr. McLENDON. Did you talk to Weiner?

Mr. HUGHETT. At that time; yes, sir. That is the first time I met him.

Mr. McLENDON. And did you talk with him later?

Mr. HUGHETT. Yes. He came back several times, a few times after that.

Mr. McLENDON. Did you talk to him on those occasions?

Mr. HUGHETT. Yes.

Mr. McLENDON. How about Black? Did he also talk with him?

Mr. HUGHETT. Not to my knowledge. I mean Mr. Black, I believe, turned this matter over to me.

Mr. McLENDON. Yes.

Mr. HUGHETT. And we never did—there was nothing ever came of it.

Mr. McLENDON. You never did work out an agreement?

Mr. HUGHETT. No, sir.

Mr. McLENDON. Why didn't you?

Mr. HUGHETT. Well, no particular reason. I think there was no requirement that we knew of for this type equipment at that time.

Mr. McLENDON. Yes.

Senator COOPER. What was his answer to the last question?

Mr. McLENDON. The Senator didn't hear your last answer.

Mr. HUGHETT. I said I don't believe that there was any requirement for that particular type of equipment at that time as far as we knew, as far as any of our interests were concerned.

Mr. McLENDON. Isn't it also true, Mr. Hughett, that you found out some things about Weiner that influenced you not to go in business with him?

Mr. HUGHETT. Well, not anything specific.

Mr. McLENDON. I don't know what you mean by "specific." Didn't you find out that he boasted that he knew a lot of people?

Mr. HUGHETT. That is true; yes.

Mr. McLENDON. And didn't he constantly brag on the fact that he and Baker were buddies?

Mr. HUGHETT. I don't know that he constantly bragged on the fact. I remember he mentioned the—he mentioned it a time or two.

Mr. McLENDON. Mentioned that a time or two?

Mr. HUGHETT. Yes, sir.

Mr. McLENDON. Why would he mention that fact to you—to you particularly?

Mr. HUGHETT. Well, I think he probably mentioned that fact to a lot of people.

Mr. McLENDON. Well, that doesn't quite answer my question. Why would he be telling you that he was a friend of Baker?

Mr. HUGHETT. Perhaps to impress me is the only thing I can think of.

Mr. McLENDON. Impress you?

Mr. HUGHETT. That is the only reason I would know.

Mr. McLENDON. Did he indicate to you that he had any kind of working arrangement with Baker?

Mr. HUGHETT. No, no.

Mr. McLENDON. Did you get the impression from what he said that there was a working arrangement between Baker and Weiner?

Mr. HUGHETT. He never told me any such thing.

Mr. McLENDON. Well, I don't quite understand why he would be boasting about his friendship with Baker.

Mr. HUGHETT. Well, I have heard a lot of people around Washington back at that time mention that.

Mr. McLENDON. I see. That was part of the general talk around Washington, was it?

Mr. HUGHETT. I have heard a lot of people who seemed to think it was important that they knew him.

Mr. McLENDON. In other words, the conversation in this public relations area was that if you want to get along you have to know Bobby Baker?

Mr. HUGHETT. I have heard that.

Mr. McLENDON. You have heard that?

Mr. HUGHETT. Yes, sir.

Mr. McLENDON. And that, in substance, is what Weiner was saying, wasn't it?

Mr. HUGHETT. Not particularly. I mean he mentioned the fact several times that he knew Mr. Baker. I also knew Mr. Baker.

Mr. McLENDON. I beg your pardon?

Mr. HUGHETT. I say, I also was acquainted with Mr. Baker.

Mr. McLENDON. Well, how long had you been acquainted with him?

Mr. HUGHETT. Oh, since I had gone to work with Blyco.

Mr. McLENDON. You got acquainted with him soon after you came to Washington and started to work with Blyco?

Mr. HUGHETT. Yes; that is right.

Mr. McLENDON. Under what circumstances did you meet him?

Mr. HUGHETT. I believe I met him in the Blyco offices for the first time. I am not really sure where I did first meet him.

Mr. McLENDON. Do you recall who was present when you were introduced to him at Blyco's office?

Mr. HUGHETT. I think Mr. Black probably introduced me to him.

Mr. McLENDON. What did you understand was the relation between Black and Baker?

Mr. HUGHETT. They were personal friends.

Mr. McLENDON. Did Baker frequently visit the Blyco office?

Mr. HUGHETT. Oh, occasionally.

Mr. McLENDON. Did you ever visit Baker's office?

Mr. HUGHETT. I have been in his office, oh, I guess two or three times.

Mr. McLENDON. Did you ever visit his office in connection with any of this work that you were doing for Blyco?

Mr. HUGHETT. No; never.

Mr. McLENDON. How about in connection with your own work after you got into business as an individual?

Mr. HUGHETT. No, sir; I have no dealings with him.

Senator COOPER. Let me ask a question.

Mr. McLENDON. Yes, sir.

Senator COOPER. Before you leave this point, was it in 1961 that you first met Weiner when you came to the Blyco office—Mr. Fred Black's office—to talk about a company that he represented?

Mr. HUGHETT. It must have been; yes, sir.

Senator COOPER. My recollection is that you said you came to work for Fred Black in February 1961.

Mr. HUGHETT. That is right.

Senator COOPER. Was it in that year?

Mr. HUGHETT. I think the latter part of that year.

Senator COOPER. What is the name of the client Weiner represented?

Mr. HUGHETT. For the life of me I couldn't tell you.

Senator COOPER. What?

Mr. HUGHETT. I can't remember. It was an electronics company up in New Jersey or somewhere in that area, but there are dozens and dozens of electronics companies.

Senator COOPER. Is there anything about its location, the type of business, and the people that were connected with it that would refresh your recollection and help you remember?

Mr. HUGHETT. I think if I heard the name I would probably remember it. I might or might not. But all I remember about it, it was a subminiature type communications equipment.

Senator COOPER. Perhaps before we finish you may be able to recall.

Mr. HUGHETT. Yes, sir.

The CHAIRMAN. What is subminiature type of equipment?

Mr. HUGHETT. Well, it is highly condensed.

The CHAIRMAN. Very small?

Mr. HUGHETT. Very small equipment, yes.

The CHAIRMAN. Miniature is small; subminiature would be smaller than small, wouldn't it?

Mr. HUGHETT. Correct.

Mr. McLENDON. Mr. Hughett, do you have a nephew named Sherman Leland?

Mr. HUGHETT. Yes; I do.

Mr. McLENDON. Where does he live?

Mr. HUGHETT. San Francisco.

Mr. McLENDON. Do you have knowledge that he was one of the organizers of the Redwood National Bank of San Rafael, Calif.?

Mr. HUGHETT. Yes; that is right.

Mr. McLENDON. Did you know any of the other persons connected with the organization of that bank, either the promoters or the directors, officers?

Mr. HUGHETT. No, sir.

Mr. McLENDON. Did you have a conversation with your nephew, Leland, about the application which had been filed by the promoters of this bank for a charter?

Mr. HUGHETT. Yes. He visited with me when he first filed the application and discussed the application with me, told me what he was doing.

Mr. McLENDON. Where was that visit; here in Washington?

Mr. HUGHETT. Here in Washington.

Mr. McLENDON. Was he here on that business specifically?

Mr. HUGHETT. I believe so.

Mr. McLENDON. At that time?

Mr. HUGHETT. Yes.

Mr. McLENDON. Did you have a conversation with him about getting assistance in Washington in connection with the application for the bank charter?

Mr. HUGHETT. Not at that time, no; not at the time that he filed the application.

Mr. McLENDON. When did you have such a conversation with him?

Mr. HUGHETT. It was probably about 3 months after that.

Mr. McLENDON. After he first spoke to you?

Mr. HUGHETT. That was about in the summer of 1962.

Mr. McLENDON. And what was the conversation?

Mr. HUGHETT. He told me that they, of course, had had the application in for about 3 months, and that they hadn't made much progress or hadn't heard anything on that and they were very concerned about the charter. They had spent a lot of time and effort on it.

Mr. McLENDON. Who is "they"?

Mr. HUGHETT. He and his associates.

Mr. McLENDON. He and his associates?

Mr. HUGHETT. The group that had filed the application.

Mr. McLENDON. Go ahead. You say they were very much concerned about it. Go ahead.

Mr. HUGHETT. Right. So he asked me if I could give him any ideas on what to do, and I told him that I thought that it would be a good idea to retain someone in Washington to pursue this application for them.

Mr. McLENDON. Well, did you recommend anyone?

Mr. HUGHETT. Yes; I did.

Mr. McLENDON. Who?

Mr. HUGHETT. Well, I checked with Mr. Bromley—Wayne Bromley—told him what the problem was; that these people had filed for a charter, and asked him if he thought he could handle the case and he called me back and said that he thought he could.

Mr. McLENDON. How soon after did he call you back?

Mr. HUGHETT. I think it was probably the next day.

Mr. McLENDON. He said he could handle it; handle the case?

Mr. HUGHETT. Yes.

Mr. McLENDON. What happened then?

Mr. HUGHETT. Then I told Mr. Leland that I had contacted Mr. Bromley and that Mr. Bromley thought that he could help him on the application, so he told me to go ahead and retain him for them.

Mr. McLENDON. Did you discuss the amount of his retainer?

Mr. HUGHETT. Yes.

Mr. McLENDON. How much?

Mr. HUGHETT. \$5,000.

Mr. McLENDON. Who suggested that amount?

Mr. HUGHETT. I think that is the amount that I suggested to my nephew that it would be a reasonable amount and to Mr. Bromley and they both agreed.

Mr. McLENDON. In other words, you told your nephew you thought you could get a man for \$5,000?

Mr. HUGHETT. That is right.

Mr. McLENDON. Then when you told Bromley that they could pay him five, he agreed?

Mr. HUGHETT. That is right.

Mr. McLENDON. So there was a meeting of the minds three ways, then?

Mr. HUGHETT. Yes, sir.

Mr. McLENDON. Where did you talk to Bromley about this?

Mr. HUGHETT. I believe it was on the telephone.

Mr. McLENDON. Did you talk to him in person?

Mr. HUGHETT. Yes; I believe I had lunch with him also at one time and talked about it.

Mr. McLENDON. Did you pass on to him any information that you had gotten from your nephew?

Mr. HUGHETT. Yes, sir.

Mr. McLENDON. What kind of information did you give him?

Mr. HUGHETT. Copies of all the pertinent data concerning the application, copies of the application and various papers and so forth.

Mr. McLENDON. This was an application for charter for a national bank, was it not?

Mr. HUGHETT. Yes, sir.

Mr. McLENDON. And it had to be handled through the Office of the Comptroller of the Currency in the Treasury Department, Mr. Saxon?

Mr. HUGHETT. I believe so. I am not too familiar in that area.

Mr. McLENDON. Did you make any contact with the office of Mr. Saxon, Comptroller of the Currency?

Mr. HUGHETT. No, sir.

Mr. McLENDON. Any of the papers that you passed on from Leland to Bromley—did they contain things other than the application for the charter?

Mr. HUGHETT. Not to my recollection. The only thing, the only papers that were involved were directly connected with the application.

Mr. McLENDON. And was this conversation with him close to the time that you had reached the agreement about his fee?

Mr. HUGHETT. I had turned the papers over to him right after the agreement was reached.

Mr. McLENDON. Now, do you happen to know of your own knowledge when the charter was approved?

Mr. HUGHETT. Not of my own knowledge, but it was very shortly after Mr. Bromley was retained the charter was approved, but I can't tell you exactly.

Mr. McLENDON. In other words, shortly after Mr. Bromley told you he thought he could handle the job, the charter was approved?

Mr. HUGHETT. That is right.

Mr. McLENDON. Did he tell you what he did to get such quick action?

Mr. HUGHETT. No, sir.

Mr. McLENDON. Did he ever tell you what he did?

Mr. HUGHETT. No, sir.

Mr. McLENDON. You didn't have curiosity enough to inquire?

Mr. HUGHETT. No, sir.

Mr. McLENDON. Then how did you manage to pay him?

Mr. HUGHETT. I didn't pay him, sir.

Mr. McLENDON. But you handled it, didn't you?

Mr. HUGHETT. The check was forwarded from California to my office; it was made out to Mr. Bromley.

Mr. McLENDON. The check came from the attorneys for the bank, did it not?

Mr. HUGHETT. I am not sure. I believe that it did. It has been a couple of years.

Mr. McLENDON. Sir?

Mr. HUGHETT. I say it has been about 2 years, and I am pretty sure it was from the attorneys of the bank in California.

Mr. McLENDON. Mr. Alexander, hand him a copy of this exhibit No. 62, I believe it is marked. I show you a document which has been marked "Exhibit 62," purporting to be a check signed by Roderick P. Martinelli, payable to Wayne L. Bromley for \$5,000, dated March 4, 1963, and bearing endorsements on the back "Wayne L. Bromley," "Robert G. Baker," and—I can't read the next name.

The CHAIRMAN. Brenkworth. He is the disbursing officer here in the Senate. He endorses all checks that he cashes for employees or Senators or anybody else in the office.

Mr. McLENDON. Can you identify that as a copy of the check that you handled?

Mr. HUGHETT. Yes, sir.

Mr. McLENDON. Mr. Reporter, mark it there as an exhibit.

(The check referred to is as follows:)

EXHIBIT 62

131

10-2406  
1211

MARCH 4, 1953

\$5,000.00

----- DOLLARS

Wayne L. Bronley

--- FIVE THOUSAND & no/100 ---

REDWOOD NATIONAL BANK  
1447 FOURTH STREET  
SAN RAFAEL, CALIFORNIA

Richard S. Martinelli

⑆ 1211 2406 0 ⑆ 00052 ⑆ ⑆

TO THE ORDER OF

RODRICK P. MARTINELLI  
ATTORNEY AT LAW  
1016 B STREET 496-8400  
SAN RAFAEL, CALIFORNIA

Richard S. Martinelli

Richard C. Baker

Wayne L. Bronley

FINANCIAL CLERK  
U.S. SENATE

Mr. McLendon. Where did you get the check?

Mr. HUGHETT. It was mailed to me from Mr. Martinelli, I am sure. It came to my office at 1730 K Street. I called Mr. Bromley and told him that the check had been sent to me, and asked him what he wanted to do with it, and he asked me if I would drop it off for him. He was over here at the Capitol; asked me if I would drop it off to Mr. Baker's office for him, which I did.

Mr. McLendon. How did you do that?

Mr. HUGHETT. I walked in Mr. Baker's office and left the check there.

Mr. McLendon. Left it there?

Mr. HUGHETT. Yes, sir.

Mr. McLendon. Was it in an envelope?

Mr. HUGHETT. Yes, sir.

Mr. McLendon. Do you remember with what person you left it?

Mr. HUGHETT. I believe I left it with Mr. Baker himself.

Mr. McLendon. Well, refresh your recollection and tell us whether you did.

Mr. HUGHETT. Yes, sir.

Mr. McLendon. What did you say to him when you left the envelope with him?

Mr. HUGHETT. I told him that Mr. Bromley—there was a check Mr. Bromley had asked me to leave it with him, that he would pick it up.

Mr. McLendon. And then did you have any further conversation with Mr. Bromley about how he, Bromley, handled the check, specifically with respect to his endorsement of the check?

Mr. HUGHETT. Much later I think, when these things came up, he did mention to me that he had cashed the check, or that Mr. Baker had cashed the check for him.

Mr. McLendon. That Baker had cashed the check for him?

Mr. HUGHETT. Yes. This was several months later.

Mr. McLendon. And what did he say was his reason for having Baker cash the check?

Mr. HUGHETT. He said that he was buying a house at that time and also owed somebody some money and he needed it to take care of the two obligations.

Mr. McLendon. Buying a house and—

Mr. HUGHETT. And owed some money.

Mr. McLendon. Owed somebody some money?

Mr. HUGHETT. Yes.

Mr. McLendon. And that was his explanation for converting the check into cash?

Mr. HUGHETT. That is what he told me. Of course, he did not owe me any explanation.

Mr. McLendon. Sir?

Mr. HUGHETT. I say he didn't owe me any explanation but that is what he told me.

Mr. McLendon. Did Baker make any comment to you when you handed him the check?

Mr. HUGHETT. No, sir.

Mr. McLendon. Did he ever talk to you about it thereafter?

Mr. HUGHETT. No, sir.

Mr. McLENDON. Did Mr. Bromley ever make any further explanation to you about handling the check in Baker's office in this manner?

Mr. HUGHETT. No; not other than the comment that he made much later that he had endorsed it and asked Mr. Baker to cash it for him.

Mr. McLENDON. Did you have any conversation with Bromley with respect to what Baker did to help him in connection with the charter?

Mr. HUGHETT. No.

Mr. McLENDON. Did he make any explanation to you as to why you were to deliver the check to Baker at Baker's office?

Mr. HUGHETT. On the telephone when I called him and told him that I had the check, he asked me to deliver it to Mr. Baker's office and I did.

Mr. McLENDON. I understand that. Did he make any explanation of why he wanted you to deliver the check at Baker's office?

Mr. HUGHETT. He said he was going to be here at the Capitol.

Mr. McLENDON. Is that all he said?

Mr. HUGHETT. Yes, sir.

Mr. McLENDON. At that time did you know that Bromley was a frequenter of Baker's office?

Mr. HUGHETT. Yes, sir.

Mr. McLENDON. How often did he go to Baker's office, to your knowledge?

Mr. HUGHETT. Oh, I have no idea. I mean I have never been over here more than half a dozen times in my life.

Mr. McLENDON. How did you know that he frequented Baker's office?

Mr. HUGHETT. Well, I believe when I called him by phone upon occasion I have been referred to Mr. Baker's office to try to reach him there.

Mr. McLENDON. Mr. Hughett, I asked you the other day if you knew any of these organizers and promoters of the bank. I believe you told me you did not.

Mr. HUGHETT. No, sir. After the bank was formed and it was in existence, I visited my nephew in San Francisco and he took me over to the bank and introduced me to the president of the bank—I believe it—the man's name was Leydecker, or something like that.

Mr. McLENDON. L-e-y-d-e-c-k-e-r?

Mr. HUGHETT. Yes, sir.

Mr. McLENDON. Except for that, did you have any acquaintance with any of the other organizers and directors?

Mr. HUGHETT. No, sir.

Mr. McLENDON. Was anyone else with you at the time you went to California?

Mr. HUGHETT. No, sir.

Mr. McLENDON. You were out there on business?

Mr. HUGHETT. I don't believe—not on that trip. I have—Mr. Le-land's father is my brother-in-law. I have quite a few relatives out there.

Mr. McLENDON. You mean you were just on——

Mr. HUGHETT. A visit.

Mr. McLENDON. A visit to your relatives?

Mr. HUGHETT. Yes, sir.

Mr. McLENDON. You had no business out there at the time?

Mr. HUGHETT. No, sir.

Mr. McLENDON. Did you ever see Baker out there?

Mr. HUGHETT. Never.

Mr. McLENDON. Did you ever see Bromley out there?

Mr. HUGHETT. Never.

Mr. McLENDON. On the west coast?

Mr. HUGHETT. Never; no.

Mr. McLENDON. What business are you in now, Mr. Hughett?

Mr. HUGHETT. I am president of a company that is in—well, we have a diversification of interests, but we are in service and maintenance work, aircraft fueling.

Mr. McLENDON. Aircraft fueling?

Mr. HUGHETT. Yes; right, and maintenance of facilities, and we have some commercial ventures.

Mr. McLENDON. Do you have contracts with the Government?

Mr. HUGHETT. Yes; we do.

Mr. McLENDON. For rendering technical service to such installations as the Voice of America down in North Carolina?

Mr. HUGHETT. That is correct.

Mr. McLENDON. And the officers of this company that you are with, is that office in North Carolina?

Mr. HUGHETT. No.

Mr. McLENDON. Where is it?

Mr. HUGHETT. In Virginia.

Mr. McLENDON. Virginia? What place?

Mr. HUGHETT. Falls Church.

Mr. McLENDON. Falls Church, Va. And is that the only Government contract you have?

Mr. HUGHETT. No. I have right at the moment three.

Mr. McLENDON. Three?

Mr. HUGHETT. Yes, sir.

Mr. McLENDON. Where are they?

Mr. HUGHETT. One at Andrews Air Force Base; one at Norfolk Naval Air Station—

Mr. McLENDON. In each instance, you have a contract with the appropriate Government agency, do you not?

Mr. HUGHETT. That is correct.

Mr. McLENDON. That is, your company?

Mr. HUGHETT. Yes.

Mr. McLENDON. Do you work on a flat contract price?

Mr. HUGHETT. They are all bid contracts, 1-year contracts, on competitive bidding.

Mr. McLENDON. For a specified amount?

Mr. HUGHETT. No; on a bid amount.

Mr. McLENDON. On a bid amount?

Mr. HUGHETT. Contract amount.

Mr. McLENDON. For 1 year at a time?

Mr. HUGHETT. That is correct.

Mr. McLENDON. And then are those contracts renewed each year by rebidding?

Mr. HUGHETT. They are rebid.

Mr. McLENDON. Every year?

Mr. HUGHETT. Yes, sir.

Mr. McLENDON. All right; that is all.

The CHAIRMAN. I might say right here, at this place, Major, that this check that was put in evidence here has been in the possession of the committee for quite some time, but it immediately was turned over to the Internal Revenue. They needed that information. As soon as we received it we turned it over to them, and we knew at the time that we found out that the FBI also had the same information.

Mr. McLENDON. Mr. Chairman, our information from the Comptroller's Office is that the charter for this bank was dated March 4, 1963. I beg your pardon; that is the date of the check. The date of the charter was January 4, 1963, exactly 3 months before this check was issued.

The CHAIRMAN. Did you have questions?

Senator COOPER. Yes.

The CHAIRMAN. Did you want to question this witness?

Senator COOPER. Yes. Where is he?

Mr. McLENDON. Come back, Mr. Hughett.

The CHAIRMAN. I didn't see him leave. He hadn't been questioned by you or anybody else on the committee that wanted to question him.

Mr. HUGHETT. Did you want me back?

The CHAIRMAN. Yes.

Mr. HUGHETT. I thought I had been dismissed.

The CHAIRMAN. You hadn't been questioned by other members of the committee.

Senator Cooper, you may proceed.

Senator COOPER. Do you know whether the bank, which is now the Redwood National Bank, had been a State bank prior to the approval of its national bank charter?

Mr. HUGHETT. No, sir. I thought it was entirely a new bank.

Senator COOPER. A new organization. Are you able to give to the committee a list of the names of the organizers of the bank to which you have referred?

Mr. HUGHETT. No, sir. I have no records at all.

Mr. McLENDON. We have that from the Comptroller's Office.

Senator COOPER. Do you know whether your nephew, Sherman Leland, was one of the original stockholders or directors?

Mr. HUGHETT. I assume that he was. I have no direct—

Senator COOPER. Did he tell you he was, when he came to see you?

Mr. HUGHETT. Yes; he was one of the original organizers.

Senator COOPER. How old is he?

Mr. HUGHETT. He is about 30.

Senator COOPER. Prior to that time, had he been employed here in Washington?

Mr. HUGHETT. He went to college here, and, I believe, I am not sure, I wasn't here at the time, but I believe he worked out here at the Capitol somewhere.

Senator COOPER. Don't you know that at some time he worked at the Capitol as a Senate employee?

Mr. HUGHETT. I believe he did but exactly where or what I don't know.

Senator COOPER. You do remember that, though?

Mr. HUGHETT. Yes, sir.

Senator COOPER. About what year was that?

Mr. HUGHETT. I frankly couldn't tell you.

Senator COOPER. Did he ever tell you that he knew Bromley or Baker?

Mr. HUGHETT. I believe that he did say that he knew of them or knew them or met them.

Senator COOPER. Then, when he came to Washington to inquire about the status of the application of this charter, he knew and you knew that at that time he did know Bromley and Baker?

Mr. HUGHETT. No, sir; I didn't know that he knew Bromley and Baker.

Senator COOPER. You didn't know that?

Mr. HUGHETT. No, sir.

Senator COOPER. When did you find out about it?

Mr. HUGHETT. I think after I recommended or suggested that they might use Mr. Bromley. At that time he mentioned that he said, well, he didn't know them, or had met him.

Senator COOPER. Do you know whether this applicant for a national bank charter had a Washington attorney?

Mr. HUGHETT. That was my understanding it was Mr. Bromley's position in the matter, their Washington attorney.

Senator COOPER. What circumstances caused you to suggest to your nephew that Mr. Bromley be employed to work on the application?

Mr. HUGHETT. Well, I just happened to know Mr. Bromley fairly well, and I talked to Mr. Bromley about the charter or this application, and asked him if he thought he could—

Senator COOPER. I know, but prior to that time you had discussed this matter with your nephew, Leland, and you suggested the employment of Bromley to him. Had you talked to Mr. Bromley before that time?

Mr. HUGHETT. Not about this matter; no.

Senator COOPER. Then why did you? What were the reasons which led you to suggest Bromley to your nephew as a possible representative of this bank?

Mr. HUGHETT. Well, I talked to Mr. Bromley first about the matter and asked him if he could do any good on the matter. I talked to him because I was acquainted with him and knew him, and I knew that he knew his way around Washington quite well.

Senator COOPER. Did you employ him as an attorney?

Mr. HUGHETT. I did not; no, sir.

Senator COOPER. What?

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

Senator COOPER. You said that you negotiated his employment for your nephew and for this bank?

Mr. HUGHETT. Right. They employed him.

Senator COOPER. But was he to be employed as an attorney?

Mr. HUGHETT. Yes, sir; that was my understanding.

Senator COOPER. Did you transmit to him any letter from the bank or the attorney to Bromley?

Mr. HUGHETT. I turned over some papers to them.

Senator COOPER. Where did you get those papers?

Mr. HUGHETT. From Mr. Leland.

Senator COOPER. Your nephew?

Mr. HUGHETT. Yes, sir.

Senator COOPER. Do you know whether Mr. Leland ever discussed the matter with Mr. Bromley?

Mr. HUGHETT. Not to my knowledge.

Senator COOPER. Now when you talked to Mr. Bromley what did he say he would do or could do concerning this application?

Mr. HUGHETT. I told him the situation, that the application had been in for some time and they were anxious about it, and asked him if he thought he could do anything to help them out. He called me—he didn't tell me right at that time. He said, well—I gave him as much information as I could on the thing over the telephone, and I believe it was the next day he called me back and said he would let me know. He called me back and told me that he thought he could help them out with their application.

Senator COOPER. Did he say in what way?

Mr. HUGHETT. No, sir.

Senator COOPER. Did you ask him?

Mr. HUGHETT. No, sir.

Senator COOPER. Was there any talk about Mr. Bromley appearing before the Office of the Comptroller of the Currency?

Mr. HUGHETT. I beg your pardon?

Senator COOPER. Was there any discussion with you whether or not Mr. Bromley would appear before the Comptroller of the Currency or officials of that Office and discuss the application?

Mr. HUGHETT. No, sir.

Senator COOPER. What was the basis for the decision to pay \$5,000?

Mr. HUGHETT. Well, it was my understanding that if the charter was approved he would be paid the \$5,000, a contingent fee.

Senator COOPER. A contingent fee.

Mr. HUGHETT. Yes, sir.

Senator COOPER. Was there any talk between you and Bromley about Robert Baker assisting in this work?

Mr. HUGHETT. No, sir.

Senator COOPER. Did you say or tell one of the interviewers who talked to you about this matter that you had called Wayne Bromley because you knew that Bromley knew Baker, and therefore assumed Bromley would see Baker?

Mr. HUGHETT. I don't believe those were the exact words, but I did make such a type of statement. I said I knew that Mr. Bromley knew Mr. Baker quite well.

Senator COOPER. Will you explain what you meant by that?

Mr. HUGHETT. And I did assume that he would possibly contact him on this matter. I assumed that but we didn't discuss it.

Senator COOPER. You never discussed it?

Mr. HUGHETT. No, sir.

Senator COOPER. But you had some kind of tacit understanding that in some way he would see Mr. Baker about it?

Mr. HUGHETT. He didn't tell me that he would, but I did assume that.

Senator COOPER. What?

Mr. HUGHETT. I did assume that on my own.

Senator COOPER. Did you suggest that he see him?

Mr. HUGHETT. No, sir.

Senator COOPER. Why did you assume it then?

Mr. HUGHETT. Well, I knew that they were very close personal friends; at least I had been led to believe that.

Senator COOPER. Were you assuming something beyond that? Was it your assumption not only that they were personal friends, but that for some reason he would speak to Mr. Baker and Mr. Baker would be of assistance on this application?

Mr. HUGHETT. I thought that was entirely possible.

Senator COOPER. You delivered the check to Mr. Baker's office?

Mr. HUGHETT. Yes, sir.

Senator COOPER. How did you get the check?

Mr. HUGHETT. It came in the mail to my office.

Senator COOPER. From the bank?

Mr. HUGHETT. Well, from the bank's attorney.

Senator COOPER. Was there any letter?

Mr. HUGHETT. I beg your pardon.

Senator COOPER. Was there any letter of transmittal to you?

Mr. HUGHETT. I don't remember. If there was I delivered it with the check.

Senator COOPER. You said that you don't know anything at all about the disposition of this check after you delivered it to Baker's office?

Mr. HUGHETT. Not factually; no, sir.

Senator COOPER. Did you know that Mr. Bromley had an office?

Mr. HUGHETT. I knew in the Solar Building; yes.

Senator COOPER. Where?

Mr. HUGHETT. I knew he had an office in the Solar Building.

Senator COOPER. Why didn't you deliver it to his office?

Mr. HUGHETT. I called him on the telephone, and he asked me to deliver it to Mr. Baker's office.

Senator COOPER. Do you remember to whom you delivered the check, when you got over to Baker's office?

Mr. HUGHETT. Mr. Baker, himself.

Senator COOPER. Mr. Baker, himself? At that time and since that time, has there ever been any discussion relating to the event?

Mr. HUGHETT. Mr. Bromley—we did discuss it, some months later, quite some length of time, later. He told me that he had—I think this was after the question had arisen though, he told me, that he had endorsed it, and had Mr. Baker cash it here at the Capitol.

Senator COOPER. Did Bromley tell you then whether or not he received the proceeds of the check?

Mr. HUGHETT. Yes; he did. He said he needed—he had it cashed over here because he needed the money. He owed someone—he didn't say who—the money, and also on a new house he was purchasing.

Senator COOPER. You went to California later. You discussed this matter with your nephew, of course. You testified that sometime recently you have been in California?

Mr. HUGHETT. Yes, sir; I was visiting there.

Senator COOPER. Did you go out there to discuss this matter?

Mr. HUGHETT. No, sir.

Senator COOPER. With Leland.

Mr. HUGHETT. No, sir.

Senator COOPER. Now, did Leland tell you anything about the circumstances of this deal that you haven't told?

Mr. HUGHETT. I didn't—I am sorry?

Senator COOPER. Did Leland tell you anything at this meeting about the circumstances of this negotiation which you have not told the committee?

Mr. HUGHETT. No, sir.

Senator COOPER. Are there any other facts about it which you have not told the committee?

Mr. HUGHETT. No, sir. I have told everything I know.

Senator COOPER. Did you talk to Mr. Black about it?

Mr. HUGHETT. No, sir.

Senator COOPER. This transaction?

Mr. HUGHETT. No, sir.

Senator COOPER. Did Mr. Bromley tell you that he had seen anyone in the Office of the Comptroller of the Currency?

Mr. HUGHETT. No, sir.

Senator COOPER. Is it not a fact that you entered into this negotiation with Mr. Bromley without any discussion of what he was to do or what services he was to perform? In fact you said you recommended him because you believed in some way Mr. Baker would come into this deal, and you made the check to Bromley and took it up to Mr. Baker's office. Did it not occur to you that all this was rather an involved means of employing someone to assist in a matter before the Comptroller of the Currency?

Mr. HUGHETT. Well, the deal with Mr. Bromley was made as a contingent fee, that if he could—

Senator COOPER. If he could handle this deal.

Mr. HUGHETT (continuing). Handle this matter, that he would be paid \$5,000.

Senator COOPER. If he could handle it he would get the \$5,000. He handled it, didn't he?

Mr. HUGHETT. He got the \$5,000.

Senator COOPER. If the charter was granted, he got the \$5,000 whether or not there was any evidence he handled it?

Mr. HUGHETT. That is correct.

Senator COOPER. Now let's go back to your engagement for work with Blyco. It was at that time that you visited the Department of Defense. Is it your information that the contracts would be opened for bids?

Mr. HUGHETT. Yes, sir.

Senator COOPER. That was the Corps of Engineers?

Mr. HUGHETT. In most cases; yes. Mostly a matter of getting on the bidders list for particular type projects. I mean they were actively seeking qualified bidders.

Senator COOPER. At that time possible work would be discussed.

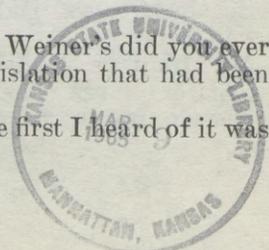
Mr. HUGHETT. Yes; that is correct.

Senator COOPER. You say that was an ordinary procedure followed by other possible contractors to do this work?

Mr. HUGHETT. Yes.

Senator COOPER. Now, when you were at Mr. Weiner's did you ever discuss anything about freight forwarders legislation that had been accomplished in prior years?

Mr. HUGHETT. Never mentioned it at all. The first I heard of it was when I read it in the papers.



Senator COOPER. The freight forwarders' legislation was the year of 1961. Did you hear Mr. Weiner speak of any other clients whom he had in that year that he was representing?

Mr. HUGHETT. Is that the year 1961?

Senator COOPER. Yes, when you were living there.

Mr. HUGHETT. No, sir; I never lived there.

Senator COOPER. You didn't live there in 1961?

Mr. HUGHETT. No, sir.

Senator COOPER. What year was it you lived there?

Mr. HUGHETT. I never lived there. I used his office.

Senator COOPER. I know. What year was it?

Mr. HUGHETT. For 2 months. That was in 1962 in the early—it was about March or April of 1962.

Senator COOPER. What kind of an office did he have?

Mr. HUGHETT. It is a combination. Mr. Weiner did live there—I don't know if he still does—at that time.

Senator COOPER. It was an apartment and an office?

Mr. HUGHETT. That is right; that is correct.

Senator COOPER. Is there any office furniture in it?

Mr. HUGHETT. Yes, sir; it did have. He had a complete furnished office. It is a two story.

Senator COOPER. Office downstairs and apartment upstairs?

Mr. HUGHETT. Well, actually the office was upstairs. There is two rooms.

Senator COOPER. About this time did you make any political contribution?

Mr. HUGHETT. No, sir.

Senator COOPER. Have you made any?

Mr. HUGHETT. I have never made any.

Senator COOPER. Did you yourself ever go to the Office of the Comptroller of the Currency and inquire about this application?

Mr. HUGHETT. No, sir.

Senator COOPER. Have you ever been there?

Mr. HUGHETT. No, sir.

Senator COOPER. Never before or since?

Mr. HUGHETT. No, sir.

Senator COOPER. You don't know whether Mr. Bromley was shown as the attorney of record in this case?

Mr. HUGHETT. No; I have no knowledge.

Senator COOPER. Weiner had no connection with this in any way; Weiner?

Mr. HUGHETT. With this bank?

Senator COOPER. With this particular transaction?

Mr. HUGHETT. No, sir; none whatever.

Senator COOPER. Were you ever engaged in any transaction with Weiner?

Mr. HUGHETT. No, sir; none.

Senator COOPER. Did Weiner have any files in his office? Did he have a secretary?

Mr. HUGHETT. Yes, sir.

Senator COOPER. That is all.

The CHAIRMAN. Senator Pell?

Senator PELL. I would like to revert for a moment to this \$5,000. Do you believe that Baker received any of the proceeds of that, when it was cashed?

Mr. HUGHETT. I have absolutely no knowledge of that.

Senator PELL. You mean your view is that it was just a convenience, that it was cashed up here on the Hill?

Mr. HUGHETT. Mr. Bromley told me later that he had it cashed. I didn't know until much, much later that Mr. Bromley had endorsed it and had Mr. Baker cash it here at the Capitol.

Senator PELL. Do you have any opinion—I don't know if this is a fair question, Mr. Counsel—but do you have any opinion as to why it was cashed on the Hill instead of being cashed in the normal way, deposited in an account at the bank?

Mr. McLendon. That is a perfectly proper question.

Mr. HUGHETT. No, sir; I don't have an opinion. I can tell you what Mr. Bromley told me.

Senator PELL. What did he tell you?

Mr. HUGHETT. He told me that he needed the money. He was buying a house, and also he owed someone some money, and that he had gotten Mr. Baker to cash it for him to take care of these two obligations.

Senator PELL. The question that I can't understand in my mind is why would you go to a social acquaintance, which as I understand it is the relationship you think existed between Bromley and Baker, to cash a check, instead of depositing it in a bank?

Mr. HUGHETT. Well, I called him, if you will recall, on the telephone, and told him the check was in my office.

Senator PELL. Yes.

Mr. HUGHETT. And what did he want me to do with it, and he asked me to deliver it over to Mr. Baker's office, and the reason he gave me was because he was going to be over here, and he could not get by my office, and asked me if I would do him a favor and drop it by Mr. Baker's office and I told him I would.

Senator PELL. And how long was the check in your possession before Mr. Bromley asked for it?

Mr. HUGHETT. I think, I believe it was the same day, but I can't be sure.

Senator PELL. You have no other thought or opinion as to why it would be cashed, instead of deposited, and then two checks drawn, one for the house and one for his other expenses.

Mr. HUGHETT. No, sir. I think it would be a presumption on my part to try to guess as to why he did that.

Senator PELL. Do you have any thought as to whether Mr. Baker made any phone call or took any action to help with the charter of the bank?

Mr. HUGHETT. No; I have no personal knowledge one way or the other.

Senator PELL. Thank you.

The CHAIRMAN. Senator Cannon.

Senator CANNON. When was your first discussion with your nephew concerning this bank matter?

Mr. HUGHETT. At the time that they were preparing their application.

Senator CANNON. When was that?

Mr. HUGHETT. That was in—I can't recall exactly, but in 1962, in probably June or July—some such time.

Senator CANNON. I think earlier you said that you talked to him after the application had been on file; that they wanted to find out what the situation was.

Mr. HUGHETT. Yes. He came into town.

Senator CANNON. Did you discuss it with him twice then, once when he was preparing the application?

Mr. HUGHETT. Yes.

Senator CANNON. And then again after it had been on file?

Mr. HUGHETT. That is correct, sir.

Senator CANNON. Now as to the time you discussed it after the application was on file, when was that, when you discussed possibly retaining someone to help?

Mr. HUGHETT. It was about 3 months after the first discussions.

Senator CANNON. Fix that time, please?

Mr. HUGHETT. June or July, or maybe around September, but I am not positive.

Senator CANNON. Around September of 1962?

Mr. HUGHETT. Yes, sir.

Senator CANNON. And is that when you had your first discussion then with Mr. Bromley about whether or not he would represent you?

Mr. HUGHETT. That is correct, sir.

Senator CANNON. Now did you have any discussions either with your nephew or with Mr. Bromley from that time, from September of 1962 concerning the matter up until you received the check sometime in March of 1963?

Mr. HUGHETT. Yes. He had talked to me—

Senator CANNON. Who?

Mr. HUGHETT. Mr. Bromley had—from the time that the notice that the charter was approved until the time the check was issued was some months, I believe, and he had asked me about the payment of the fee.

Senator CANNON. I see.

Mr. HUGHETT. And I had checked with Mr. Leland and he assured me that they were going to take care of it.

Senator CANNON. That is the only discussion you had concerning the payment of the fee?

Mr. HUGHETT. That is correct.

Senator CANNON. That was after the charter had been granted?

Mr. HUGHETT. Yes, sir.

Senator CANNON. That is all I have. One further question. Did you have any further correspondence with anyone concerning this bank matter?

Mr. HUGHETT. No, sir.

The CHAIRMAN. Senator Cooper, do you have any further questions?

Senator COOPER. Yes. You have just told Senator Cannon that you had a conversation with Mr. Bromley at the time the application was filed. Is that correct?

Mr. HUGHETT. No, sir; no, sir. Mr. Leland at the time.

Senator COOPER. Your first testimony here, you were talking about a visit that Leland made to Washington, and the fact that the appli-

cation had not been granted. It was at that time that you recommended that Mr. Bromley be employed. Had you talked to your nephew at any time prior to that meeting about employing Mr. Bromley?

Mr. HUGHETT. No, sir.

Senator COOPER. That is all.

Mr. McLENDON. Mr. Hughett, I would like to get a little clearer statement on the record, if I can, from you. I understood you to say in answer to Senator Cooper's question that the reason, or one of the reasons, that you recommended the employment of Mr. Bromley was that you knew that he knew Baker; is that correct?

Mr. HUGHETT. That was probably one of the reasons; yes, sir.

Mr. McLENDON. Well, did you have in mind that he would get help or services from Baker? Is that what you mean by that answer?

Mr. HUGHETT. I assumed that he might talk to him.

Mr. McLENDON. Well, why did you think it was important for him to communicate with Baker about this? Did you understand that Baker was a man of influence in this particular—

Mr. HUGHETT. Yes, sir; back in those days I had the impression that he was a very influential man here in Washington.

Mr. McLENDON. So, to make a perfectly frank statement of it, you suggested Bromley because you could get him and Baker?

Mr. HUGHETT. I assumed that Mr. Bromley might confer with Mr. Baker on the matter; yes, sir.

Mr. McLENDON. One other question I forgot to ask you. I believe you told us that you made two trips with Myron—or Mickey—Weiner to the Pacific coast, did you not?

Mr. HUGHETT. Yes, sir.

Mr. McLENDON. What was the occasion of the two trips to the Pacific coast?

Mr. HUGHETT. Just by coincidence we both had business out there at the same time.

Mr. McLENDON. Did you have any connection with his business or did he have any with yours?

Mr. HUGHETT. No, sir.

Mr. McLENDON. Do you know where he went when he went to the Pacific coast; that is, what contacts he made?

Mr. HUGHETT. No, sir; I couldn't tell you.

Mr. McLENDON. You don't know what companies he was interested in?

Mr. HUGHETT. Well, I know at that time one company that he was representing was Otis Elevator Co.

Mr. McLENDON. Otis Elevator?

Mr. HUGHETT. Yes, sir.

Mr. McLENDON. Did they have business on the west coast?

Mr. HUGHETT. They had a plant out there; yes, sir.

Mr. McLENDON. Do you think it is possible that he could have gone out there in connection with that?

Mr. HUGHETT. I am pretty sure he did; yes, sir.

Mr. McLENDON. Did he tell you how much the Otis Elevator Co. was paying him at that time?

Mr. HUGHETT. I don't know that he told me. I think I was aware of approximately what he was being paid.

Mr. McLENDON. You knew, didn't you, that the Otis Elevator Co. at that very time in 1962 was paying this man Weiner \$2,000 a month, didn't you?

Mr. HUGHETT. Yes, sir.

Mr. McLENDON. Did he tell you that?

Mr. HUGHETT. He probably did. I suppose he did, because I was aware of that figure.

Mr. McLENDON. What did he say that \$2,000 a month was for?

Mr. HUGHETT. I don't believe he told me. He was just receiving that as a retainer, as a fee.

Mr. McLENDON. That is a pretty good retainer, isn't it, even in the public relations business?

Mr. HUGHETT. Not as good as the one he had before, from what I read in the papers.

Mr. McLENDON. One other question. Did you attend any social parties given by Weiner?

Mr. HUGHETT. No, sir; not to my recollection.

Mr. McLENDON. None of them at all?

Mr. HUGHETT. No, sir.

Mr. McLENDON. Attended by Baker; any party attended by Baker?

Mr. HUGHETT. No, sir; never.

Mr. McLENDON. Or by Bromley?

Mr. HUGHETT. No, sir.

Mr. McLENDON. You are sure about that?

Mr. HUGHETT. I am positive.

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

Senator COOPER. I think you answered this, but just to be certain, is it correct that you had no connection with any of Weiner's clients, no business with Weiner? Specifically, did you have any part of the Otis Elevator contract?

Mr. HUGHETT. No, sir. I would like to clarify that, though. I did represent Otis Elevator later, after Mr. Weiner had represented them; I did some representation on a much smaller scale, in the technical area. But I did work for Otis Elevator Co., but not at the same time.

Senator COOPER. Are you able to fix the time when Weiner had his employment with Otis Elevator and was receiving \$2,000 a month? When did it begin and when was it terminated?

Mr. HUGHETT. No, sir; I can't tell you exactly. I don't know when it began exactly. He was representing them at the time there in probably March or April of 1962.

Senator COOPER. Did you get the contract when Otis Elevator terminated Weiner's employment?

Mr. HUGHETT. I got a contract.

Senator COOPER. Was this afterward?

Mr. HUGHETT. They told me that they had terminated his contract, and they asked me if I would work for them, and I did.

Senator COOPER. Do you remember the date?

Mr. HUGHETT. No, sir. I can determine it.

Senator COOPER. Can you supply it?

Mr. HUGHETT. Yes.

Senator COOPER. One other question. At the time you were working with Mr. Black, for Blyco, did Mr. Baker have any relationship of any kind with the business of Blyco?

Mr. HUGHETT. Not to my knowledge; no, sir.

Senator COOPER. Did Mr. Bromley?

Mr. HUGHETT. No, sir.

Senator COOPER. That is all.

Mr. McLENDON. Mr. Chairman and gentlemen of the committee, we obtained from the Comptroller's Office a complete list of the original directors, a list of the present directors, and a list of the organizers. The only man in the list is this man Sherman Leland, Jr., that we could connect up with it in any manner, and Leydecker, who was the president whom this witness testified he met. We also have in the file a letter from James J. Saxon, Comptroller of the Currency, dated May 27, 1964, addressed to Senator John J. Williams, and I would like to read this into the record:

This is in reply to the questions asked in your letter of May 25, 1964, relative to the approved application to establish a national bank in San Rafael, Calif., with the title of "Redwood National Bank."

Attorneys of record who represented the applicants are Gagshaw, Schaal, Martinelli, Weisich & Jordan, attorneys at law, suite 329, Alper Building, 1010 P Street, San Rafael, Calif. The names of Robert G. Baker, Ernest C. Tucker, or Wayne L. Bromley do not appear in our records either as having represented or as having expressed any interest whatsoever in this application.

That is all for this witness.

The CHAIRMAN. Will you remain in the room, because it is possible we might want you back after Mr. Bromley has testified?

Mr. HUGHETT. Yes, sir.

The CHAIRMAN. Thank you very much, sir.

Mr. Bromley, you heard this statement read, did you not?

Mr. BROMLEY. Yes, sir.

The CHAIRMAN. Will you remain standing, please, place your left hand on the Bible, and raise your right hand? Do you solemnly swear that the evidence you are about to give before this committee on the matter now under investigation is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. BROMLEY. I do.

The CHAIRMAN. Thank you, sir. Please be seated.

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

**TESTIMONY OF WAYNE L. BROMLEY, ACCOMPANIED BY MYRON G. EHRlich, ATTORNEY**

Mr. BROMLEY. My name is Wayne L. Bromley, 9108 Seven Locks Road, Bethesda, Md.

Mr. McLENDON. Are you represented by counsel now present in the room?

Mr. BROMLEY. I am.

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

Mr. EHRlich. Yes. My name is Myron G. Ehrlich, not to be confused with the other two Myrons about whom you spoke. I practiced law in the District of Columbia for many years and my address is 401 Third Street NW., Washington, D.C. I would like, for the record, to make a statement in behalf of Mr. Bromley before any questions are asked him, if I may.

The CHAIRMAN. That is all right. You may proceed, sir.

Mr. EHRlich. As some of the members of this committee know, or I believe they know, Mr. Bromley and Mr. Baker were page boys, Senate page boys, at the same time. They have been friends through the years. The matters about which this committee wishes to ask Mr. Bromley, of course, do not concern the institution or the enterprises which now employ him. They seem to concern a check for \$5,000 and some association with Mr. Baker.

I know that Mr. Bromley is being investigated by the Federal Bureau of Investigation, by the Internal Revenue Department, and a grand jury sitting a few blocks from here, and by this committee, and it seems to me from the questions that I believe will be asked him and the questions I heard asked Mr. Hughett regarding him, that the answers to those questions would furnish a link in the chain of evidence that might be used to prosecute him for violation of some statute. So, with that in mind, I have advised Mr. Bromley to refuse to answer the questions of this committee for constitutional reasons and on constitutional grounds.

He did comply with the subpoena served upon him the other day, and he, of course, does not, and he will tell the committee he does not, have any pieces of paper that you commanded him to bring here in answer to this subpoena. However, other than that, and his name and address which he has already given, he will refuse to answer questions on this or any other subject, because I believe, and I am sure you believe, that they would furnish a link in the chain of evidence that might and could be used to prosecute him for some offense.

Mr. McLENDON. Mr. Bromley, you accepted service of the subpoena in this case on the 7th day of December, which was yesterday, was it not?

Mr. BROMLEY. Yes, Major.

Mr. McLENDON. And the subpoena asked you to bring with you the following: (1) Any and all correspondence with Myron Weiner and any receipts, canceled checks, contracts, or other evidence of any business or financial dealings with Myron Weiner; (2) any and all correspondence with Robert G. Baker or Dorothy Baker and any receipts, canceled checks, contracts, or other evidence of any business or financial dealings with Robert G. Baker or Dorothy Baker. My question is: Have you brought any such documents here?

Mr. BROMLEY. I have not brought any records because none exist, sir.

Mr. McLENDON. None exist?

Mr. BROMLEY. No, sir.

Mr. McLENDON. As described in the subpoena?

Mr. BROMLEY. Yes, sir.

Mr. McLENDON. Let this subpoena be entered in the record and give it the appropriate number, Mr. Reporter.

(The subpoena referred to is as follows:)

EXHIBIT 63

G. 45

UNITED STATES OF AMERICA  
Congress of the United States

To Wayne Bramley, Suite 501  
1000 Sixteenth Street, N.W., Washington, D. C.

, Greeting:

Pursuant to lawful authority, YOU ARE HEREBY COMMANDED to appear before the        Committee on Rules and Administration of the Senate of the United States, on December 8, 1954, at 9:20 o'clock a. m., at their committee room 305 Old Senate Office Building, Washington, D. C., then and there

to testify what you may know relative to the subject matters under consideration by said committee, and to bring with you and produce: (1) any and all correspondence with Myron Weiner and any receipts, cancelled checks, contracts or other evidence of any business or financial dealings with Myron Weiner; (2) any and all correspondence with Robert G. Baker or Dorothy Baker and any receipts, cancelled checks, contracts or other evidence of any business or financial dealings with Robert G. Baker or Dorothy Baker.

Hereof fail not, as you will answer your default under the pains and penalties in such cases made and provided.

To Samuel J. Scott

to serve and return.

Given under my hand, by order of the committee, this     day of December, in the year of our

Lord one thousand nine hundred and sixty-four

Samuel J. Scott

Chairman, Committee on Rules and Administration

Dec 7, 1964

I made service of the within subpoena

by hand

the within-named Wayne

Bromley, at

Room 312, Senate

Office Building,

Washington, D.C.

at 12:30 o'clock p.m., on

the 7th day

of December, 1964

Samuel V. Scott

Mr. McLENDON. Mr. Bromley, according to the files of the committee, you were interviewed by an investigator on the staff of the committee on November 19, 1964. You were interviewed on that date, were you not?

Mr. BROMLEY. On the advice of my attorney, Mr. Ehrlich, I refuse to answer any questions that may be propounded to me by members or employees of this committee other than those which relate to my name and identification as the person named in said subpoena, and the fact I have complied with the command regarding bringing the records named therein. My refusal is based on constitutional grounds as hereinafter or more fully set forth.

First, on the advice of my counsel, Mr. Ehrlich, I refuse to answer the questions indicated herein on constitutional grounds because I believe this investigation is unrelated to any legislative purpose. It is beyond the powers conferred upon the Senate in the U.S. Constitution, and is, therefore, invalid and an unjustifiable encroachment upon my right of privacy.

Secondly, on the advice of my counsel, Mr. Ehrlich, I refuse to answer the indicated questions on the further constitutional ground that the answers to such questions may tend to incriminate me. I deny any legal or moral wrongdoing but I am availing myself of this constitutional privilege in view of my reasonable apprehension of even unwarranted prosecution.

The CHAIRMAN. Mr. Bromley, I order you to answer the question of the counsel.

Mr. EHRLICH. Mr. Chairman, rather than read those two pieces of paper again, may the witness avail himself of the constitutional rights by merely saying that he gives the same answer, to save the time of this committee?

The CHAIRMAN. That will be perfectly satisfactory.

Mr. McLENDON. Mr. Attorney, do you have an extra copy of the statement that he read?

Mr. EHRLICH. No, sir, but I will give this to you when we leave here.

Mr. McLENDON. May I see it just a moment?

Mr. EHRLICH. Yes.

Mr. McLENDON. Mr. Bromley, were you interviewed by a representative of this committee's staff on January 20, 1964?

Mr. BROMLEY. Major, my answer is the same as to the previous question.

The CHAIRMAN. I direct that you answer the counsel's question.

Mr. BROMLEY. Mr. Chairman, my answer is the same, sir.

Mr. McLENDON. Were you again interviewed on March 12, 1964?

Mr. BROMLEY. Major, the same answer, sir.

Mr. McLENDON. And lastly on November 19, 1964?

Mr. BROMLEY. The same answer, sir.

Mr. McLENDON. At the time of your interviews on these three occasions, did you enter any objection to being interviewed?

Mr. BROMLEY. The same answer, sir.

Mr. McLENDON. Then——

The CHAIRMAN. I direct that the witness answer the question.

Mr. BROMLEY. Same answer, Senator.

Mr. McLENDON. And did you not in at least one of these interviews tell the staff member of the committee that you would appear willingly and testify?

Mr. BROMLEY. The same answer, Major.

The CHAIRMAN. I direct that the witness answer the question.

Mr. BROMLEY. The same answer, Mr. Chairman.

Mr. McLENDON. Do you contend that in any one of these interviews you were in any way misled and induced to make statements by any promises or any assurances given to you by the staff member who was interviewing you?

Mr. BROMLEY. The same answer, Major.

The CHAIRMAN. I direct that the witness answer the question.

Mr. BROMLEY. The same answer, Mr. Chairman.

Mr. McLENDON. Did you not state, Mr. Bromley, in at least one or more of these interviews, that your explanation for cashing the check which has been put in evidence, for \$5,000, in Baker's office, or having him cash it for you, was that you wanted to pay a large bill of about \$3,000 which you had run up at the Carroll Arms?

Mr. BROMLEY. The same answer, Major.

Mr. McLENDON. And did you not say in one of these interviews that you went almost immediately and paid \$2,500 at the Carroll Arms?

Mr. BROMLEY. The same answer, Major.

Mr. McLENDON. And did you not, when questioned whether you had a receipt, state that you didn't have any receipt showing such payment?

Mr. BROMLEY. The same answer, Major.

The CHAIRMAN. I direct that the witness answer that question.

Mr. BROMLEY. The same answer, Mr. Chairman.

Mr. McLENDON. Did you not say that you used the remaining \$2,500 to buy items for a new house that you had purchased?

Mr. BROMLEY. The same answer, Major.

The CHAIRMAN. I direct that the witness answer the question.

Mr. BROMLEY. The same answer, Mr. Chairman.

Mr. McLENDON. May I make an inquiry? Is Mr. Gittis from Philadelphia in the room?

Mr. GITTIS. Yes, sir.

Mr. McLENDON. Come around here and let me ask you a question, please, sir.

(At this point there was a discussion between Mr. Gittis and Mr. McLendon.)

The CHAIRMAN. Sorry to take up the time of the witness and the press with that. We had to settle a matter as to the time here.

Mr. McLENDON. Mr. Bromley, would it be of any help to you to refresh your recollection by looking at the report of these three interviews about which you have been questioned?

Mr. BROMLEY. The same answer, Major.

The CHAIRMAN. I direct that the witness answer the question.

Mr. BROMLEY. The same answer, Mr. Chairman.

Mr. McLENDON. And you decline, as I understand it, to give the committee any information at all?

Mr. BROMLEY. The same answer, Major.

The CHAIRMAN. I direct that the witness answer the question.

Mr. BROMLEY. The same answer, Mr. Chairman.

Mr. McLENDON. And you decline to make any explanation of your employment in connection with the Redwood Bank or in connection with the receipt and disposition of the check for \$5,000 which has been put in evidence?

Mr. BROMLEY. The same answer, Major.

The CHAIRMAN. I direct that the witness answer the question.

Mr. BROMLEY. The same answer, Mr. Chairman.

Mr. McLENDON. That is all, sir.

The CHAIRMAN. Senator Cooper.

Senator COOPER. Mr. Bromley, can you state to the committee the nature of the services you performed for the Redwood National Bank in connection with the application for a charter?

Mr. BROMLEY. The same answer, Senator Cooper.

Senator COOPER. Did you appear before the Comptroller of the Currency or any official of the Treasury to discuss the merits of the application?

Mr. BROMLEY. The same answer, Senator Cooper.

Senator COOPER. Did you talk to any official or employee of the Office of the Comptroller of the Currency about the application, whether in person or by telephone?

Mr. BROMLEY. The same answer, Senator Cooper.

Senator COOPER. Did you tell Mr. Hughett who has just testified or Mr. Leland or any other officer or official or employee of the Redwood National Bank what services you intended to perform when you made the contract or later when you were asking for payment of the fee?

Mr. BROMLEY. The same answer, Senator Cooper.

The CHAIRMAN. I direct that the witness answer the question.

Mr. BROMLEY. The same answer, Mr. Chairman.

Senator COOPER. Did Mr. Baker have any connection concerning this transaction with the Redwood National Bank either as it would be represented in the advice he gave you or any conference he may have had with anyone connected with the Office of the Comptroller of the Currency or any act that he did that you know about which assisted in securing an application or at least was intended to assist in securing the application?

Mr. BROMLEY. The same answer, Senator.

The CHAIRMAN. I direct that the witness answer the question.

Mr. BROMLEY. The same answer, Mr. Chairman.

Senator COOPER. Do you have any records which would disclose that you received the total amount of \$5,000 and then paid it out? For example, have you got any records to show that you paid the Carroll Arms Hotel part of this money and that you paid to some firm or some individual money representing part of the purchase price of a house?

Mr. BROMLEY. The same answer, Senator.

The CHAIRMAN. I direct that the witness answer the question.

Mr. BROMLEY. The same answer, Mr. Chairman.

Senator COOPER. Earlier in the year before this matter came to the notice of the committee, the committee was looking into various contracts or connections of Mr. Baker with Melpar and with Serv-U and with other vending companies. Would you say whether or not you have any knowledge of Mr. Baker's interests in any of these companies, Serv-U and other vending companies, regarding the contract with Melpar?

Mr. EHRLICH. May I interpose an objection? I don't see the pertinency of this question, with all due respect to you, Senator.

Senator COOPER. I still would like to know.

Mr. EHRlich. I don't know what his knowledge whether Mr. Baker had anything to do with Melpar has anything to do with the issues in this case. His reactions or his knowledge haven't anything to do with what Mr. Baker did or might have done.

Senator COOPER. About what?

Mr. EHRlich. About anything.

Senator COOPER. Well, I could ask more precise questions about it. I think he does have information in view of the statements we have. He can answer or not answer.

Mr. BROMLEY. The same answer, Senator Cooper.

The CHAIRMAN. I direct that the witness answer the question.

Mr. BROMLEY. The same answer, Mr. Chairman.

Senator COOPER. I think that is all I have.

The CHAIRMAN. Senator Pell.

Senator PELL. Mr. Bromley, are you under investigation for prosecution by any other branch or any branch or any portion of the executive branch of the Government at this time?

Mr. BROMLEY. The same answer, Senator Pell.

The CHAIRMAN. I direct that the witness answer the question.

Mr. BROMLEY. The same answer, Mr. Chairman.

The CHAIRMAN. Senator Cannon.

Senator CANNON. No questions.

The CHAIRMAN. Senator Hayden?

Senator HAYDEN. No.

The CHAIRMAN. Any further questions?

Senator COOPER. In the past years have you testified before committees of the Senate or of the House?

Mr. BROMLEY. The same answer, Senator Cooper.

The CHAIRMAN. I direct that the witness answer.

Senator COOPER. Are you a registered lobbyist?

Mr. EHRlich. He hasn't answered the chairman's question.

Mr. BROMLEY. The same answer, Mr. Chairman.

Senator COOPER. Are you now or have you been during the past 3 years a registered lobbyist, and if so, in what capacity?

Mr. BROMLEY. The same answer, Senator Cooper.

The CHAIRMAN. I direct that the witness answer the question.

Mr. BROMLEY. The same answer, Mr. Chairman.

Senator COOPER. That is all.

The CHAIRMAN. The witness may be excused. Thank you, sir.

Mr. McLENDON. Mr. Chairman, the interviews with this witness to which I referred in questioning him, two of them were made by individuals who are not any longer in the employ of the committee, but the last one was made by Mr. Scott, who is present. At this time I think it would be appropriate to call him and let him testify about the interview. Mr. Scott. Here is your statement, Mr. Ehrlich.

Mr. EHRlich. Is it a good one or a bad one?

Mr. McLENDON. He read that when he was on last week.

The CHAIRMAN. You have already been sworn and under oath; is that correct?

Mr. SCOTT. Yes, sir.

The CHAIRMAN. You may have a seat.

Mr. McLENDON. Your name is Samuel Scott?

## TESTIMONY OF SAMUEL J. SCOTT

Mr. SCOTT. Yes, sir.

Mr. McLENDON. Have you interviewed the witness who was just on the stand, Wayne Bromley?

Mr. SCOTT. Yes, sir.

Mr. McLENDON. When?

Mr. SCOTT. I believe it was November 19, 1964.

Mr. McLENDON. Do you have a copy of your report of the interview?

Mr. SCOTT. Yes, sir.

Mr. McLENDON. Will you examine it there and state whether you prepared it and whether it is an accurate report by you of what transpired in that interview?

Mr. SCOTT. Yes, sir. I prepared this memorandum of the reinterview of Wayne Bromley, which I have here in my hand.

Mr. McLENDON. Was it prepared promptly after the interview?

Mr. SCOTT. Yes, sir.

Mr. McLENDON. Was anyone with you at the time you interviewed him?

Mr. SCOTT. No, sir.

Mr. McLENDON. Will you tell the committee what took place in that interview? You can read the report if that is correct.

Mr. SCOTT. Well, this—

Mr. McLENDON. First, let me ask you: He was not under oath, was he?

Mr. SCOTT. No, sir.

Mr. McLENDON. Did he make any objection to being interviewed?

Mr. SCOTT. No, sir.

Mr. McLENDON. All right; now go ahead and answer the other question.

Mr. SCOTT. This is the memorandum reporting the interview, and it is dated November 19, 1964. The memorandum is to Maj. L. P. McLendon, general counsel, from Samuel J. Scott, investigator. Subject: Reinterview of Wayne Bromley.

This is the subject matter of the interview:

Reference is made to memorandum dated January 20, 1964, reporting the original interview of Wayne Bromley and the memorandum dated March 12, 1964, reporting the first reinterview of Mr. Bromley.

The purpose of this second reinterview was to obtain Mr. Bromley's explanation of the facts and circumstances surrounding the cashing of the \$5,000 check he had received from the Redwood National Bank of San Raphael, Calif., around January 1961. Bromley gave the following explanation:

He said the check had been mailed to Maurice Hughlett—

And he spelled the name to me H-u-g-h-l-e-t-t.

Who at that time had an office in the Riddell Building, 1730 K Street NW., Washington, D.C., but subsequently had moved to the Lake Barcroft area of Virginia. (A check of the Virginia section of the telephone directory failed to reveal the name of Maurice Hughlett.) Bromley stated that he and Hughlett had been friends for 2 or 3 years, and Hughlett was the one who originally approached him to represent the incorporators of the new bank. Bromley understood that Hughlett was either a relative or close friend of one of the original incorporators.

Bromley said, when Hughlett advised him of receipt of the check, he told Hughlett to put it in an envelope and leave it for him at Bobby Baker's office, which he did. Bromley thinks that Carole Tyler handed the envelope to him at Baker's office. Bromley said he called Baker off the floor of the Senate, en-

dorsed the check to Baker, Baker then endorsed the check, took it to the disburser's office, cashed it and handed the \$5,000 in cash in \$100 bills to him. Bromley claimed Baker received no part of this money.

Bromley's explanation of this manner of cashing the check rather than running it through his bank account normally was due to the fact he didn't want his wife to know about this money, particularly how he spent it. Bromley said he wanted the money to pay a large bill, approximately \$3,000 that he had run up at the Carroll Arms.

Bromley claims that immediately upon receiving the cash from Bobby Baker, he went to the Carroll Arms and paid \$2,500 to the manager, Tom Heslop. Upon inquiry as to a receipt, Bromley said he didn't get any receipt for payment from Heslop but was sure Heslop had recorded the payment. Bromley said he wasted part of the remaining \$2,500 and used the remainder to buy items for the new house he had purchased.

If called, Mr. Bromley will appear without requiring a subpoena.

(The document referred to is as follows:)

## EXHIBIT 64

MEMORANDUM

November 19, 1964

TO: Major L. P. McLendon  
General Counsel

FROM: Samuel J. Scott *Sam Scott*  
Investigator *x*

SUBJECT: Re-Interview of Wayne Bromley

Reference is made to memorandum dated January 20, 1964, reporting the original interview of Wayne Bromley and the memorandum dated March 12, 1964, reporting the first Re-Interview of Mr. Bromley.

The purpose of this second re-interview was to obtain Mr. Bromley's explanation of the facts and circumstances surrounding the cashing of the \$5,000.00 check he had received from the Redwood National Bank of San Raphael, California, around January 1961. Bromley gave the following explanation:

He said the check had been mailed to Maurice Hughlett, who at that time had an office in the Riddell Building, 1730 K Street, N.W., Washington, D. C., but subsequently had moved to the Lake Barcroft area in Virginia. (A check of the Virginia section of the Telephone Directory failed to reveal the name of Maurice Hughlett.) Bromley stated that he and Hughlett had been friends for two or three years, and Hughlett was the one who originally approached him to represent the incorporators of the new bank. Bromley understood that Hughlett was either a relative or close friend of one of the original incorporators.

Bromley said, when Hughlett advised him of receipt of the check, he told Hughlett to put it in an envelope and leave it for him at Bobby Baker's office, which he did. Bromley thinks that Carole Tyler handed the envelope to him at Baker's office. Bromley said he called Baker off the Floor of the Senate, endorsed the check to Baker, Baker then endorsed the check, took it to the Disburser's office, cashed it and handed the \$5,000.00 in cash in \$100. bills to him. Bromley claimed Baker received no part of this money.

Bromley's explanation of this manner of cashing the check rather than running it through his bank account normally was due to the fact he didn't want his wife to know about this money, particularly how he spent it. Bromley said he wanted the money to pay a large bill, approximately \$3,000.00 that he had run up at the Carroll Arms.

- 2 -

Bromley claims that immediately upon receiving the cash from Bobby Baker, he went to the Carroll Arms and paid \$2500.00 to the Manager, Tom Heslop. Upon inquiry as to a receipt, Bromley said he didn't get any receipt for payment from Heslop but was sure Heslop had recorded the payment. Bromley said he wasted part of the remaining \$2500.00 and used the remainder to buy items for the new house he had purchased.

If called, Mr. Bromley will appear without requiring a subpoena.

Senator PELL. Mr. Counsel, may I inquire was an inquiry made at the Carroll Arms whether this payment was actually made?

Mr. McLENDON. Did you make inquiry over at the Carroll Arms?

Mr. SCOTT. No inquiry has been made to date.

Senator PELL. Wouldn't it be a good idea to make it?

Mr. McLENDON. You had better make it now.

Mr. SCOTT. Is that an instruction?

Mr. McLENDON. Yes, sir.

The CHAIRMAN. Senator Cooper.

Senator COOPER. No; I have no questions, but I want to follow up on the suggestion that Senator Pell has made. I think, while the committee is conducting its inquiry on this particular matter, that some appropriate official or employee of the Carroll Arms should be called to determine whether Mr. Bromley owed an account there, and if at this time he made payments on it. Further, in view of the statement that Mr. Scott has read that he used part of this check to make payment on a house which had been purchased by him, the staff should attempt to look into the circumstances.

I think if in fact Mr. Bromley did make these payments it would substantiate his story. I think also in view of the nature of this transaction, and I say this without derogation of any kind to the Office of the Comptroller of the Currency, that the Comptroller should be called to give a statement with regard to this transaction or any information he may have about it.

Mr. McLENDON. Senator, we made inquiry such as you suggested of the Comptroller's Office and they merely confirmed, in this letter that I read, that they have no record of any connection with it by Baker, Bromley, or—

The CHAIRMAN. I might add that we have no objection to calling anybody from the Comptroller's Office.

(Senator Hayden left the hearing room.)

Senator COOPER. I am not questioning the statement at all. But this is a serious issue concerning which there may not be any foundation. I am not suggesting that the Office of the Comptroller of the Currency would be influenced by these individuals who received a \$5,000 payment. Mr. Bromley was not the attorney of record in this matter. I think it would clear up the matter if the Comptroller or someone who has authority to speak for him could testify as to this transaction.

The CHAIRMAN. We will try to get such a witness. We will ask for Mr. Saxon to appear in person. He is the responsible officer down there. We have a letter signed by him, but we will ask him to be here.

Mr. McLENDON. That will do, Mr. Scott. Will you proceed to check on the hotel and see what you can find? Mr. Hugler, come around to the witness stand. Have you been sworn, Mr. Hugler?

Mr. HUGLER. Yes, sir.

Mr. McLENDON. State your name, Mr. Hugler.

#### TESTIMONY OF EDWARD T. HUGLER

Mr. HUGLER. Edward T. Hugler.

Mr. McLENDON. Are you now serving on the staff of this committee?

Mr. HUGLER. Yes, Major; I am.

Mr. McLENDON. What is your regular employment?

Mr. HUGLER. I am a supervisory accountant in the General Accounting Office.

Mr. McLENDON. You have before you a report of an interview with Wayne Bromley, do you not?

Mr. HUGLER. Yes; I do.

Mr. McLENDON. The top of it does not show your name as making the report.

Mr. HUGLER. No, sir.

Mr. McLENDON. But the body of it indicates that you were present at the interview.

Mr. HUGLER. I participated in this interview.

Mr. McLENDON. Have you looked at the interview so you can tell the committee whether you can say that that is a correct report of the interview with Mr. Wayne Bromley?

Mr. HUGLER. Yes; I have, and it is correct.

Mr. McLENDON. What is the date of the interview?

Mr. HUGLER. This interview was conducted on January 16, 1964.

Mr. McLENDON. And what other member of the committee staff was present?

Mr. HUGLER. Mr. Peter Hoehl.

Mr. McLENDON. Mr. Hoehl is no longer with the committee.

Mr. HUGLER. That is right.

Mr. McLENDON. Was Mr. Hoehl at the time of this interview employed as a staff member of the committee?

Mr. HUGLER. Yes; he was.

Mr. McLENDON. Was he an FBI-trained man?

Mr. HUGLER. I believe he has that in his background.

Mr. McLENDON. Will you now read that report to the committee?

Mr. HUGLER (reading):

Mr. Wayne Bromley was interviewed by Messers. Hugler and Hoehl on January 16, 1964, in room 310, Old Senate Office Building. It will be recalled that Ralph Hill has testified to the effect that on one occasion when he called at Baker's office some time in March 1963, in order to show Hill's written proposal to increase the price of drinks at Melpar and also to turn over to Baker a cash payment of \$250, that Bromley had been present in Baker's office; that Baker had introduced them and that Bromley possibly might have witnessed the money transfer to Baker. Bromley categorically averred that he could not recall this incident at all. He talked with Bobby Baker several times about this after Hill testified on January 13, and, according to Bromley, Baker also does not remember the incident. As a matter of fact, although Bromley has been an intimate personal friend of Baker for 22 years and usually through

Baker, over the years, became acquainted with a great many of the people pertinent to this investigation. Bromley stated that he was completely unaware of Baker's outside business activities except Baker's interest in the Carousel.

Bromley stated that he has been employed on the Hill in various capacities since he attended page school with Baker in 1938. He was employed on the House side until 1949, after which he worked successively for Senators Chapman, Underwood, and Clements. From 1955 to 1961 he served as a legislative analyst in the Senate library. Bromley and Baker attended law school together and both took the District of Columbia bar examinations in 1955. After passing the bar, Bromley for a while worked in Tucker's law office without much success. He was not associated with Tucker's firm; merely used some vacant office space. He received court appointments to handle several criminal cases but soon discontinued the practice of law.

Since March 1961, Bromley has been employed as a legislative representative of the National Coal Policy Conference, Inc., suite 501, 1000 16th Street NW. He got this position through Joseph Moody, president of National Coal Policy, after they met at the Democratic National Convention in Los Angeles in 1960. Bromley, in his present position, still spends most of his time on the Hill. He continued to see Baker almost on a daily basis and usually left his hat and coat in Baker's office.

Bromley has been a member of the Quorum Club since 1961 and presently is serving as vice president. His initiation fees and dues are paid by National Coal Policy.

Bromley to a greater or lesser degree is acquainted with Messrs. Webb, Law, Black, Bostick, Hancock, Anderson, Benitez, among others. Invariably, he met these people through Baker. When with them, he was usually accompanied by Baker at various occasions either in Baker's office, at the Quorum Club, at the N Street residence, or in public restaurants. He claims, however, that business was never discussed at any of these get-togethers and that he had no knowledge of any business deals Baker might have had with any of these people. He did know that Anderson was connected with Go Travel, as Anderson on one occasion asked him whether he could get the travel business of National Coal Policy. He claims that he didn't even know that Hancock was in the vending machine business, although he and Baker met with Hancock on several occasions. Bromley saw Benitez at the Democratic National Convention, although he did not meet him. He was introduced to Benitez later sometime by Baker in Baker's office. Bromley last saw Benitez last summer at the Carroll Arms Hotel where Benitez usually stays when in Washington. Bromley thinks Benitez now is serving as a deputy U.S. commissioner for Pacific territories somewhere in the Pacific.

Bromley owns no MGIC stock. He once got a tip from Bobby Baker to buy some Silver Creek Precision Co. stock. He still owns this stock but its value now is lower than what he paid for it.

All in all, Bromley proved to be an agreeable person but also about the most unproductive source interviewed to date. It just does not seem possible for a man of Bromley's type to be so intimately associated with Baker and to have no knowledge whatsoever of Baker's activities with the various people discussed with him.

(The document referred to is as follows:)

## EXHIBIT 65

B. EVERETT JORDAN, N.C., CHAIRMAN  
 CARL HAYDEN, ARIZ.  
 HOWARD W. GANSON, NEV.  
 CLAIBORNE PELL, R.I.  
 JOSEPH S. CLARK, PA.  
 ROBERT C. BYRD, W. VA.

CARL T. CURTIS, ILL.  
 JOHN SHERMAN COOPER, KY.  
 HUGH SCOTT, PA.

GORDON F. HARRISON, STAFF DIRECTOR  
 HUGH G. ALEXANDER, CHIEF COUNSEL

## United States Senate

COMMITTEE ON  
 RULES AND ADMINISTRATION

January 20, 1964

Ex. 97  
 Ser. 2-37

MEMORANDUM

To: Major L. P. McLendon  
 General Counsel

From: Peter Hoehl

Subject: Interview with Wayne Bromley

✓ Mr. Wayne Bromley was interviewed by Messrs. Hugler and Hoehl on 16 January 1964 in Room 310, Old Senate Office Building. It will be recalled that Ralph Hill has testified to the effect that on one occasion when he called at Baker's office sometime in March 1963, in order to show Baker Hill's written proposal to increase the price of drinks at Melpar and also to turn over to Baker a cash payment of \$250, that Bromley had been present in Baker's office; that Baker had introduced them and that Bromley possibly might have witnessed the money transfer to Baker. Bromley categorically averred that he could not recall this incident at all. He talked with Bobby Baker several times about this after Hill testified on 13 January and, according to Bromley, Baker also does not remember the incident. As a matter of fact, although Bromley has been an intimate personal friend of Baker for 22 years and usually through Baker, over the years, became acquainted with a great many of the people pertinent to this investigation, Bromley stated that he was completely unaware of Baker's outside business activities except Baker's interest in Carousel.

Bromley stated that he has been employed on the Hill in various capacities since he attended page school with Baker in 1938. He was employed on the House side until 1949 after which he worked successively for Senators Chapman, Underwood, and Clements. From 1955 to 1961, he served as a legislative analyst in the Senate Library. Bromley and Baker attended law school together and both took the D. C. Bar examinations in 1955. After passing the Bar, Bromley for awhile worked in

Serial 89

Tucker's law office without much success. He was not associated with Tucker's firm; merely used some vacant office space. He received Court appointments to handle several criminal cases but soon discontinued the practice of law.

Since March 1961, Bromley has been employed as a legislative representative of the National Coal Policy Conference Inc., Suite 501, 1000 16th Street, N. W. He got this position through Joseph Moody, President of National Coal Policy after they met at the Democratic National Convention in Los Angeles in 1960. Bromley, in his present position, still spends most of his time on the Hill. He continued to see Baker almost on a daily basis and usually left his hat and coat in Baker's office.

Bromley has been a member of the Quorum Club since 1961 and presently is serving as Vice President. His initiation fees and dues are paid by National Coal Policy.

Bromley to a greater or lesser degree is acquainted with Messrs. Webb, Law, Black, Bostick, Hancock, Anderson, Benitez, among others. Invariably, he met these people through Baker. When with them, he was usually accompanied by Baker at various occasions either in Baker's office, at the Quorum Club, at the N Street residence or in public restaurants. He claims however that business was never discussed at any of these get-togethers and that he had no knowledge of any business deals Baker might have had with any of these people. He did know that Anderson was connected with Go Travel, as Anderson on one occasion asked him whether he could get the travel business of National Coal Policy. He claims that he didn't even know that Hancock was in the vending machine business although he and Baker met with Hancock on several occasions. Bromley saw Benitez at the Democratic National Convention although he did not meet him. He was introduced to Benitez later sometime by Baker in Baker's office. Bromley last saw Benitez last summer at the Carol Arms Hotel where Benitez usually stays when in Washington. Bromley thinks Benitez now is serving as a Deputy U. S. Commissioner for Pacific Territories somewhere in the Pacific.

Bromley owns no MGIC stock. He once got a tip from Bobby Baker to buy some Silver Creek Precision Company stock. He still owns this stock but its value now is lower than what he paid for it.

All in all, Bromley proved to be an agreeable person but also about the most unproductive source interviewed to date. It just does not seem possible for a man of Bromley's type to be so intimately associated with Baker and to have no knowledge whatsoever of Baker's activities with the various people discussed with him. ✓

PH/sa

Senator COOPER. This last paragraph isn't something that Bromley told you?

Mr. HUGLER. No; this is an observation.

Senator COOPER. Your own observation?

Mr. HUGLER. That is right.

Senator COOPER. That can't be used as an admission by Bromley.

Mr. McLENDON. Of course, these interviews, as all the members of the committee know, were not prepared for use in evidence. They were only prepared as a memorandum to help in the further investigation. Therefore, expressions like he read as opinions—

Mr. HUGLER. They are gratuitous.

Senator COOPER. Gratuitous on your part.

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

Senator PELL. No questions.

The CHAIRMAN. Senator Cannon? That will be all, Mr. Hugler.

Mr. HUGLER. Thank you.

Mr. McLENDON. Maywood Boggs.

The CHAIRMAN. Counsel, Mr. Boggs was asked to be here at 2 o'clock. That is the reason I presume he is not here. Since Mr. Boggs is not here, and he was asked to be here at 2 o'clock, we will recess until 2 o'clock, at which time we will start in with Mr. Boggs and the witnesses from McCloskey.

(Whereupon, at 11:55 a.m. the committee recessed, to reconvene at 2 p.m. of the same day.)

#### AFTERNOON SESSION

Mr. McLENDON. Mr. Boggs.

The CHAIRMAN. The committee will come to order, please.

Mr. Boggs, were you here this morning and heard this statement read?

Mr. BOGGS. No, sir. I arrived here at the Senate Office Building about 20 minutes before 2.

The CHAIRMAN. Thank you, sir. It is necessary that I read this in order that you may know why you are here and under what conditions and what your rights are before this committee. A quorum being present, the committee will please come to order.

This committee is acting by direction and under the authority of Senate Resolution 367, agreed to on September 10, 1964, and Senate Resolution 212, agreed to on October 10, 1963. Senate Resolution 367 renews the powers authorized by Senate Resolution 212 and broadens the scope of the jurisdiction conferred. The Committee on Rules and Administration has now been granted the power to investigate all interests or activities of present or former Members, officers, or employees of the U.S. Senate for the purpose of determining whether such interests or activities have involved any violation of law or other impropriety or have reflected unfavorably upon the integrity of the Senate, or whether additional laws, rules, or regulations are necessary or desirable for the purpose of prohibiting or restraining any such interests or activities. The study and investigation authorized by this resolution is directed to give particular emphasis to the allegations raised in connection with the construction of the District of Columbia Stadium and matters related thereto. The committee believes that witnesses who are called to testify possess information which is material and pertinent to the subject matter under investigation as

authorized, and will aid the committee in the fulfillment of its legislative purpose.

The Chair advises each witness that he is entitled under the rules of procedure adopted by the committee to retain and be accompanied by counsel, who may advise the witness of his legal rights during the course of the inquiry, but who shall not coach or answer for the witness. Should the witness not fully understand any question directed to him, he may ask for clarification. The committee will now proceed to hear the testimony of the witness present under subpoena or by request.

Mr. Boggs, will you please stand, sir, and put your left 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 under investigation is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. BOGGS. I do.

The CHAIRMAN. Thank you, sir. Please be seated.

Mr. McLENDON. Mr. Boggs, give your name for the record, please.

#### TESTIMONY OF MAYWOOD BOGGS

Mr. BOGGS. Maywood Boggs.

Mr. McLENDON. And your address.

Mr. BOGGS. 8009 Dobbin Road, Richmond, Va.

Mr. McLENDON. You have indicated to some of the staff that you have a statement you want to read; is that correct?

Mr. BOGGS. Just a short statement I would like to read.

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

Mr. BOGGS. Yes, sir; I do, and I gave Mr. Scott a copy of it.

Mr. McLENDON. I have it here. Go ahead, sir.

Mr. BOGGS. Just a short statement that I would like to make. As you know, this is the second time I have appeared before this committee. I have tried to fully cooperate with the committee and the committee staff as well as other agencies of the Federal Government that have been concerned with matters that have come before this committee upon request. The FBI questioned both my wife and me about the MGIC stock transaction. The Internal Revenue Service requested that my wife and I execute a document entitled "Consent Fixing Period of Limitation Upon Assessment of Income and Profits Tax," thereby extending the statute of limitations of our returns for the year 1960 from April 15, 1964, to October 15, 1964. We complied with this request and subsequently on July 7, 1964, I testified under oath before three members of the Intelligence Division of the Service, with a reporter taking the proceedings. And incidentally if I may digress, there are two members of that group from the Intelligence Service that were sitting in this room a few minutes ago. Later I received a letter from Mr. Irving Machiz, district director, on official stationery dated September 9, 1964. The pertinent portion of that letter states:

Upon further consideration your return for the taxable year ending December 31, 1960, has been accepted as filed.

Under cover of a letter dated October 7, 1964, I sent a reproduction copy of that letter to Senator Jordan as chairman of this committee.

It is hoped that insofar as I am concerned the committee will clearly establish whether or not I have done anything illegal or unethical with respect to any matter about which I have been or will be questioned, and that a public statement will be made with respect thereto where the news media are as well represented as they are here today. That closes my statement.

The CHAIRMAN. Thank you, Mr. Boggs. You may proceed with your questions.

Mr. McLENDON. Mr. Boggs, I think I can assure you on behalf of the committee that it is not the desire of any member of the committee to harass you about this matter, but a phase of your connections with this case has been discussed considerably and the committee felt that in fairness to everybody you ought to be called to testify again. That is the reason you are here.

Mr. BOGGS. If I may say so, Major, if I may address you as such, I am happy to be here and testify, because if there is any question and doubt I want to clear it up.

Mr. McLENDON. Were you sworn a moment ago?

Mr. BOGGS. Yes, sir.

Mr. McLENDON. For the benefit of the committee, let me point out that this witness did appear at the hearing on the 24th day of January 1964, and testified concerning his purchase of MGIC stock upon the recommendation of Bobby Baker. He also testified that at a later date he sold the stock that he had paid \$2,300 for, to Baker, for \$4,600, and the staff of the committee developed the facts which were reported in the official report of the committee filed on July 8, 1964, that at the time he sold the stock to Baker for \$4,600 it had a market value of approximately \$20,000. The witness testified briefly about that, but in that connection I want to ask you some further questions. It appears from your testimony on the occasion of your previous appearance before the committee that you did purchase this stock upon the suggestion of Robert Baker; is that correct?

Mr. BOGGS. That isn't my testimony, Major.

Mr. McLENDON. You state it again.

Mr. BOGGS. I stated that I was standing in front of those doors leading from the Senate Chamber to the corridor that goes over to the House side of the Capitol, and that there was a discussion of some stock, and that I asked Bobby about the stock and he told me what it was, and I asked him if any was available. I am not trying to quote my words. I have requested—

Mr. McLENDON. Go ahead; you have got a right to—

Mr. BOGGS. I just want to interject this. I have requested a copy of that and I have never received it, of my testimony. I have never received it to this day.

Mr. McLENDON. It was available to you.

Mr. BOGGS. I requested it from Mr. Fred Hallford. I asked him to have it sent to me.

Mr. McLENDON. He was on the staff. I am sorry, sir, if you didn't get it.

Mr. BOGGS. I am very familiar—

Mr. McLENDON. Let that go. Let's save time now. Go ahead with your statement.

Senator COOPER. May I ask if he has ever seen a copy of the statement that he made to an interviewer of the committee? Have you ever seen a copy?

Mr. BOGGS. No. I testified to this before the committee, Senator Cooper.

Senator COOPER. But you say that you have requested a copy of your testimony at the interview?

Mr. BOGGS. Testimony that I made before this committee.

Mr. McLENDON. Go ahead. You were telling us about the conversation that you had with him.

Mr. BOGGS. In any event I want you to understand that I am going from the memory of what happened in my testimony. They are both the same anyway.

Senator COOPER. Do you want a copy of what you said?

Mr. BOGGS. Certainly, and I am going to officially request it before this committee that I have both that and the one that I am testifying on today.

Senator COOPER. I suggest that he be given a copy.

The CHAIRMAN. I might add at this place in the hearing that these are printed copies and they have been available to anybody and there have been hundreds and hundreds mailed out and I don't see why you didn't get one if you asked it, and I am sorry that you didn't get one.

Mr. BOGGS. I appreciate that, Senator Jordan. I worked around here for many years and if I had felt a dire need for it I would have known how to come up here and pick up one. But continuing my statement, I asked Bobby what this stock was all about, and he thought it looked pretty good too, and I said, "Is there any of it available?" He told me that he didn't know but he would find out and let me know, and he did, and he called me, told me that it was. But in the first conversation, going back just a little bit, he asked me about how much I would be interested in. I said in the neighborhood of \$2,000. So when he called me back to tell me that some was available, he said it was being sold in units of some shares of the MGIC Corp. and so many shares of the agency as one unit, and that 5 shares would come to \$2,300. I said, "Well that is all right, see if you can get it for me." And I think you will find that is essentially my testimony.

Mr. McLENDON. I think that is essentially correct, Mr. Boggs.

Mr. BOGGS. Yes. I wasn't solicited for this.

(Senator Cannon entered the hearing room.)

Mr. McLENDON. Did you receive the certificates?

Mr. BOGGS. Yes, sir.

Mr. McLENDON. You paid him the \$2,300?

Mr. BOGGS. Yes, sir.

Mr. McLENDON. And you kept the stock how long before you sold it?

Mr. BOGGS. Well, the stock certificate didn't come to me for some time after I paid for it. Now the committee has a photostatic copy of this check.

Mr. McLENDON. Yes.

Mr. BOGGS. And this check is dated October 20, 1959.

Mr. McLENDON. Which check are you referring to?

Mr. BOGGS. That I made to Bobby Baker for the stock in the amount of \$2,300. It is actually to Robert G. Baker, and it shows the deposit date of October 25, 1959, the bank stamp.

Mr. McLendon. My question was: How long did you keep the stock before you sold it?

Mr. Boggs. When I testified before this committee before, I thought I had sold the stock in November of 1960. It developed, and now I am certain that the date of the sale of the stock was October 1, 1960, and I know this from the—

Mr. McLendon. 1960?

Mr. Boggs. Yes, sir.

Mr. McLendon. All right.

Mr. Boggs. Now the reason I am so definite about that, the Internal Revenue Service showed me a copy of the stock certificate with my signature and the date on it. And I feel certain that that is correct.

Mr. McLendon. You purchased it on October 20, 1959; is that right?

Mr. Boggs. Yes.

Mr. McLendon. And you sold it on October 1, 1960?

Mr. Boggs. Yes, sir.

Mr. McLendon. Now tell the committee again, though it may be partly repetition, what you did at the time you decided to sell it. How did you handle the sale?

Mr. Boggs. Well, at the time I bought the stock, and I think I picked up the certificate at Bobby's office over in the Secretary of the Senate's office, he said, "That ought to be pretty good stock." He said, "If you want to get rid of it I'll be willing to take it off your hands." And I said, "Well, let's see."

(Senator Clark left the hearing room.)

Mr. Boggs. Some time later in the spring of 1960 I received a stock report which in substance said that they had acquired the assets of some similar corporation in the State of Florida, that it was good and they thought the future was bright. Now I saw Bobby in connection with some matter I came up to the Capitol about, whether it was on the Senate side or the House side I cannot say at this time, and I asked him how that stock was doing. He said pretty good. He said, "If you want to sell it I'll give you double what you paid for it."

Mr. McLendon. Give you double what you paid for it?

Mr. Boggs. Yes, sir.

Mr. McLendon. Go ahead.

Mr. Boggs. And I told him that I might be interested, and think I told you fellows before I have four children and trying to send some of them to college and prep school and what not, I was pretty short for money. And I talked it over with my wife and it was mostly her money, as I indicated to you previously. She thought it didn't sound too bad, so I called Bobby and told him I would sell it to him.

Mr. McLendon. Did you have any information as to what the market value of the stock was when you sold it?

Mr. Boggs. No, sir; I didn't, or I wouldn't have sold it.

Mr. McLendon. Sir?

Mr. Boggs. If I had, I wouldn't have sold it.

Mr. McLendon. Did Baker give you any information about the market value?

Mr. Boggs. No, sir; he did not.

Mr. McLendon. So you are telling the committee that you asked him if he would buy the stock, and he told you he would give you 100 percent profit on it. You made no inquiry about the value of it,

didn't ask him anything about it, and sold it for \$4,600 when actually it was worth about \$20,000?

Mr. BOGGS. Well, now, Major, I don't think you are paraphrasing me quite correctly, and I want the record to be clear.

Mr. McLENDON. I do, too. Go ahead.

(Senator Hayden entered the hearing room.)

Mr. BOGGS. It happened as I told you. I asked him how the stock was doing. He said, "It looks pretty good." He said, "I'll give you double what you paid for it." Now, he didn't come to me and say, "Look, I want to buy that stock from you." That wasn't exactly it. And so I just wanted the record to be clear on just how it happened. But I did get \$4,600 out of it and, a few days later, I was telling some of my friends about it and they thought I was a financial wizard to double my money in that length of time, and it wasn't but a few days later that I looked like a financial fool when the real value came out.

Mr. McLENDON. But you tell the committee you had no knowledge of its real market value at the time he paid you the \$4,600?

Mr. BOGGS. I tell the committee that I had no knowledge of the real market value of that stock at the time I sold it, and I didn't know the market value of it until I saw a letter to the stockholders dated September 6, 1960, which was shown to me during my investigation on the 7th of July, I believe is the day it was of this year, when they showed me a letter to the stockholders declaring this common stock as splitting it 10 for 1.

Mr. McLENDON. What position did you hold at the time of the purchase and sale of this stock?

Mr. BOGGS. The same position I hold now. I am a vice president of the International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers, and Helpers, AFL-CIO.

Mr. McLENDON. Do you hold the same office now with the union?

Mr. BOGGS. Yes, sir.

Mr. McLENDON. What was your relationship to Baker at the time you bought the stock and at the time you sold it? Were you friendly?

Mr. BOGGS. Well, yes; I would say in this sense, as a business friend, yes. I have never had any social—

Mr. McLENDON. Did you know him well?

Mr. BOGGS. I had known him for quite a long time.

Mr. McLENDON. And had you seen him frequently?

Mr. BOGGS. No; not in those recent years. I was not a lobbyist after I took this office of vice president.

Mr. McLENDON. You ceased lobbying at that time?

Mr. BOGGS. Yes. That was in 1956.

Mr. McLENDON. Since 1956, you did not do any lobbying?

Mr. BOGGS. I wouldn't consider it lobbying in the sense that a person is employed as a lobbyist and has that as a major portion of his duties. I came to the Hill because I knew people up here in the Senate and in the House whom I had known for years, and if I wanted to talk to them about a piece of legislation or if some department of the AFL-CIO asked me to come up and see somebody that they knew that I had had long acquaintance with, to discuss the merits of legislation, I would come. But that wouldn't be over three or four times a year.

Mr. McLENDON. But you and your union were interested in legislation from time to time?

Mr. BOGGS. Oh, yes, sir. We still are.

Mr. McLENDON. And did you consult Baker about it?

Mr. BOGGS. I never consulted Mr. Baker about the merits of any legislation. Now, it has been my thought, and still is, that, with respect to matters that are coming before the Senate and the schedule, matters that are coming before the policy committee or the party that sets the scheduling of the legislation, that anyone who is secretary to the majority would freely give us that information, whether it was Bobby or—I have forgotten who the fellow was when the Republicans were in the majority in the Senate, but he would do the same thing. They would give you the schedule of legislation and what was coming up before the policy committee, in terms of trying to get something scheduled.

Mr. McLENDON. Did you consider it important to the success of your efforts in the Congress to maintain a friendly relationship with Baker?

Mr. BOGGS. Major, I never thought about it. I tried to make friends with everybody up here.

Mr. McLENDON. Didn't you try to make friends with him a little harder than you did with some of the others?

Mr. BOGGS. No, sir.

Mr. McLENDON. You didn't?

Mr. BOGGS. No, sir.

Mr. McLENDON. The committee has received evidence from numerous sources that, at that time, Baker was considered a very important man up here. Did you so consider him?

Mr. BOGGS. I considered the secretaries to the majority and the minority important men.

Mr. McLENDON. And by that you mean—

Mr. BOGGS. At any time.

Mr. McLENDON. By that you mean that they were important to know—for you to know?

Mr. BOGGS. If a man is in an important position and you have business to transact with him, you can transact it better with him if you know him.

Mr. McLENDON. I think that is reasonable. Now, Mr. Boggs, the suggestion has been made that there must have been some reason that has never been disclosed why you would sell this stock at such a sacrifice price. What have you got to say about that?

Mr. BOGGS. There isn't any reason that is not fully known, and, if anyone has any doubts about what the reason is, it was my utter stupidity in not finding out the value of the stock.

Mr. McLENDON. When you did find out the value of it, after you had sold it to your old friend who bought it for you in the first instance and paid you far less than its market value, did you go to him and talk to him about it?

Mr. BOGGS. No, sir.

Mr. McLENDON. Why didn't you?

Mr. BOGGS. I didn't find out about it until after this proceeding started—when was it, early this year?

Mr. McLENDON. Last year?

Mr. BOGGS. It started—this proceeding started—last year.

Mr. McLENDON. Last year.

Mr. BOGGS. Well, whenever it was, I didn't go to him about it.

Mr. McLendon. Why didn't you, Mr. Boggs?

Mr. Boggs. Frankly, I didn't know what the market value of the stock was at the time I sold it.

Mr. McLendon. Yes; you told us that, but that isn't my question. My question is: When you did find out that he had bought it for \$4,000 when it was worth approximately \$20,000, whenever you found that out, why didn't you go to him, your erstwhile friend, and say, "Look here, you cheated me"?

Mr. Boggs. I don't think I have to tell him that, Major.

Mr. McLendon. Sir?

Mr. Boggs. I don't think I have to tell him that.

Mr. McLendon. Well, that is what the committee is interested in finding out. Why didn't you tell him that?

Mr. Boggs. I don't think I have to tell him. I think he knows it.

Mr. McLendon. Well, but that is of little satisfaction to you—the man who lost the money. Why didn't you ask him to pay the difference?

Mr. Boggs. Well, I'll tell you. I have had some other good friends to suggest to me that I ought to do the same thing.

Mr. McLendon. Do the same thing what?

Mr. Boggs. That you are suggesting.

Mr. McLendon. Yes.

Mr. Boggs. But I figure that it would do just about as much good to go to a man and ask him to pay something that he knows he owes you as it would do no good. Now he bought the stock. I signed it over to him, and he has got it.

Mr. McLendon. And you are out \$16,000.

Mr. Boggs. Oh, no; lots more than that, lots more than that. The lowest market value you could count on that I am out is over \$32,000.

Mr. McLendon. Oh, \$32,000. It is worse than I thought. Why didn't you do something about it? Why didn't you consult a lawyer? Why didn't you threaten to sue him?

Mr. Boggs. Maybe I have, Major.

Mr. McLendon. Tell us about it. That is what the committee wants to know.

Mr. Boggs. Just a moment. If I am going to go into that aspect of it, I don't think that I should be called upon to tell the committee what I am going to do, if I have an opportunity to do it. I don't intend, if I can help it, Major, to tip my mitt.

Mr. McLendon. I confess I don't know what you are talking about now. You don't want to tell the committee what you are going to do?

Mr. Boggs. About that?

Mr. McLendon. Yes.

Mr. Boggs. It seems to me, sir, that that is a very private affair as to how I proceed to try to recover that which might be rightfully mine.

Mr. McLendon. Mr. Boggs, it would be a private affair, except that Mr. Baker held public office, and you dealt with him knowing that he was an important public officer with a lot of influence. Now the committee has got a right to ask you that question.

Mr. Boggs. If you ask me right now, sir, I don't know exactly what I am going to do.

Mr. McLendon. Is the committee to interpret that statement as meaning that you may yet make demands on him for restitution?

Mr. Boggs. Possible.

Mr. McLENDON. Just possible. And is that the best answer you can give?

Mr. BOGGS. Sir, I am sure—I am not a lawyer, that is one thing you can be sure of.

Mr. McLENDON. Maybe you ought to be proud of the fact. Go ahead.

Mr. BOGGS. I am quite sure that you are.

Mr. McLENDON. You are not hurting my feelings. Go ahead.

Mr. BOGGS. I don't mean to. I wish I were. I would be very proud of it. But if you are going to try to prove a case—

Mr. McLENDON. Sir?

Mr. BOGGS. If you are going to try to prove a case, you don't generally announce to the public how you are going to try to prove it, and I think I am correct in this, and I don't want you to get the impression that I am withholding any answer here. I just don't—truthfully I don't know just what course I will take. But there is one course I am not going to take.

Mr. McLENDON. What is that?

Mr. BOGGS. I am not going to sit down and brood the rest of my life because I lost it.

Mr. McLENDON. But you don't know yet whether you lost it, do you?

Mr. BOGGS. No, sir, but that is a chance.

Mr. McLENDON. Mr. Boggs, let me ask you: Did you have some motive for letting Baker keep this difference between \$4,600 and the value of the stock?

Mr. BOGGS. No, sir.

Mr. McLENDON. None whatever?

Mr. BOGGS. None whatsoever.

Mr. McLENDON. It has been suggested that perhaps Mr. Baker was helpful to your union in getting a very large loan through the Federal Housing Administration for the International Brotherhood of Boilermakers retirement home at Pascagoula; is that the way you pronounce it?

Mr. BOGGS. Pascagoula, Miss.; is that the place you are talking about?

Mr. McLENDON. Mississippi; yes.

Mr. BOGGS. Pascagoula, Miss.

Mr. McLENDON. Do you know about that?

Mr. BOGGS. I know that my international brotherhood never received any loan from the FHA for any retirement home at Pascagoula, Miss.

Mr. McLENDON. Who did receive the loan?

Mr. BOGGS. I don't know, but the International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers & Helpers, AFL-CIO, has no financial interest whatsoever in any retirement home at Pascagoula, Miss., or anywhere else.

Mr. McLENDON. Well, what organization did have an interest in it?

Mr. BOGGS. I don't really know. I understand that there was a separate corporation set up down there to build a home for the elderly, and I think it followed the pattern of some homes that were built under similar circumstances by some religious organizations.

Mr. McLendon. Was this corporation you speak of organized by your union?

Mr. Boggs. No, sir.

Mr. McLendon. Who was it organized by?

Mr. Boggs. There was a man who was the business manager of the local union, if I can find the name.

Mr. McLendon. You mean Pat Sullivan?

Mr. Boggs. Pat Sullivan, who was the business manager of that local in Pascagoula, the Boilermakers local in Pascagoula.

Mr. McLendon. Is the Boilermakers Union a part of your union?

Mr. Boggs. The local is.

Mr. McLendon. The local?

Mr. Boggs. Yes, sir.

Mr. McLendon. And this man, Pat Sullivan, represented that local?

Mr. Boggs. Yes, sir. He was elected by that local to represent that business.

Mr. McLendon. And was it the local that organized the corporation that built this home?

Mr. Boggs. I am not so sure that that is true. I understand that there were other people involved in it, but now if you want to go into that, Mr. McLendon, I don't have very much knowledge about that.

Mr. McLendon. That is what I want to find out; what knowledge you did have. What did you know about it?

Mr. Boggs. Very little. Well, they wanted to use the name of the organization for the retirement home. Pat Sullivan came before our executive council meeting.

Mr. McLendon. That is your union?

Mr. Boggs. Yes.

Mr. McLendon. Go ahead.

Mr. Boggs. And laid out the program, and it was explained by our fellow who was the general counsel, that is the attorney for our organization, and presented the plan, and it sounded like a worthwhile thing. Following that discussion, our executive council took the following action, and incidentally had this excerpted last week while I was in Kansas City, in fact the Saturday morning after I had learned that I might be called to testify to something on this subject. Here is the action of our international union executive council.

Mr. McLendon. All right.

Mr. Boggs. That this council authorize the use of the name of the international brotherhood to the project development outlined to this council by business manager Pat Sullivan, contingent on the determination that there will be no financial liability, and that it is a worthy cause with which to have our name connected. Now that is the action of the international executive council.

Mr. McLendon. In other words, that means, if I interpret it correctly, that your union endorsed it, but you weren't willing to assume any financial responsibility?

Mr. Boggs. The action of the council had two parts, Major, and I tried to make them distinct.

Mr. McLendon. Didn't I state it correctly?

Mr. Boggs. Could I restate it?

Mr. McLendon. Well, if it is necessary, but I thought I heard it.

Mr. BOGGS. It says "contingent upon the determination that there will be no financial liability." That is one. The second is: "And that it is a worthy cause to which to have our name connected." Now that is the only action in connection with that retirement home that I have ever had anything to do with.

Mr. McLENDON. Did you have any connection at all with the corporation?

Mr. BOGGS. No, sir.

Mr. McLENDON. That was organized to make the application?

Mr. BOGGS. No, sir.

Mr. McLENDON. Did you ever contact the FHA about the loan?

Mr. BOGGS. No, sir.

Mr. McLENDON. Or anyone at the FHA?

Mr. BOGGS. No, sir.

Mr. McLENDON. Were you informed as to the amount of the mortgage that the FHA loaned?

Mr. BOGGS. No, sir.

Mr. McLENDON. You know now there was almost two and a half million dollars, do you not?

Mr. BOGGS. Yes; I just recently read that.

Mr. McLENDON. And there never was a single payment made on it, was there?

Mr. BOGGS. I can't tell you, sir, because I don't know.

Mr. McLENDON. Sir?

Mr. BOGGS. I don't know.

Mr. McLENDON. And it is being foreclosed now; the mortgage?

Mr. BOGGS. I understand that it is, but I have no personal knowledge of that.

Mr. McLENDON. Well, your union that adopted that resolution that you just read there to us, did it do anything when they found out that it was in jeopardy, that the whole project was in jeopardy for its inability to meet the payments?

Mr. BOGGS. I don't know, sir, because that wouldn't fall within the purview of my responsibility. I don't know.

Mr. McLENDON. Well, to sum it up then, if I understand you, whatever was done by this organization that did make the application for the loan and supervise the construction of the home, you had no connection with it?

Mr. BOGGS. The only connection I had with it is I voted "aye" on this motion.

Mr. McLENDON. Did you ever talk to Baker about this project?

Mr. BOGGS. No, sir.

Mr. McLENDON. What became of this man, Pat Sullivan, you referred to?

Mr. BOGGS. Well, I don't know exactly. I know that he is no longer the business manager.

Mr. McLENDON. Well, as the expression goes, he has evaporated, hasn't he?

Mr. BOGGS. Not that I—if he has I don't know about it.

Mr. McLENDON. Didn't you tell our staff man that you had no idea where he was; that he was in bad repute; the union had fired him?

Mr. BOGGS. I think you had better check with your staff man.

Mr. McLendon. I beg your pardon; I am told I am wrong. I will withdraw that question. That was somebody else.

Mr. Boggs. I don't recall any such conversation as that.

Mr. McLendon. You didn't know of that?

Mr. Boggs. No, sir.

Mr. McLendon. So let's see now if—Senator Cooper wants to ask you a question.

Senator Cooper. What was the purpose of the International Brotherhood of Boilermakers passing this resolution?

Mr. Boggs. Well, according to the explanation of our general counsel—if I may background just a little bit.

Senator Cooper. Let me ask one question about that. At the time this resolution was adopted, do you know whether the loan had been made to the local union for the construction of this retired persons home?

Mr. Boggs. I don't know, Senator Cooper, but I would doubt that it did, and I think the background statement that I was going to make might help clear that up in your mind. When this was presented to us, there was an analogy drawn between this and some home somewhere that some church organization had sponsored. A group of people got together, and the church lent its name to the project because apparently under the regulations or the law or something there has to be a sponsoring organization. Now I believe that that sponsor had to be determined. That is why I say I think so, I think a sponsor had to be determined before the loan would actually be made. And as it was explained to our executive council, that this only required the use of the name of the organization as a sponsor.

Mr. McLendon. This becomes a little confusing. You say the parent union was a sponsor, the full union was a sponsor?

Mr. Boggs. We were requested to permit the name of the organization to be used.

Mr. McLendon. Is that what you mean by being a sponsor?

Mr. Boggs. That is the way I took it, sir, and I think this motion—and I will give you a copy of it if you want it—

Mr. McLendon. But you did not assume any financial responsibility, you tell us?

Mr. Boggs. We couldn't have, based on this motion, sir.

Mr. McLendon. Later did you change that and assume any financial responsibility?

Mr. Boggs. The executive council so far as I know has never changed it.

Mr. McLendon. Never has changed it?

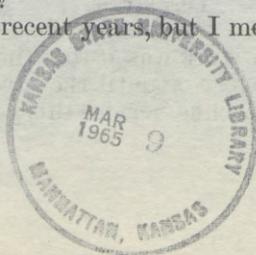
Mr. Boggs. If any changes have been made it has been made without my knowledge.

Mr. McLendon. What year was this activity originated about the retirement home?

Mr. Boggs. I can't tell you now, sir. I assure you that I can get that information.

Mr. McLendon. You ought to be able to approximate it. Could you tell whether it was in the year 1960?

Mr. Boggs. No. It has been within recent years, but I mean I can't tell you which one it was.



Mr. McLENDON. According to these documents obtained from the FHA, it apparently started in 1959. Does that refresh your recollection?

Mr. BOGGS. I wouldn't know anything about that, sir, because I had nothing to do with it until it came to us.

Mr. McLENDON. So it is possible then that all the negotiations for this large amount of money occurred almost contemporaneously with this stock deal?

Mr. BOGGS. Possible.

Mr. McLENDON. But, if so, you say that is just a happenstance?

Mr. BOGGS. Yes, sir; it is quite a coincidence.

Mr. McLENDON. Quite a coincidence.

Mr. BOGGS. May I say this to clear this answer a little bit?

Mr. McLENDON. Certainly. I wish you would. That is what the committee is interested in.

Mr. BOGGS. Who in the world would ever believe that I would give \$32,000 largely of my wife's money to make a loan to some organization in Pascagoula, Miss., as poor as we are? Who could believe such a thing?

Mr. McLENDON. Might not some people believe that you would give it to Baker?

Mr. BOGGS. No. There is nobody in the world could have any reason to believe that I would give Baker a quarter.

Mr. McLENDON. A quarter?

Mr. BOGGS. Yes, sir.

Mr. McLENDON. Notwithstanding that, you considered him important in connection with your own business affairs?

Mr. BOGGS. Nothing to consider him important enough to invest my private money that way.

Mr. McLENDON. Well, could you recoup it if you had loaned your own money? Could you have gotten it back some way?

Mr. BOGGS. I don't really see—I don't quite understand what you mean.

Mr. McLENDON. Well, let's let it go. Is there anything else about this retirement home that you know that you could tell the committee about?

Mr. BOGGS. No, sir. There is nothing that I know of my own knowledge; only what I have read in the newspapers recently and just gossip.

Mr. McLENDON. And there is nothing else you want to tell the committee about the purchase by Baker of your stock for \$4,600?

Mr. BOGGS. No, sir. I think I have already told the committee I regret that I sold it.

Mr. McLENDON. All right; that is all.

The CHAIRMAN. Senator Pell?

Senator PELL. No questions.

The CHAIRMAN. Senator Cannon?

Senator CANNON. Mr. Boggs, you say you sold the stock on October 1 of 1960?

Mr. BOGGS. Yes, sir.

Senator CANNON. And when was it you first learned what the true value of the stock was at that time?

Mr. BOGGS. Not until the investigation that was conducted by the Internal Revenue Service this year.

Senator CANNON. In other words, this Baker investigation had already started when you learned what the true value of the stock was at the time you sold it; is that correct?

Mr. BOGGS. Yes.

Senator CANNON. And how did you learn that?

Mr. BOGGS. Well, the only real knowledge that I had about it was when I was shown some correspondence by the Internal Revenue Service.

Senator CANNON. What correspondence?

Mr. BOGGS. Between the MGIC Corp. and the stockholders. There was a letter dated September 6, 1960, to all stockholders, saying that all the units were being—words to the effect now that the units were being broken up into common stock and the stock was being split 10 for 1, and I believe at that time there was a value set on it. But just prior to this, and this can be revealed from my testimony, sworn testimony to the Internal Revenue Service, I contacted a fellow in Pittsburgh who used to be a boilermaker, who is now in the stock brokerage business, and asked him to look this up for me, and when this stock was first quoted, and so forth. And he looked it up and he told me when it was broken up into common stock, and the quotation, and I asked him how it was quoted and for the first time in my life I heard about pink sheets. He said it was quoted in the pink sheets. Now this was sometime in September of 1960 that that took place.

Senator CANNON. You mean you learned that in September of 1960?

Mr. BOGGS. No, no. I learned it sometime just before I testified before the Internal Revenue Service. And my testimony there was July 7 of this year.

Senator CANNON. How did it happen you didn't get a letter from the company when they sent the letter to the stockholders in September of 1960?

Mr. BOGGS. That is what I'd like to know.

Senator CANNON. You didn't get any letter from them?

Mr. BOGGS. I didn't get any such letter.

Senator CANNON. From the company?

Mr. BOGGS. No, sir.

Senator CANNON. Telling you they were making a stock split?

Mr. BOGGS. No, sir.

Senator CANNON. And the first you learned then of the true value was after this hearing had commenced.

Mr. BOGGS. Yes, sir; yes, after the hearings that began in this proceeding.

Senator CANNON. And is that the reason that you didn't contact Mr. Baker at that time about this difference in value?

Mr. BOGGS. Senator Cannon, I can't say exactly what I might have done if I had known about it sooner. It seems to me if you have a case, you have to try to get in a position to prove it.

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

The CHAIRMAN. Mr. Boggs, I would like to ask you one question that sort of troubles me a little bit. You said that you paid \$2,300 for the stock, I believe?

Mr. BOGGS. Yes, sir.

The CHAIRMAN. And you sold it for \$1,600?

Mr. BOGGS. Yes, sir.

The CHAIRMAN. It actually was worth \$32,000 when you sold it?

Mr. BOGGS. No. I believe it was worth more than that. I am not changing my testimony, Senator Jordan. The transcript will show I said that instead of getting it for \$16,000 it was in excess of \$32,000 based on my best calculation. Now you add \$4,600 to that and then you more properly reflect the value of the stock.

The CHAIRMAN. You made a \$2,300 profit on what you did sell; is that correct?

Mr. BOGGS. Yes, sir.

The CHAIRMAN. Did you report that for income tax?

Mr. BOGGS. Yes, sir, and I have got a couple sitting back here, if you want to call them, can prove it.

The CHAIRMAN. You may not know this, but evidently Mr. Baker made quite a large profit from what he paid you. Do you know whether he paid income tax on that?

Mr. BOGGS. I have no knowledge.

The CHAIRMAN. You don't know whether he reported that for income?

Mr. BOGGS. I have no knowledge concerning that.

The CHAIRMAN. Thank you, sir. Senator Pell?

Senator PELL. One question. As I understand it, you are an employee or a member of the Boilermakers Union?

Mr. BOGGS. I am both.

Senator PELL. Both. Vice president?

Mr. BOGGS. Yes.

Senator PELL. Is it the custom in your union to report these stock acquisitions to an executive committee or anything of that sort or was this your private business?

Mr. BOGGS. No; there is no such custom.

Senator PELL. And so the union body itself, the executive committee or the president, was not aware of your involvement with MGIC until it came out in the Baker committee hearings?

Mr. BOGGS. No, sir. I suspect there are many of our people who might own some shares of stock, and none of them report it to the organization.

Senator PELL. Are there any other members of your union that you are familiar with who had shares of MGIC stock particularly?

Mr. BOGGS. I am sure there weren't.

Senator PELL. Thank you.

The CHAIRMAN. Senator Cooper?

Senator COOPER. At the time the stock was transferred to you and your wife, the address on the stock certificates was given as room F-80, Senate Office Building. That was Mr. Baker's office.

Mr. BOGGS. I think that is correct.

Senator COOPER. Did he hold physical possession of the stock?

Mr. BOGGS. Sir?

Senator COOPER. Did he keep the stock in his office?

Mr. BOGGS. No, sir. His secretary called me and told me it was there and I stopped by and picked it up. I am pretty sure that that is the way it—

Senator COOPER. But the address is given as room F-80, Senate Office Building. Is it possible that the letter from the company advising of the 10-to-1 split would have gone to that office?

Mr. BOGGS. The only thing I can tell you, Senator—

Senator COOPER. Did you give them any other address?

Mr. BOGGS. The only other thing I can tell you, Senator Cooper, I received one stock report there that was addressed to that address and was forwarded to me at my office.

Senator COOPER. Did Mr. Baker perform any services for you or for your union other than the routine information that you say that he gave you from time to time about the status of legislation?

Mr. BOGGS. No, sir; Mr. Baker never performed any services outside of what I still think would be the appropriate duties of a Senate secretary to the majority or the minority.

Senator COOPER. What you are saying then is that this underpayment to you for the stock of some \$27,000 to \$29,000 was not concerned with any payment that you were making to him for any service that he had performed or that he would perform in the future.

Mr. BOGGS. I never made any kind of a payment to Bobby Baker for any service whatsoever.

Senator COOPER. It has been suggested by letters to the committee.

Mr. BOGGS. It was suggested also by—

Senator COOPER. Do you know that after this resolution of the International Boilermakers Union was passed giving its support to this home in Mississippi whether Mr. Sullivan was here trying to get the loan from FHA?

Mr. BOGGS. I have no knowledge of it.

Senator COOPER. You have no knowledge of any transactions at all?

Mr. BOGGS. Absolutely no knowledge.

Senator COOPER. It seems to me that FHA would be able to say whether or not.

Mr. McLENDON. He is here as the next witness.

Senator COOPER. Do you know whether Mr. Sullivan knew Mr. Baker?

Mr. BOGGS. I have no knowledge of that, Senator Cooper. Let me say this to you. If he knows him, he didn't meet him with me or he never was in his presence with me so far as I have any knowledge.

The CHAIRMAN. You may be excused.

Mr. McLENDON. You haven't been sworn, have you, Mr. Daniels?

Mr. DANIELS. No; I have not.

Mr. McLENDON. Did you hear the Senator read the statement to the witnesses?

Mr. DANIELS. I heard that; yes.

The CHAIRMAN. Will you put your left hand on the Bible and raise your right hand, please, sir? Do you solemnly swear that the evidence you are about to give before this committee in the matter now under investigation is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. DANIELS. I do.

Mr. McLENDON. State your name for the record.

**TESTIMONY OF C. FRANKLIN DANIELS, ACCOMPANIED BY  
ROBERT H. BERMAN**

Mr. DANIELS. C. Franklin Daniels.

Mr. McLENDON. Your address.

Mr. DANIELS. My home address?

Mr. McLENDON. Yes.

Mr. DANIELS. 783 Rollins Drive, Alexandria, Va.

Mr. McLENDON. Are you accompanied by counsel?

Mr. DANIELS. No, sir. My associate, Mr. Berman, is here to assist in getting any information that you might desire.

Mr. McLENDON. What is your title with the Federal Housing?

Mr. DANIELS. I am the Assistant Commissioner for Multifamily Housing.

Mr. McLENDON. Multifamily housing?

Mr. DANIELS. Multifamily housing.

Mr. McLENDON. And what is Mr. Berman's official title?

Mr. DANIELS. Bob?

Mr. BERMAN. Programs operations adviser.

Mr. McLENDON. In your capacity as Assistant Commissioner for Multifamily Housing are you familiar with this transaction involving the borrowing of money for the International Brotherhood of Boilermakers retirement home at Pascagoula, Miss.?

Mr. DANIELS. I am, sir. May I take an opportunity just to correct an erroneous impression that seems to have been generated by Senator Williams' letter and some conversation I have heard today? The Federal Housing Administration does not lend money. It insures mortgages loaned by private lenders.

Mr. McLENDON. I am glad you made that correction. Are you familiar with all the transactions and the records leading up to the consummation of this particular loan?

Mr. DANIELS. I am familiar with all of the transactions as recorded in the files and personal contacts that I have had.

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

Mr. DANIELS. The amount of the loan finally endorsed was \$2,485,400.

Mr. McLENDON. And who was the borrower?

Mr. DANIELS. The borrower was the mortgagor, which was the— what is the name of that mortgagor? It was the mortgagor corporation formed and sponsored by the Boilermakers, Iron Ship Builders, Blacksmiths, Forgers & Helpers Union. The name of the mortgagor, if I understand, is Brotherhood Retirement, Inc., but it was an instrumentality of the union.

Mr. McLENDON. Of the union; in this instance is the union represented by Mr. Boggs?

Mr. DANIELS. It is the Boilermakers, Iron Ship Builders, Blacksmiths, Forgers & Helpers. I have to answer that way because until today I never saw Mr. Boggs, and it was only recently that I heard his name in connection with this.

Mr. McLENDON. Mr. Daniels, I believe it would be helpful to the committee if you would in your own way just tell the history of this transaction. You have furnished the committee with quite an exhaustive digest of the records of the Federal housing organization. It is very voluminous. Would you refer to that, if you like, and just tell the history of it?

Mr. DANIELS. As a matter of fact, I think it would be useful if I were a little briefer than that report.

Mr. McLENDON. I hope so.

Mr. DANIELS. This project was first proposed to the local insuring office in Jackson, Miss., back in October of 1959. This was in connection with the Housing Act of 1959 which made special mortgage

insurance available for the development of housing for the elderly projects. The law, as you know, makes it possible for nonprofit corporations to sponsor such projects.

Mr. McLENDON. Does that include labor unions?

Mr. DANIELS. It includes labor unions. It includes churches, fraternal organizations, any nonprofit organization. When the proposal was first made to the Jackson, Miss., office, they felt that a local union—and this was local 693 of Pascagoula, which consisted at that time of about 3,000 members—did not have the size or the capacity that we felt was necessary to put together or to sponsor a project consisting of 194 units with about two and a half million dollars mortgage obligation. We were interested in doing whatever we could to develop these projects for retirees of churches, labor unions, fraternal organizations, and so we suggested to the local that we could not proceed with this project unless and until the support of the international was obtained. And it was on that basis I believe that the local then proceeded to obtain a pledge of support from the international union. This pledge is incorporated in one or two letters that we have received from a Mr. William A. Calvin who at that time was the president of the international. On the basis of this letter, which is dated December 30, 1960, we did then accept an application which was duly processed. The commitment was issued. The note was endorsed, construction commenced, and the final endorsement of the note took place on October of 1963.

Mr. McLENDON. By what organization was the endorsement made?

Mr. DANIELS. It was made by the mortgagor corporation, which as I said, was a creature of the union sponsorship. The interest on that note was paid, I believe, for October and November. A default occurred in December. We received notice of default on the payments in January of 1964. This briefly brings us up to the point we are now. The mortgagee at the time, the Equitable Life Assurance Society, assigned the note to us. We have turned it over to the Department of Justice to institute foreclosure proceedings.

Mr. McLENDON. Mr. Daniels, at the request of the staff of this committee, did you cause an exhaustive search to be made of all your records and files to ascertain whether or not Mr. Boggs had any connection with this transaction?

Mr. DANIELS. I did, sir.

Mr. McLENDON. What was the result of your search?

Mr. DANIELS. The result was that there wasn't any information in the files relating to Mr. Boggs. I queried all of the people in the Federal Housing Administration who had any identification with this project. None of them had heard of Mr. Boggs.

Mr. McLENDON. And did you make a similar search to ascertain whether or not Robert G. Baker had any connection with it?

Mr. DANIELS. We did, sir.

Mr. McLENDON. What was the result?

Mr. DANIELS. The result was that a thorough examination of the files and interrogation of people who were identified with this project indicates that at no time did Mr. Robert Baker contact any of us in the FHA with respect to this project.

Mr. McLENDON. Did you make a search to ascertain whether any Member of Congress, either the House or the Senate, had anything to do with the file?

Mr. DANIELS. We did.

Mr. McLENDON. What was the result of that?

Mr. DANIELS. The same result. We have no record or recollection on the part of any of our employees that any Member of the Congress or any employee of any staff of a Member of Congress or a committee ever contacted the FHA in connection with this particular project.

Mr. McLENDON. And this exhaustive document you furnished us contains a summary of the various documents in the office relating to this matter?

Mr. DANIELS. That is exactly right. That is a summary. I have the files here in the event that any member of the committee wishes to examine any of the letters or documents further.

Mr. McLENDON. Mr. Berman, who is with you, did he assist in the preparation and assembling of this data?

Mr. DANIELS. Yes; he did.

Mr. McLENDON. Is there anything else you can add, Mr. Daniels, that would help the committee ascertain whether or not there was any connection between this transaction involving this retirement home and Mr. Baker and Mr. Boggs?

Mr. DANIELS. I can think of nothing that I can add, sir.

Mr. McLENDON. All right. This document, as you can see, is quite voluminous, and since it is all negative, as I would describe it, we didn't even have it reproduced, but I think it ought to be put in the record.

(The document referred to is as follows:)

#### EXHIBIT 66

##### BRIEF EXCERPTS FROM DOCKET FILE 065 38001 NP, BLUE LAKE MANOR, PASCAGOULA, MISS.

*Memo October 16, 1959.*—Report of chief land planner to chief underwriter: Visited site October 14, 1959, with Mr. P. A. Sullivan, official of Boilermakers Union. Found site to be extremely isolated.

Sullivan said county authorities would assist in dredging, filling, and road-building, busline promised frequent service.

Union membership in Pascagoula alone is 3,600.

*October 20, 1959.*—Director to zone commissioner:

Sponsors had gone ahead before contacting FHA and had architectural and engineering plans drawn. Union advised to do no more until furnished strength and capabilities of the sponsor were determined.

"There seems to be some loose sort of understanding with the national organization and its possible participation."

Office did not offer too much encouragement at that time.

*October 9, 1959.*—Director to Mary Cleverly, special assistant for elderly housing, District of Columbia:

Conference was held at which the following attended: P. A. Sullivan, business manager, Boilermakers Union No. 693, Pascagoula, Miss.; T. F. Mariani, representing John Jamison, White & Associates, Washington, D.C.; W. I. Rosamond, architect, Columbus, Miss.; Donald Cumbest, attorney, Pascagoula, Miss.; Al. S. Johnson representing Board of Supervisors, Jackson County, Miss.; John Lee Gainey, Mississippi Regional Housing Authority No. 8, Gulfport, Miss.; Lloyd Day representing Rosamond & Associates, architects.

"The boilermakers local together with the local metal trades association, who in turn are receiving backing from the Metal Trades Council of Washington, D.C., are the principal sponsors of this project."

*October 12, 1959.*—Director to Cleverly:

"This office is requiring that the local union bring the national union into this project as a sponsor and that copies of all contractual relationships between the sponsors, architect and other persons for services to date as well as any future contracts be given in detail to this office."

*December 9, 1960.*—Director Buford Yerger to Hubert S. Thatcher (attorney for international), 1009 Tower Building, Washington, D.C.: Encourages the brotherhood support.

"We are aware of the fact that local No. 693 is substantially a single industry union in that the bulk of its membership is employed at the Ingalls shipbuilding plant in Pascagoula and the continued operation of this plant at a fairly high level of employment is necessary for the continued life of the union itself."

(Desirable to have willingness of international brotherhood step in as sponsor if No. 693 fails.)

"I should like to make it clear we do not expect there to be any assurances of financial guarantees from either local No. 693 or the international brotherhood beyond those which are incident to the completion of the project as expected of responsible sponsors."

Letter also sets forth qualifications for a nonprofit sponsor.

Copies to Mr. Wm. A. Calvin, president, International Brotherhood of Boilermakers, etc., Kansas City, Kans., and P. A. Sullivan, business manager, Boilermakers Union Local No. 693, Pascagoula, Miss.

*December 22, 1960.*—Thatcher to Calvin with copy to Yerger (signed December 30, 1960): Letter from international union agrees to support it but will insure no financial liability.

*December 27, 1960.*—Buford to Calvin: Above is OK.

*January 30, 1961.*—Senator Nye, special assistant for elderly housing: Called Thatcher and congratulated him.

*March 9, 1961.*—Proposed charter of "Brotherhood Retirement Home" sent to Gaston March 9, 1961.

Incorporators listed are—

J. A. (Pat) Sullivan.

E. C. Spooner, 1701 Katie Street, Moss Point, Miss.

Horace I. Ward, 1201 Country Club Drive, Pascagoula, Miss.

*May 1, 1961.*—John E. Davitt, housing market analyst, to director: estimate of demand can't be developed without additional data. Demand in Jackson County alone could not fill project.

*May 2, 1961.*—Director asked Calvin to get information from Mr. T. Lusk Wands, administrator, Boilermakers National Retirement Fund.

*July 24, 1961.*—Calvin to director: Unable to supply answers.

*August 9, 1961.*—Senator Nye to director: "Ordinarily when a project has the approval of the central body of a denominational or labor organization, we like to accept it as feasible and enjoying a sufficiency of financial responsibility."

*August 30, 1961.*—CFD to director: Let it be favored on the strength of Calvin's letter. Secretary to Meany said Calvin is a man of integrity.

*September 28, 1961.*—Application filed with Reid-McGee & Co. as proposed mortgagee and signed by Sullivan as sponsor of the Local No. 693, International Brotherhood of Boilermakers, Iron Shipbuilders, Blacksmiths, Forgers & Helpers. General contractor: McDonough Construction Co., New Orleans, La. Architect: H. C. Malebon & Associates, Gulfport, Miss. Sponsors attorney: Sid Cumbest, Pascagoula, Miss.

206 units, 635½ rooms.

\$2,511,250 requested mortgage.

*August 22, 1961.*—Sullivan to director: Mr. Ervin Coffey, member of local union is interested in managing the home, also Mr. Lester Tuck, manager, Singing River Hospital, also Mr. G. B. Cousins, regional housing manager, Drs. L. O. Stewart and F. C. Minkler interested in an office on a part-time basis.

*October 9, 1961.*—CFD to director: OK to lease dining facilities and doctors offices.

*December 18, 1961.*—Commitment issued for \$2,451,800 (replacement cost) required \$49,036 working capital:

40 year mortgage at 5¼ percent (combination declining annuity plan).

Mortgagee and sponsor same as in application.

*January 12, 1962.*—Cox memo to file: A Donald P. Lallemond stated he was the primary force in getting up the retirement home and that the American Society & Trust Co. was to furnish the interim financing at the request of the Electrical Worker's Benefit Association who had agreed to take the loan. Director stated his opinion that this arrangement was terminated due to discount requirements. Lallemond contended that he had been double-crossed, that the union is disturbed and that the project will be terminated if he is eliminated from the deal. January 16, 1962, amended commitment issued. Mortgage same. Same mortgagee and sponsor. Telegram.

*January 12, 1962.*—Director has no knowledge of Donald P. Lallemond.

*February 26, 1962.*—Commitment assigned from Reid-McGee & Co. to First National Bank of Birmingham, Ala.

*March 28, 1962.*—American Security Corp. was assigned the commitment by First National Bank of Birmingham.

*April 20, 1962.*—New director Army Rhoden expressed doubt concerning the responsibility of the local sponsorship to provide effective management and recommended a careful reanalysis before renewing the expired commitment.

*April 24, 1962.*—Rhoden again expressed doubt with respect to sponsors and asked whether the commitment could be extended without the payment of a fee.

*April 30, 1962.*—C.F.D. to zone commissioner reopening fee required.

*May 8, 1962.*—Shouse to director: A Mr. Stanbro of Gulfport, Miss., visited Shouse with respect to the requirements for closing of mortgage transaction.

*May 8, 1962.*—Memo Rhoden to Shouse: Dealt with the closing and referred to a conversation with a Mr. Malchow.

*May 9, 1962.*—A new commitment issued same mortgagee same sponsor mortgage \$2,451,800.

*May 11, 1962.*—Rhoden to Shouse: Submitted papers including an agreement by the International to take over the operation in the event of default, established an operational deficiency fund of \$25,300.00 which combined with the working capital fund would bring it up to \$49,036.00 and any deficiency in the fund would be made up by the Brotherhood Retirement Home.

*May 17, 1962.*—CFD to files. Operational deficiency escrow reduced from 2% to 1%.

*May 17, 1962.*—The above reduction was due to the need for satisfying a claim in the amount of \$24,000 for services rendered by Mr. Lallemond.

*May 18, 1962.*—Initial endorsement date of first payment to principal February 1, 1964 maturity December 1, 2003. First payment to COMDAP \$2,656.12. Scheduled completion date August 1, 1963.

*June 25, 1962.*—Nye to CFD recommends that the reopening fee paid in accordance with prior instructions be remitted to the mortgagor. Mentions a letter from a Malcolm Belt dated June 13, 1962. This request was forwarded to Mr. Starr on July 10, 1962.

(NOTE.—Subsequent correspondence that Mr. Belt is an officer of the mortgagee, The American Surety Corp.)

*July 18, 1962.*—Starr to Rhoden: Reopening fee should not have been charged and a refund was authorized.

*August 2, 1962.*—Sullivan to CFD; Sullivan no longer connected with project. Refer correspondence to Mr. Erwin Caffey, 900 Ingalls Avenue, Pascagoula, Miss.

*August 28, 1962.*—Caffey to Nye: Inquired concerning the use of working capital mentions Donald P. Lallemond who demanded and received 1 percent of the loan as a promotion fee. Also mentions correspondence with Roger Peed.

*December 10, 1962.*—Rhoden to CFD: Reports unsatisfactory progress in construction. Recommends an increase in the mortgage—discusses the possibility of the mortgagor issuing debentures to be purchased by the international to provide working capital—discusses leasing of the cafeteria to chain for use of the general public and discusses a change order to accommodate additional parking facilities necessary therefor.

*December 14, 1962.*—CFD to Cunningham, MHO representative: Asks him to investigate, expresses concern re construction progress and the talk of possible foreclosure and is disturbed by the implication that the local and international unions would allow such a step without attempting to raise any funds. Also points out that a reopening cannot be had without some consideration running to the commissioner.

*January 17, 1963.*—Buford Yerger now deputy representative MHO Atlanta to CFD: Recommends authorization of operation deficiency fund to provide office equipment, lobby furnishings, etc. Expresses opinion it is unnecessary to have the international to provide additional funds by debentures, optimistic that the project will achieve substantial occupancy prior to final closing and that after such closing income will be sufficient to meet debt service. Suggest local union now impress upon international the importance of publicity.

*March 11, 1963.*—Bob Cunningham to CFD: Recommends use of operational deficit fund as a down payment on equipment including fully equipped cafeteria to be purchased under conditional sales contract.

*March 14, 1963.*—CFD to Bob Cunningham: Asks whether local union or international has made any effort to raise money to purchase equipment.

*March 20, 1963.*—Telegram: Authorized use of operation deficiency fund, but cautioned that FHA expect unions to make all efforts to assure success of project.

*March 21, 1963.*—Bob Cunningham to Rhoden: Advised to remind unions of their responsibilities to raise funds.

*March 25, 1963.*—Caffey to Nye: Expect to have some occupancy in June or July.

*April 16, 1963.*—President Newman, Boilermakers local, to Rhoden: Local union is not in a financial position to help at all and to secure any amount by donations from the membership would be near to impossible.

*April 18, 1963.*—Rhoden to Cunningham: Attaches copy of union's letter. Mentions meeting with Caffey and a Mr. Lambert, financial secretary of the local. An outlay of \$40,000 is required before final closing of the loan. Monthly outlay approximately \$13,750; expresses opinion that without an initial high occupancy ratio they will not be able to operate for any extended period, even if principal payments were deferred and reserved payments were waived. States that construction will not be completed on time. Asks advice.

*April 25, 1963.*—CFD to Rhoden: We would give consideration to a request for principal deferment. We would expect local and international unions to provide such additional funds as may be necessary. "When FHA committed itself to insure mortgage of approximately \$2,500,000 it did so in the expectation that the local union backed by the international would live up to their obligations to stand behind the project. The local's April 16, 1963, letter to you indicates a casual dismissal of a situation that may not only lead to a substantial loss to FHA, but give the Boilermakers Union a 'blackeye' by being associated with the first failure by a union-sponsored housing for the elderly." Admits union accepted no financial responsibility, but asks that they be advised of what FHA expects of them. This was communicated to Newman in Rhoden's letters of April 29, 1963, to the local and in letter of the same date to Mr. Russel K. Berg, international president in Kansas City, Kans.

*April 2, 1963.*—Berg to Rhoden: Calvin dead over a year. Brotherhood not in position to provide funds, but are giving publicity. Such funds as are available for investments currently tied up and constitution would not permit such a loan.

*April 26, 1963.*—Yerger to CFD: Transmits the various correspondence—recommends joint request from local and international to AFL-CIO for a loan or grant suggests renting to other than elderly, suggests Jackson office work more closely with sponsors in preparing advertising and that they discuss with sponsors methods of cutting expenses; manager paid \$500 a month on full-time basis while only devoting part of his time to the project.

*May 1, 1963.*—CFD to Yerger: Agrees with recommendations.

*May 13, 1963.*—Rhoden to CFD: Recommend increase to mortgage amount.

*May 15, 1963.*—CFD to Cunningham: Asks him to review the request.

*May 2, 1963.*—Berg to Rhoden: Reiterates international position that it never promised financial assistance.

*May 20, 1963.*—CFD to Berg: Acknowledges union's position, but states that it would be to the union's advantage to avoid unfavorable reaction springing from an unsuccessful adventure.

*May 27, 1963.*—Alexander Bookstaver, director, Department of Investment, AFL-CIO to CFD: They have considered his correspondence with Berg—make no promises.

*May 15, 1963.*—Caffey to Nye: Lots of inquiries, but no applications. Again mentions fee paid to Lollament which "as you know was donated back to the home by Mr. Lollament and our attorney, Sid Cumbest. These funds are now exhausted and I feel as though I am hanging by the neck by a tall oak tree." Local union unable to put money into the project. International will make no advances. Mortgagee will not release additional funds until final closing.

*May 24, 1963.*—Cunningham to CFD: Recommends increase in mortgage for project betterment says, "as you know, the debt service criteria was not processed into this project through a misunderstanding on the part of the Jackson office of applicable instructions. It is Mr. Yerger's recollection that there would be ample income from the presently scheduled rents to support the small additional increase in mortgage amount."

*May 29, 1963.*—Approved a mortgage increase from \$2,451,800 to \$2,487,100.

*June 14, 1963.*—Rhoden to CFD: Requested deferment of principal payments and waiver of payments to the reserved fund for 1 year.

*June 14, 1963.*—Brownstein to American Surety Corp.: Increase from \$2,451,800 to \$2,485,400 authorized. Letter of May 28 withdrawn.

*June 27, 1963.*—Mortgagee indicated approval of a 6-month deferment.

CFD to Rhoden June 8, 1963: Request for deferment premature since payment to principal does not begin until February 1, 1964.

September 10, 1963.—Rhoden to CFD: Project 98 percent complete with one wing ready for occupancy. Caffey and Lambert state that no applications have been received. Only about \$14,000 left in working capital fund or about 1 month's interest. They were pessimistic. No correspondence from international. FHA inspector reported a vice president of the international union from Atlanta had visited him and asked several questions about the project and the possibility of the international taking over. "This vice president stated, in confidence, that if the international could obtain control of the project by trusteeship they would provide the financial assistance necessary and the backing to obtain occupancy which they believe would make the project a success. As you may recall there are letters of resignation in our files from the present board of trustees in favor of the international to cover such a situation as may come into being with regard to this project." States that unless international comes in the project has little chance of success. Asks CFD to contact international and arrange for the taking over of the project.

September 20, 1963.—Pfoest to Berg: Offers help.

October 3, 1963.—Peed and Wise representing mortgagee to Rhoden: Asks for final closing in Washington on October 10.

October 25, 1963.—Project finally endorsed. Mortgage \$2,485,400.

February 1, 1964, to December 1, 2003.—First payment \$2,692.52.

November 18, 1963.—Dick Curtis to Marsh Cunningham Trip report, "all doors were locked and we found no one on the premises—no occupants. There were no signs of any description on the property or on the road leading to the project." "That there exists a serious problem here, is quite obvious and efforts to contact local union representatives were unsuccessful." Elbert Ward in property management admitted that the servicing of projects mortgages had been seriously neglected to cover other duties.

December 6, 1963.—Rhoden to CFD: No funds to open the project. Deficiency fund provides only enough to cover interest payment for December. No funds to pay utilities, so they have never been turned on. Two payments had been made under the furniture installment contract. Mortgagee has been informed. Caffey and Lambert had been in Washington and were told by both the international union and the AFL-CIO that no assistance would be given. Caffey was checking the project every other day for vandalism, etc.

CFD to Berg December 10, 1963: Call attention to original motion of the international. Asked its plans. "I am unwilling to believe that you will not make some effort to salvage this project, in view of international's moral commitment.

December 12, 1963.—CFD to Rhoden: "If the international refuses to live up to its moral commitment and upon formal notice of default, the mortgagor and mortgagee may wish to consider the deed in lieu of foreclosure approach.

December 18, 1963.—Berg to CFD: Refers to a report by their representative—Davenport. Repeats that International promised no financial assistance.

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FEDERAL HOUSING ADMINISTRATION,  
Washington, D.C., November 23, 1964.

Mr. SAMUEL J. SCOTT,  
U.S. Senate Rules Committee,  
Old Senate Office Building,  
Washington, D.C.

DEAR MR. SCOTT: In response to your request at your November 16, 1964, meeting with Mr. Robert H. Berman of our multifamily housing staff, we are enclosing a chronological list of pertinent correspondence beginning January 16, 1964, to supplement the list through December 18, 1963, previously provided to you, a list of persons whose names appear in the correspondence and copies of letters which you designated after your review of the file, all relating to the Blue Lake Manor elderly housing project in Pascagoula, Miss.

I shall be pleased to answer any additional questions which you may require concerning Blue Lake Manor.

Sincerely yours,

P. N. BROWNSTEIN, *Commissioner.*

*January 16, 1964.*—Mortgagee to M. Cunningham: Loan is in default. Will notify FHA within a short time its election to assign or foreclose.

*January 17, 1964.*—Rhoden to CFD: Evidence of deterioration at the project as it is exposed to considerable dampness and rapid change in temperature. Recommend some provision for heating the buildings and request instructions as to how funds can be obtained for this purpose.

*January 17, 1964.*—Attorney Eugene Simons to Rhoden: Claims that general contractor was not paid in full and that a lien had been filed.

*January 20, 1964.*—Rhoden to CFD: Recommends the appointment of a caretaker.

*January 22, 1964.*—CFD to Rhoden: It is mortgagee's responsibility to protect and preserve the project. Expenses therefore may be included in its claim for debentures.

*January 27, 1964.*—Daniels to Rhoden: Request that property be inspected and all parties be notified of any latent defects.

*January 31, 1964.*—CFD to Simons: Correspondence indicates claim is in dispute and subject to review by a board of arbitration. Matter is one to be resolved by the contractor and the mortgagee.

*February 10, 1964.*—M. Cunningham to Rhoden: FHA has received notice of election to assign. Request inventory of personal property and other material.

*February 10, 1964.*—M. Cunningham to Tom Davis: Notifies Legal of the election to assign and asks that handling be expedited and a custodian be appointed.

*February 13, 1964.*—Tom Davis to Rhoden: Make arrangements to have a custodian ready to enter possession of premises as soon as you are notified that the assignment has been placed of record.

*February 13, 1964.*—Tom Davis to mortgagee: Enclose copies of instructions to mortgagee and asks for the submission of various documents.

*February 14, 1964.*—Rhoden to Caffey: Turn over sufficient number of keys to Claude Morton, representative of the mortgagee, so that he will have ready access to the property and the patrol service to be provided.

*February 14, 1964.*—Rhoden to Claude Morton: Enclose copy of letter to Caffey. Asks for copy of inventory.

*February 17, 1964.*—Rhoden to Tom Davis: Mortgagee has secured the services of an armed guard to check the project at irregular intervals.

*February 18, 1964.*—M. Cunningham to Tom Davis: Explore with General Electric Acceptance Corp., the seller of the furniture and equipment, the possibility of acquiring interest in the chattels.

*February 18, 1964.*—Chief architect to real property officer: Inspection made on February 13, 1964. No evidence of vandalism. Building appeared in good condition with some evidence of condensation. If the condition continued to exist, it will eventually cause considerable dampness.

*February 18, 1964.*—General Electric Credit Corp. to Tom Garrett: Four installments have been made on the furniture and equipment. Asks that they advise whether the account will be transferred from the mortgagor to the FHA.

*February 19, 1964.*—Rhoden to CFD: Encloses statement from General Electric Credit Corp. of amount due on furniture and equipment. Asks whether a commitment can be made to resume the payments or pay the account in full.

*February 20, 1964.*—Tom Davis to Rhoden: Contact General Electric Acceptance Corp. Ask them not to take any repossession action on furniture and equipment until we have completed our study.

*February 20, 1964.*—Mortgagee to Tom Davis: Encloses copy of its letter to Caffey. States that arrangements have been made for watchman.

*February 20, 1964.*—Mortgagee to Caffey: Demands that all measures be taken to maintain the building in a state of good repair.

*February 26, 1964.*—Rhoden to General Electric Credit Corp.: Requests that they defer exercising the right under the chattel mortgage pending determination as to whether FHA will operate the project or attempt to sell it. FHA cannot guarantee that the property will not be harmed, but steps have been taken to provide custodial care for the building.

*February 28, 1964.*—Mississippi Valley Title Insurance Co. to mortgagee: Have examined proposed form of assignment of deed of trust to FHA and find it to be in order. Forward assignment when ready to have it recorded.

*March 3, 1964.*—Tom Davis to mortgagee: Deed of Trust acceptable and mortgagee may proceed with the assignment. Placed the original on record during the week of March 8, 1964.

*March 11, 1964.*—Mortgagee to Mississippi Valley Title Insurance Co.: Record assignment on March 13.

*March 13, 1964.*—Telegram, mortgagee to Davis: Assignment filed for record and endorsement of hazard insurance policies accomplished on March 13, 1964.

*March 13, 1964.*—E. M. Galloway, attorney, to FHA: Enclose copy of assignment of deed filed March 13.

*March 16, 1964.*—Rhoden to Davis: Attaches correspondence indicating contractor is submitting to arbitration amounts disputed with the mortgagee.

*March 19, 1964.*—M. Cunningham to Home Indemnity Co.: Place a comprehensive general liability insurance policy on project with bodily injury limits of \$200,000 to \$600,000 and property damage coverage of \$100,000.

*March 19, 1964.*—Mississippi Valley Title Insurance Co. to FHA: Enclosed original title insurance policy.

*March 20, 1964.*—Arvis V. Cumbest to M. Cunningham: States that mortgagor willing to execute a deed of conveyance to the property on a voluntary basis in lieu of foreclosure proceedings.

*March 24, 1964.*—Telegram, Davis to Title Co.: Asks whether foreclosure of the deeds of trusts by FHA will extinguish the mechanic's lien.

*March 25, 1964.*—M. Cunningham to Cumbest: Voluntary conveyances are frequently time consuming and quite often overly burdensome. Title involvements develop in many instances that are difficult to eliminate. Foreclosure, therefore, affords the more facile course of action.

*March 26, 1964.*—CFD to Home Indemnity Co.: Acknowledges receipt of public liability policy and requests additional coverage.

*March 27, 1964.*—Thompson to Rhoden: Inquire concerning the tax-exempt status of the project.

*April 6, 1964.*—Davis to Showell: Transmits copy of conditional sales contract for equipment for possible negotiations for continuance.

*April 8, 1964.*—Showell to Davis: Orally commits FHA to purchase chattels for the outstanding balance of the installment contract after property has been acquired. Asks that acquisition be expedited.

*April 1, 1964.*—Construction Representative Jones to Real Property Officer Hopper: A fairly detailed inspection of the property has been made. Cites the conditions which were found. States that there are construction subcontractors who have not received full payment for the work which they performed.

*April 9, 1964.*—Davis to Thompson: Mortgagee has met the legal requirements for assignment of the mortgage to FHA.

*April 14, 1964.*—Rhoden to CFD: Guard service making irregular inspections. If there is to be any substantial delay in foreclosure, there should be someone on the grounds at all times. Asks instructions concerning items which the general contractor should be required to correct.

*April 21, 1964.*—CFD to Rhoden: General Counsel advises that case is now ready for referral to Department of Justice. May be able to hold sale and acquire title by June 1, 1964. If a delay is indicated, U.S. attorney may assist in placing a custodian in charge. Understood you are proceeding directly with the general contractor concerning corrective work.

*April 24, 1964.*—Prothro to Assistant Attorney General: Request the institution of foreclosure proceedings.

*April 30, 1964.*—Rhoden to M. Cunningham: Rain and high winds causing increasing damage to building. Furniture and equipment showing some evidence of mold. Patrol service now provides for man to remain on premises 24 hours a day. Asks what additional steps can be taken to protect property.

*May 4, 1964.*—CFD to Davis: Endeavor to expedite the appointment of a custodian with the expectation the U.S. attorney will arrange for the custodian to do whatever is immediately necessary to protect the property from further damage.

*May 27, 1964.*—Assistant Attorney General to FHA: Summons served upon the trustee under the deed of trust pertaining to a suit asserting a claim against the project for \$12,000. Best procedure would be to join the lienholder in our foreclosure suit and obtain the dismissal of the State court action. Asks advice as to whether furniture was subject and covered by the lien of the deed of trust and was, therefore, to be included in the foreclosure. Requests information as to whether we could proceed against the manufacturer's warranty or the contractor's bond for water damage to the project. Points out there is, apparently, approximately \$30,000 still due the general contractor and requests advice as to whether there is some way that this sum could be held for application of the net indebtedness.

*June 17, 1964.*—Prothro to Assistant Attorney General: \$30,000 still due the general contractor appears to be money owed to it for which the general contractor will undoubtedly file either a lien or a suit. There are no known assets of the mortgagor corporation which could be attached to satisfy this lien or other debts owing by the mortgagor. Matter of the disposal of \$12,000 claim left to your discretion. General Electric Credit Corp. has lien on furniture. Have U.S. attorney determine if any of the items by virtue of their installation into the project have become fixtures, and if so, whether the Commissioner's right is prior to that of the Credit Corp. Water damage claim would depend on whether there was improper installation or faulty manufacture.

*July 10, 1964.*—Rhoden to Al Saxton: Guard is only on grounds 12 hours during the day and contract requires a 24-hour guard service. Asks immediate performance of contract.

*July 16, 1964.*—M. F. Davis, FHA inspector, to Real Property Officer: Full-time guard service has been enforced since July 12. Davis inspected project and there was no apparent evidence of vandalism or other damage.

*July 20, 1964.*—Mandal's Sheet Metal Works to FHA Director: There is a balance of \$500 due on the subcontract for roofing and sheet-metal work.

*July 20, 1964.*—O'Neal Electric Co. to FHA Director: Balance of \$2,400 due to this subcontractor for work performed on the project.

*July 28, 1964.*—Prothro to Assistant Attorney General: If the claims of O'Neal Electric and Mandal's Sheet Metal Works constitute liens against the property, we suggest that both parties be joined as defendants in foreclosure action. In any event, they represent obligations of the mortgagor and are not the responsibility of FHA.

*July 21, 1964.*—Rhoden to U.S. Attorney's Office, Jackson, Miss.: Enclose copies of correspondence related to subcontractor's liens.

*July 28, 1964.*—Senator John J. Williams to Commissioner Brownstein: Requests date of loan, amount of loan, and other information with respect to the project.

*August 4, 1964.*—Commissioner Brownstein to Senator Williams: Supplied requested information and advised that the Department of Justice now has the case for foreclosure.

*August 7, 1964.*—CFD to Thompson: Arrangements have been made for full-time guard service by Jackson County Guard Service. We have authorized the purchase of four fire extinguishers and have arranged for telephone service. Payment of these items may be made upon receipt of certified vouchers.

*August 10, 1964.*—Attorney James T. Davis for the Normand Co., Inc., to Rhoden: Claim of \$2,300, balance due on subcontract for material furnished and work performed.

*August 18, 1964.*—Summons upon the FHA to appear before the Circuit Court of Jackson County to answer the complaint of McDonough Construction Co.

*August 19, 1964.*—Prothro to U.S. attorney: Enclose copy of Normand Co. claim letter. If a lien is filed, suggest that the subcontractor be joined as party defendant in foreclosure action.

*August 19, 1964.*—Prothro to Assistant Attorney General: Asks that filing of the original complaint be expedited.

*August 24, 1964.*—Commissioner Brownstein to Senator John J. Williams: No one in FHA received any letter or telephone call from any Member of Congress relating to the project. The land was purchased from a Mr. J. Gordon Hogue, a former lumber dealer and resident of Pascagoula. No evidence Mr. Hogue had any prior relationship with anyone in public service or with the union.

*August 26, 1964.*—Tom Davis to Title Insurance Co. of Minnesota: Your company insured the Federal Housing Commissioner as holder of deed of trust. Enclose notice of suit by McDonough Construction Co. In view of insurance issued by your company, we would appreciate your taking whatever action is necessary in order to protect the Commissioner's interest.

*August 26, 1964.*—Prothro to Assistant Attorney General: Enclosing copy of summons and letter to title company. Asks U.S. attorney to look into matter and take whatever action is necessary to protect the Commissioner's interest.

*October 1, 1964.*—Prothro to Assistant Attorney General: Enclose 10 copies of foreclosure complaint and 14 copies of construction contract—"Lump Sum" and contract bond—"Dual Oblige." Latter two exhibits will enable U.S. attorney to join any additional defendants in the foreclosure action.

*September 2, 1964.*—Senator Williams to Commissioner Brownstein: Did you receive any telephone calls, letters, or other communications from any employee working in the legislative branch of the Government with particular reference to the U.S. Senate and its committees?

*September 11, 1964.*—Commissioner Brownstein to Senator Williams: Answers to all questions in the negative.

*October 5, 1964.*—Prothro to Assistant Attorney General: Advised that attorneys representing title insurance company preparing to file an answer on behalf of the Commissioner in a suit brought by the McDonough Construction Co. and others.

*October 15, 1964.*—Davis to Showell: Foreclosure sale will be held in the near future. Since project is unoccupied, suggest FHA bid figure be established on the basis of a fair market value rather than by capitalizing income. Request that bid figure be forwarded when it has been determined.

*October 20, 1964.*—CFD to Davis: Believe it would be preferable to have a court-appointed custodian placed in charge of the buildings and appropriate court orders authorizing turning on the utilities under supervision of the mechanical contractors.

*October 16, 1964.*—Rhoden to M. Cunningham: Hurricane Hilda caused some slight damage to the project.

*October 27, 1964.*—Anadale to Rhoden: Provides information with respect to the insurance coverage in force.

*October 20, 1964.*—Mississippi Valley Title Insurance Co., to Tom Davis: Understanding that at the foreclosure sale FHA would bid no more than the fair market value. Asks confirmation.

*October 27, 1964.*—Prothro to Assistant Attorney General: Requests that the U.S. attorney petition the court for the appointment of a custodian and appropriate court orders authorizing the resumption of utility service.

*October 29, 1964.*—Davis to title company: FHA will bid no more than fair market value.

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NOVEMBER 16, 1964

People involved in correspondence relating to Blue Lake Manor, Pascagoula, Miss.:

- Mr. Robert K. Williams, chief land planner, Jackson, Miss., insuring office.
- Mr. J. A. Sullivan, sponsor and official of the Boilermakers Union.
- Mr. John Lee Gainey, local PHA representative (Mississippi region), Housing Authority No. 8, Gulfport, Miss.
- Mr. E. E. Howard, assistant chief underwriter, Jackson, Miss., insuring office.
- Mr. William I. Rosamond, William I. Rosamond & Associates—Architect.
- Mr. Russell H. O'Neill, Management Engineer & Development Corp.—Broker.
- Mr. Buford Yerger, director, Jackson, Miss., insuring office (later deputy multi-family housing representative, Atlanta, Ga.).
- Mr. R. O. Johnson, FHA Zone Commissioner.
- Mrs. Mary Cleverley, Special Assistant for Elderly Housing, FHA.
- Mr. T. B. Garrett, deputy director, Jackson, Miss., insuring office.
- Mr. John Jamison White, Washington, D.C.
- Mr. T. F. Mariani, representative of John Jamison White & Associates—Architects and engineers.
- Mr. Donald Cumbest, attorney, Pascagoula, Miss.
- Mr. Al S. Johnson, representative, Board of Supervisors, Jackson County, Miss.
- Mr. Lloyd Day, representative of Rosamond & Associates.
- Mr. C. B. Yarborough, Chief Underwriter.
- Mr. R. W. Jefferson, FHA Assistant Commissioner, Examination and Audit.
- Mr. Sutter, Phoenix, Ariz., insuring office.
- Mr. William A. Calvin, president, International Brotherhood of Boilermakers, etc., Kansas City, Mo.
- Mr. Herbert S. Thatcher, attorney, Washington, D.C.
- Senator Gerald P. Nye, special assistant for elderly housing, FHA.
- Mr. Robert B. Gaston, Chief, Special Programs Division, legal, FHA.
- Mr. Herman Brams, attorney, FHA.
- Mr. E. C. Spooner, incorporator of mortgagor.
- Mr. Horace I. Ward, incorporator of mortgagor.
- Mr. Arvis V. Cumbest, attorney, Pascagoula, Miss.
- Mr. John E. Davitt, housing market analyst, FHA.
- Mr. T. Lusk Wands, administrator, Boilermakers national retirement fund.
- Mr. R. C. Parsons, deputy zone commissioner, FHA.
- Mr. Edgar C. McIntosh, zone commissioner, FHA.
- Mr. C. Franklin Daniels, Assistant Commissioner for Multifamily Housing, FHA.

- Mr. Kirkland, secretary to President Meany.  
 Mr. Meany, president, AFL-CIO.  
 Mr. Walter Cox, program operations adviser, FHA.  
 Mr. F. B. Williams, vice president and treasurer, Reid-McGee & Co. (mortgagee).  
 Mr. Sid Cumbest, sponsors attorney.  
 Mr. Marsh Cunningham, Director, Rental Housing Division, FHA.  
 Mr. Erwin Caffey, member, local union.  
 Mr. Lester Tuck, manager, Singing River Hospital.  
 Dr. L. O. Stewart, M.D.  
 Dr. F. C. Minkler, M.D.  
 Mr. T. E. Blue, chief valuator, FHA.  
 Mr. Mather Rutrup, construction examiner, FHA.  
 Mr. W. T. Sansing, chief architect, FHA.  
 Mr. Julius L. Turek, regional attorney, FHA.  
 Mr. Donald P. Lallemon, promotor.  
 Mr. Anthony D. Grezzo, programs operations adviser, FHA.  
 Mr. G. B. Cousins, regional housing director.  
 Mr. Paul T. Huck, vice president, First National Bank of Birmingham (mortgagee).  
 Mr. Malcolm A. Belt, treasurer, American security Corp. (mortgagee).  
 Mr. H. C. Malchow, architect-engineer, Gulfport, Miss.  
 Mr. Lester H. Thompson, Assistant Commissioner-Comptroller, FHA.  
 Mr. Merle Shouse, chief attorney, FHA.  
 Mr. Arny Rhoden, director, Jackson, Miss., insuring office.  
 Mr. Trueman, attorney, First National Bank of Birmingham (mortgagee).  
 Mr. Warren Cox, chief attorney, FHA.  
 Mr. Roger Peed, attorney for mortgagee.  
 Mr. Stanbro, Gulfport, Miss. (representing Boilermakers).  
 Mr. Robert Cunningham, FHA, multifamily housing representative Atlanta, Ga.  
 Mr. Neal J. Hardy, FHA, Commissioner.  
 Mr. W. S. Newlin, acting zone operations commissioner, FHA.  
 Mr. Carlos W. Starr, Assistant Commissioner, Field Operations, FHA.  
 Mr. Paul Hussey, assistant to Assistant Commissioner for Multifamily Housing, FHA.  
 Mr. Grady A. Vickers, fiscal officer, FHA.  
 Mr. Thomas C. Barringer, FHA.  
 Mr. Tom Davis, Chief, attorney, FHA.  
 Mr. W. W. Newman, president, local union.  
 Mr. J. T. Lambert, local union member.  
 Mr. Russell K. Berg, president, international union, Kansas City, Mo.  
 Mr. Alexander Bookstaver, director, Department of Investments, AFL-CIO.  
 Mr. Marvin M. Wise, chief architect, multifamily housing office, Atlanta, Ga.  
 Mr. John E. Glancy, manager, Insured Mortgage Department, William A. White & Sons.  
 Mrs. Gracie Pfost, special assistant for elderly housing, FHA.  
 Mr. Joel Wise, attorney for mortgagor.  
 Mr. John K. MacDonald, attorney, FHA.  
 Mr. Richard T. Curtis, Assistant Director, Rental Housing Division, FHA.  
 Mr. Perry W. Davenport, international staff representative, local union.  
 Mr. J. Gordon Hogue, Hogue Lumber Co., Gulfport, Miss.  
 Mr. Hyde.  
 Mr. C. W. Jones, international vice president, Boilermakers Union.  
 Mr. Thomas F. Murray, vice president, Equitable Life Assurance Society (mortgagee).  
 Mr. Eugene R. Simons, attorney for general contractor.  
 Mr. Robert Warden, Assistant Director, Rental Housing Division, FHA.  
 Mr. Claude Morton, custodian for Equitable Life Assurance Society.  
 Mr. William J. Linane, FHA attorney.  
 Mr. Malcolm Prestridge, chief architect, Jackson, Miss., insuring office.  
 Mr. C. A. Hopper, real property officer, Jackson, Miss., insuring office.  
 Mr. Joseph Alvarez, FHA, fiscal.  
 Mr. Gerald M. Murphy, attorney, Equitable Life Assurance Society.  
 Mr. Charles Anadale, FHA insurance adviser.  
 Mr. C. Donn Ainslie, manager, Casualty Insurance Department, Home Insurance Co.  
 Mr. Lemuel Showell, Assistant Commissioner for Disposition, FHA.  
 Mr. Bobby L. Covington, vice president, Mississippi Valley Title Insurance Co.

Mr. M. H. Brewer, manager, General Electric Credit Corp.  
 Mr. E. M. Galloway, attorney, Equitable Life Assurance Society.  
 Mr. H. J. Douglas, assistant manager, Home Insurance Co.  
 Mr. Dan W. Jones, FHA construction representative.  
 Mr. A. M. Prothro, General Counsel, FHA.  
 Mr. John W. Douglas, Assistant Attorney General, Department of Justice.  
 Mr. Russell Chapin, Chief, General Claims Section, Department of Justice.  
 Mr. Jack McDill, assistant U.S. attorney, Department of Justice.  
 Mr. Robert E. Hauberg, U.S. attorney, Jackson, Miss.  
 Mr. A. L. Saxon, guard, Jackson County Guard Service.  
 Mr. James A. Cooper, general manager, Mandal's Sheet Metal Works.  
 Mr. O. S. O'Neal, Jr., O'Neal Electric Co.  
 Senator John J. Williams, U.S. Senator.  
 Mr. Roy Swick, Commissioner, Held Mortgage Section, FHA.  
 Mr. James T. Davis, attorney, representing the Normand Co., Inc.  
 Mr. Robert H. Berman, programs operations adviser, FHA.  
 Mr. C. J. McConville, Sr., vice president, Title Insurance Co. of Minnesota.  
 Mr. C. Lowry Lucas, vice president, Mississippi Valley Title Insurance Co.  
 Mr. Philip N. Brownstein, FHA Commissioner.

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FEDERAL HOUSING ADMINISTRATION,  
 OFFICE OF THE DIRECTOR,  
 Jackson, Miss., October 9, 1959.

MRS. MARY U. CLEVERLEY,  
*Housing Representative, Housing for the Elderly, Federal Housing Administration, Washington, D.C.*

DEAR MRS. CLEVERLEY: Further reference is made to our correspondence concerning the proposed housing for the elderly project to be located in Pascagoula, Miss. A conference was held in this office and the following persons, representing the sponsors, architects, etc., were present:

J. A. Sullivan, business manager, Boiler Makers' Union No. 693, Pascagoula, Miss.;

T. F. Mariani, representing John Jamison White & Associates, architects-engineers, Washington, D.C.;

W. I. Rosamand, architect, Columbus, Miss.;

Donald Crumbest, attorney, Pascagoula, Miss.;

Al S. Johnson, representing board of supervisors, Jackson County;

John Lee Gainey, Mississippi Regional Housing Authority No. 8, Gulfport, Miss.;

Lloyd Day, representing Rosamond & Associates, architects.

Mr. Mariani indicated that his firm was working on a project located in Arlington, Va., to be known as Pomponio Foundation. The Boiler Makers' local together with the local metal trades association, who in turn are receiving backing from the Metal Trade Council of Washington, D.C., are the principal sponsors of this project.

In addition to the undersigned, the following were also in attendance at this conference:

C. B. Yarborough, chief underwriter;

E. E. Howard, assistant chief underwriter;

T. B. Garrett, assistant director.

Very truly yours,

BUFORD YERGER, *Director.*

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JACKSON, MISS., *December 9, 1960.*

Re proposed project, housing for the elderly, Pascagoula, Miss.

MR. HERBERT S. THATCHER,  
*Washington, D.C.*

DEAR MR. THATCHER: Your letter of December 7, 1960, in regard to the captioned subject is acknowledged. Perhaps it would be better for me to outline to you somewhat more in detail just what we have in mind in regard to this proposed project so that you may determine for yourself just what should be done to accomplish our general objectives.

First of all, I should like to express my belief that a project of this nature, under the sponsorship of a union organization, can be made into a most worthwhile activity, both from the standpoint of implementing the union program for its membership upon their retirement and from the standpoint of providing congenial, comfortable, and desirable housing for older persons with union affiliations. While the provision of such housing probably should not in any way be tied in with your pension plans, it seems to me that it can provide a most worthwhile adjunct to such plans and will result in making pension plans even more effective than at present.

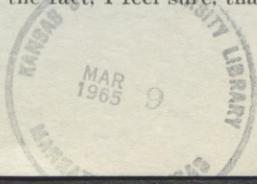
I am convinced that the trend on the part of retired persons to move to those sections of the country where climatic conditions are favorable and recreational facilities are more plentiful will increase to a greater degree than is the case today where it is already quite evident in the gulf coast area and California. So far most of this migration of senior citizens has been for those in the upper middle and higher income brackets, but I see no reason, when facilities such as this proposed project are developed, that a similar trend should not develop among those whose income at retirement might be termed as moderate. We should like assurances of support and cooperation from the international brotherhood as an expression of interest in and support of the idea.

Secondly, I would like to feel that this interest and support of the plan would make itself felt in providing an additional source of tenants for the project by the very weight of the approval and endorsement of the international brotherhood organization. This tenant source being, of course, the entire membership of the brotherhood, who would naturally learn about the project through the international and be favorably disposed toward it by reason of brotherhood interest. The good will and effective support of the international brotherhood is sought and an expression of sponsorship interest will certainly assure us of their approval.

Thirdly, we are aware of the fact that local No. 693 is substantially a single industry union in that the bulk of its membership is employed at the Ingalls Shipbuilding plant in Pascagoula, and the continued operation of this plant at a fairly high level of employment is necessary for the continued life of the union itself. While it is true that the local has sound membership in many other industries, the majority is employed at Ingalls. We have no fear of any untoward event affecting this industry which could result in a substantial loss of membership to local No. 693, but we do feel it wise that there be some provision made if circumstances beyond the control of local No. 693 were to render it incapable of carrying the project through its construction period or incapable of providing effective sponsorship necessary to successful operation of the project after it is completed. This contingency, though remote, makes it desirable from our standpoint that we have a willingness on the part of the international brotherhood to step into the position of sponsor should circumstances make such necessary or desirable. It should also be borne in mind that while local No. 693 is, in our judgment, large enough and strong enough to carry through the project as now contemplated, we also feel that there is a strong possibility of a further expansion of the project if retired members of other locals in the gulf coast area and throughout the country will avail themselves of the opportunity to be provided by what we believe will be a model facility for senior citizens' housing upon retirement. Any such future expansion could best be accomplished, we believe, if the stamp of approval of the international brotherhood is given in no uncertain terms to this project. It is true, too, that since this is a pilot-type of operation that we want to gain as much support as is possible to insure its success so that the undertaking of similar projects elsewhere in the country under sound union sponsorship may be assured.

Finally, I should say that we would like for this "secondary" sponsorship interest to be expressed through some sort of agreement or contract between local No. 693 and the international brotherhood which would make it possible for the corporation (to be created to own and operate the proposed retirement home) under such circumstances as would be agreeable both to local No. 693 and to the international brotherhood. This would give firm assurance of the highest type of sponsorship and/or operation of the project, regardless of eventualities.

I should like to make it quite clear we do not expect there to be any assurances of financial guarantees from either local No. 693 or the International Brotherhood beyond those which are incident to the completion of the project and expected of responsible sponsors. You are familiar with the fact, I feel sure, that



operating funds equal to 3 percent of the mortgage are to be made available to the nonprofit corporation at the time of closing of the mortgage for use of the ownership corporation in getting the project underway. There may be a limited amount of cost or expense incurred in connection with the project which would not be covered by the mortgage and paid for out of funds provided by the mortgage. These costs should not be large and possibly may never occur, but should such occur, then either local No. 693 or the international would be expected to take care of them in order that the loan could be closed in accordance with FHA administrative regulations. The agreement could stipulate the responsibility of local No. 693 for all such funds since we will require that they be readily available before we could issue our commitment.

As to the form of the agreement between local No. 693 and the international brotherhood which might implement the objectives and requirements outlined above, I have no particular suggestion to offer so long as we have assurances that such are in a form on which we can rely or which might meet any stipulation of our legal section in Washington. I am inclined to feel that this might best be accomplished by a contract between local No. 693 and the international brotherhood which would relate to transfer of the stock in the ownership corporation by local No. 693 to the international under certain circumstances, and assurances from the international in the same agreement that they would stand as sponsors of the ownership corporation with the same responsibilities that would be expected of local No. 693 should such transfer ever be made.

As to the question of financial responsibility or guarantees, it should be borne in mind that we must determine that the sponsor be financially qualified. For a nonprofit organization to so qualify, the following conditions must be met:

"Be a fraternal, religious, charitable, or other organization, having among its objectives a recognized interest in furnishing adequate housing for aged persons;

"Enjoy existence in perpetuity or an assured life exceeding the maximum mortgage term; and

"In addition to anticipated rental income (taking into account the varying ability of elderly occupants to pay), be possessed of sufficient earned or contributed income, or income-producing assets, to reasonably assure meeting debt service requirements and operating expenses during the life of the insured mortgage.

"To be 'acceptable to the Commissioner,' such organization must meet the requirements of paragraph 235, administrative regulations, and be able to provide a reasonable basis for expectancy of a sustained demand by eligible elderly persons during the life of the insured mortgage.

"With the narrowest of interpretations, the last two paragraphs foregoing might be considered to require a flat guarantee of continued occupancy demand and of ability to meet debt service and operating expenses for the life of the insured mortgage. The solvency of the housing insurance funds and the protection of the Commissioner's liability thereunder always must be borne in mind; but, while stating essential requirements in their broadest terms, it is not intended that those two paragraphs be interpreted in such a manner as to be unduly restrictive or unnecessarily difficult to meet."

It must be anticipated that the sponsor, in good faith, would be willing to advance the project additional funds by loan or grant from its own sources to "tide it over" during some periods when project income might not be sufficient to meet all operating costs and mortgage responsibilities. It would not be expected that the sponsor would carry such additional financial support to the point of bankruptcy or such burdensome expense that would disrupt its other responsibilities to its membership. I know of no way to clearly express the type of additional financial support that might be expected of the sponsor other than to say that it would not seem proper to permit default and foreclosure of a worthwhile project simply because of some temporary financial emergency which did not affect the basic financial stability over the long haul. We would expect to cooperate with the mortgagee and the sponsor in meeting any such emergency through various means, if default and foreclosure could and should be avoided.

I am forwarding this reply through our Washington office for review as to the expressions of policy, since I feel it wisest for them to concur in the views herein expressed.

I should like to have your reaction as well as that of Mr. Sullivan and local No. 693 just as soon as you have had an opportunity to review this letter.

Very truly yours,

BUFORD YERGER, *Director.*

Cc: Mr. William A. Calvin, president, International Brotherhood of Boilermakers, etc., New Brotherhood Building, Kansas City, Kans.; Mr. J. A. Sullivan, business manager, Boilermakers Local No. 693, Post Office Box 350, Pascagoula, Miss.; Mr. R. O. Johnson, Zone Operations Commissioner, Federal Housing Administration, Washington, D.C.

PASCAGOULA, MISS., PROJECT, *January 30, 1961.*

Called Thatcher and congratulated him on his success in bringing ends together. He said financing was to be carried for tomorrow by Electrical Workers.

G. P. A.

MARCH 9, 1961.

Proposed Charter,  
Brotherhood Retirement Home,  
Pascagoula, Miss.

ROBERT B. GASTON,  
*Chief, Special Programs Section, Legal Division*  
(Attention: Mr. Brams).

It would be appreciated if you would review and acquaint yourself with the proposed charter of "Brotherhood Retirement Home" to be located in Pascagoula, Miss. Please let me know when Mr. Thatcher, attorney for the sponsors, can come over to go over the charter with you.

GERALD P. NYE,  
*Special Assistant for Elderly Housing.*

LAW OFFICES, HERBERT S. THATCHER,  
*Washington, D.C., March 8, 1961.*

Senator GERALD P. NYE,  
*Federal Housing Administration,*  
*Washington, D.C.*

DEAR SENATOR NYE: Enclosed please find draft of the proposed charter of incorporation of the nonprofit corporation being established by the sponsor of the housing project for the elderly in Pascagoula, Miss.

I am told by local counsel, Arvis V. Cumbest, of Pascagoula, that this charter has received the approval of the State office of the Federal Housing Administration, but approval of FHA here in Washington is also required. As soon as you have someone on your legal staff check through it, I will appreciate it if he will call me, and I will come over to discuss the charter with him. Also, before I meet with him, I would appreciate it if he would contact the State office of the FHA to determine just what further steps are required to get the project on the road and construction started. The sponsor has made appropriate arrangements for both the interim and permanent financing.

With kind personal regards,  
Sincerely,

HERBERT S. THATCHER.

THE CHARTER OF INCORPORATION OF "BROTHERHOOD RETIREMENT HOME"

1. The Corporate title of said Company is "Brotherhood Retirement Home."
2. The names and post office addresses of the Incorporators are:
  - (a) J. A. (Pat) Sullivan, 1717 Highland Drive, Pascagoula, Mississippi.
  - (b) E. C. Spooner, 1701 Katie Street, Moss Point, Mississippi.
  - (c) Horace I. Ward, 1201 Country Club Drive, Pascagoula, Mississippi.
3. The domicile of the Corporation in this State is Pascagoula, Jackson County, Mississippi.
4. This is a non-profit Corporation and no shares of stock are to be issued.
5. The period of existence of this Corporation shall be perpetual.

6. The purposes for which the Corporation is created are as follows:

(a) To provide elderly persons on a non-profit basis, with housing facilities and services, specially designed to meet the physical, social, and psychological needs of the aged, and contribute to their health, security, happiness, and usefulness in longer living.

(b) To construct, operate, maintain, and improve, and to buy, own, sell, convey, assign, mortgage, or lease any real estate and any personal property necessary or incident to the provision of housing for the elderly.

(c) To borrow money and issue evidences of indebtedness in furtherance of any or all of the objects of its business; to secure the same by mortgage, pledge, or other lien.

(d) To apply for and obtain or cause to be obtained from the Federal Housing Commissioner hereinafter called the "Commissioner," a contract or contracts of mortgage insurance pursuant to the provisions of Section 231 of Title II of the National Housing Act, as amended, as it applies to housing, especially designed for the use and occupancy of elderly persons, covering bonds, notes, and other evidences of indebtedness issued by this corporation and any indenture of mortgage securing the same.

(e) To enter into any kind of activity, and to perform and carry out contracts of any kind necessary to, or in connection with, or incidental to the accomplishment of any one or more of the non-profit purposes of the corporation.

(f) The rights and powers may be exercised by said corporation in addition to these above enumerated are those as conferred by the provisions of Chapter 4, Title 21, Mississippi Code of 1942, Recompiled (Section 5309 et seq.).

7. Notwithstanding any other provision contained herein the corporation formed hereby is authorized to enter into a contract (Regulatory Agreement) with the Federal Housing Commissioner and shall be bound by the terms thereof to enable the Commissioner to carry out the provisions of the National Housing Act, as amended. Upon execution, the contract (Regulatory Agreement) shall be binding upon the corporation, its successors and assigns, so long as a mortgage is outstanding, unpaid, and insured or held by the Federal Housing Commissioner.

8. This corporation shall not be required to make publication of its charter, shall issue no shares of stock, shall divide no dividends or profit among its members, shall make expulsion the only remedy for non-payment of dues, shall vest in each member the right of one vote in the election of all officers, shall make the loss of membership, by death or otherwise, the termination of all interests of such members in the corporate assets and there shall be no individual liabilities against the members for corporate debts, but the entire corporate property shall be liable for the claims of creditors.

9. The affairs of the corporation shall be managed by not less than three nor more than nine trustees, who shall be elected by the members of the corporation. Original three trustees shall be elected who shall serve for a term of 3 years. Thereafter at the annual meeting of the members of the corporation, three trustees shall be elected each year for a 3-year term. The trustees shall elect the regular officers of the corporation at the annual meeting, for terms of 1 year, which officers shall serve until their successors are elected and qualified. The secretary and treasurer may be one and the same person. The annual meeting shall be held on the 1st day of February of each year. The trustees shall serve without compensation.

10. The number of members of the corporation and the methods by which they are elected shall be governed by the bylaws.

11. The bylaws of this corporation may be adopted by the trustees, who may change them at their pleasure so long as they do not conflict with the provisions of these articles.

12. These articles of incorporation, except article 7 hereof, may be amended by a two-third vote of the trustees of the corporation at any annual meeting, or at a special meeting called for that purpose.

Witness the signatures of the incorporators this the -- day of -----, 19--

J. A. (PAT) SULLIVAN.  
E. C. SPOONER,  
HORACE I. WARD,

STATE OF MISSISSIPPI,  
County of -----:

Personally came and appeared before me, the undersigned authority of law in and for the jurisdiction aforesaid, the within named J. A. (Pat) Sullivan, E. C. Spooner and Horace I. Ward, who acknowledged that they signed, executed and delivered the within and foregoing articles of incorporation on the day and year therein set forth.

Witness my signature and official seal of office, this the -- day of -----, 1961.

-----  
Notary Public.

My commission expires: -----

-----  
JACKSON, MISS., July 27, 1961.

Re Brotherhood Retirement Home, Housing for the Elderly Project, Pascagoula, Miss.

GERALD P. NYE,  
*Special Assistant for Elderly Housing.*

Further reference is made to our correspondence concerning the captioned proposed housing for the elderly project at Pascagoula, Miss.

We are attaching hereto copy of a letter from Mr. William A. Calvin, president of the international brotherhood, with regard to information which we had requested with respect to pension payments and the number of people to receive these payments. You will note from Mr. Calvin's letter that these pensions are not to start until October 1, 1962, in some sections of the country with a later date in other sections. We have written Mr. Calvin requesting that he provide us with the information as to when these pension payments would start in the Southeastern States.

This is our first knowledge of the fact that these pension payments were not already in effect and the members of the international who had retired were receiving such payments. Throughout our preliminary discussions we were led to believe that these pensions were already in effect and that people were retiring and receiving such pensions.

-----  
BUFORD YERGER, *Director.*

JACKSON, MISS., September 28, 1961.

Re project No. 065-38001-NP, Brotherhood Retirement Home Assn., Inc., Pascagoula, Miss.

Mr. MARSH CUNNINGHAM,  
*Director, Rental Housing Division,  
Federal Housing Administration,  
Washington, D.C.*

DEAR MR. CUNNINGHAM: In accordance with instructions contained in paragraph 63301 of volume VI, book II, copy of the captioned application is enclosed herewith.

Very truly yours,

-----  
BUFORD YERGER, *Director.*

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FHA FORM NO. 2013  
Rev. 12/52

Form Approved  
Budget Bureau No. 63-R478.4

FEDERAL HOUSING ADMINISTRATION  
APPLICATION FOR PROJECT MORTGAGE INSURANCE  
(TO BE SUBMITTED IN TRIPPLICATE)

INSTRUCTIONS ATTACHED  
(To be inserted by FHA)

Date: \_\_\_\_\_ PART I - MORTGAGOR'S APPLICATION NO. PHS - 38001 WP

TO: Reim. Dist. of Columbia and the FEDERAL HOUSING COMMISSIONER.

The undersigned hereby applies for a loan in the principal amount of \$ \_\_\_\_\_ to be insured under the provisions of Section \_\_\_\_\_ of the National Housing Act, said loan to be secured by a first mortgage on the property hereinafter described.

Insurance of advances during construction  is,  is not desired.

B. LOCATION AND DESCRIPTION OF PROPERTY:

1. Street No.	Street	Municipality	State
2. Type of Project	No. of Units	No. of Rooms	Average Number of Rooms per Unit
3. Construction	Average Monthly Rental Per Unit		
4. Name and Address of Sponsor:			
5. Name and Address of General Contractor (if known):			
6. Architect's Name and Address			
7. Name and Address of Sponsor's Attorney			

C. ESTIMATE OF INCOME

No. of Each Family Type Unit	Percent of Total Units	No. Rooms Per Family Unit	Composition of Units	Estimated Unit Rent Per Month	Total Monthly Rent for Each Unit Type	Total Annual Rent for Each Unit Type
TOTAL ESTIMATED RENTALS FOR ALL FAMILY UNITS						
Garages or Parking Spaces						
Storerooms						
Other (Specify)						
TOTAL ACCESSORY INCOME						
RATIO ACCESSORY INCOME TO RENTALS FOR ALL FAMILY UNITS						
TOTAL ESTIMATED INCOME BY 95% OCCUPANCY						
NON-REVENUE PRODDING BUILDING SPACE						
Type of Expense	No. Units	Composition of Unit		Expense of Unit to Project		

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**D. EQUIPMENT AND SERVICES INCLUDED IN RENT:**

<b>EQUIPMENT</b>		<b>SERVICES</b>	
<input type="checkbox"/> Ranges (Gas or Electric)	<input type="checkbox"/> Laundry Facilities	<input type="checkbox"/> Water (Hot and Cold)	<input type="checkbox"/> Janitor Service
<input type="checkbox"/> Refrigerators (Gas or Electric)	<input type="checkbox"/> Venetian Blinds	<input type="checkbox"/> Gas	<input type="checkbox"/> Air Conditioning
<input type="checkbox"/> Kitchen Exhaust Fan	<input type="checkbox"/> Other (Specify)	<input type="checkbox"/> Electricity	<input type="checkbox"/> Ground Maintenance
<input type="checkbox"/> Attic Vent Fan		<input type="checkbox"/> Space Heat	<input type="checkbox"/> Other (Specify)

---

**E. ESTIMATE OF ANNUAL OPERATING EXPENSE:**

**ADMINISTRATIVE:**

Advertising ..... \$

Management ..... \$

**OPERATING:**

Elevator Power (If any) .....

Elevator Maintenance - Expense .....

Contract .....

Fuel (Heating and Domestic Hot Water) .....

Janitor Supplies .....

Lighting and Miscellaneous Power .....

Water .....

Gas .....

Garbage and Trash Removal .....

Payroll (From Schedule L) .....

**MAINTENANCE:**

Decorating .....

Repairs .....

Exterminating .....

Insurance .....

Ground Expenses (Materials Only) .....

Furniture and Fixtures .....

Other .....

TOTAL \$

REPLACEMENT RESERVE .....

TOTAL OPERATING EXPENSE \$

TOTAL OPERATING EXP. PER ROOM PER ANNUM \$

---

**F. PROJECTED ANNUAL OPERATING STATEMENT:**

**INCOME:**

Estimated Income (From Schedule C) .....

Less: Vacancies Assumed

% on Dwellings \$

% on Garages \$

% on Other Income \$

Total Vacancy Deductions \$

Gross Income Expectancy (Gross Est. Income) .....

**OPERATING EXPENSE:**

No. of Rooms ..... \$

Per Room Per Annum .....

**TAXES:**

Real Estate - Estimated Assessed

Value \$

Per \$100 \$

Personal Property - Estimated Assessed

Value \$

Per \$100 \$

TOTAL TAXES \$

TOTAL OPERATING EXPENSE AND TAXES \$

CASH AVAILABLE FOR DEBT SERVICE \$

**ANNUAL FIXED CHARGES:**

Int. (1st year) \$

Amortization % (1st yr.) \$

Max. Int. (0.5%) \$

Other Fixed Charges \$

TOTAL ANNUAL FIXED CHARGES \$

CASH AVAILABLE FOR INCOME TAXES, CORPORATE TAXES, ETC. (SEE SCHEDULE M)

---

**G. ESTIMATED DEVELOPMENT COSTS:**

**LAND IMPROVEMENTS, (Within Property Lines)**

Site Utilities .....

Language Work .....

Other .....

TOTAL LAND IMPROVEMENTS \$

**CONSTRUCTION:**

Dwellings .....

Garages .....

Stores .....

Other .....

Not Demolition .....

Good Provision .....

TOTAL CONSTRUCTION \$

**FEES:**

Builder's General Overhead -

@ % \$

Builder's Profit

@ % \$

Architect's Fee

@ % \$

TOTAL FEES \$

TOTAL FOR ALL IMPROVEMENTS \$

**CARRYING CHARGES AND FINANCING:**

Interest @ / Mon. @ % on \$

Taxes .....

Insurance .....

FHA Mtg. Ins. Prem. (0.5%) .....

FHA Estim. Fee (0.3%) .....

FHA Inspection Fee (0.5%) .....

Financing Expense ( % ) .....

Title and Recording .....

TOTAL CARRYING CHGS. & FIN. \$

TOTAL FOR ALL IMPR., CARRYING CHGS., & FIN. \$

**LEGAL AND ORGANIZATION:**

Legal .....

Organization .....

TOTAL LEGAL & ORGANIZATION \$

Builder's and Sponsor's Profit and Risk .....

TOTAL EST. DEVELOPMENT COST (ENCL. OF LAND) \$

LAND: (At Retail Market Price)

Land \$ Per Pl. @ \$ Per Sq. Ft. \$

TOTAL ESTIMATED REPLACEMENT COST \$

---

**N. TOTAL ESTIMATED REQUIREMENTS:**

DEVELOPMENT COSTS .....

LAND - PURCHASE PRICE .....

TOTAL \$

LESS: Mortgage Amount .....

EQUITY REQUIRED .....

AND ON-Site Construction Cost .....

WORKING CAPITAL .....

TOTAL EST. SETTLEMENT REQUIREMENTS \$

N. CERTIFICATION:

The undersigned, as the principal sponsor of the proposed mortgage, certifies that he (they) is (are) familiar with the provisions of the regulations of the Federal Housing Commissioner under the above identified section of the National Housing Act and that to the best of his (their) knowledge and belief the mortgagee has complied, or will be able to comply, with all of the requirements thereof which are prerequisite to insurance of the mortgage under such Section.

It is hereby represented by the undersigned that to the best of his (their) knowledge and belief no information or data contained herein or in the exhibits or attachments thereto are in any way false or incorrect and that they are truly descriptive of the project or property which is included as the security for the proposed mortgage and that the proposed construction will not violate zoning ordinance or deed restrictions.

Date Sept 22, 1961 Date \_\_\_\_\_  
 Attest [Signature] (Signed) \_\_\_\_\_ (Sponsor)

PART II - MORTGAGEE'S APPLICATION

TO: THE FEDERAL HOUSING COMMISSIONER:

Pursuant to the provisions of the Section of the National Housing Act identified in the Mortgagee's application and Administrative Regulations applicable thereto, application is hereby made for the insurance of a mortgage covering property described in the above application of the Mortgagee. After examination of the application and the proposed security, the undersigned proposed Mortgagee considers the project to be desirable and is interested in making the loan in the principal amount of

Dollars (\$ \_\_\_\_\_), which will bear interest at \_\_\_\_\_ percent ( \_\_\_\_\_ %), will require repayment of principal over a period of \_\_\_\_\_ months and, according to an amortization plan to be agreed upon. Insurance of advance during construction  is,  is not desired.

This application by the undersigned proposed Mortgagee is subject to your commitment, in your final action and the payment of its charges. It is understood that the financing expense in the amount of \_\_\_\_\_

Dollars (\$ \_\_\_\_\_) is subject to adjustment so that the total will not exceed \_\_\_\_\_ percent ( \_\_\_\_\_ %) of the amount of your commitment.

Herewith is check for Dollars (\$ \_\_\_\_\_), which is in payment of the application fee required by said Administrative Regulations.

(Signed) \_\_\_\_\_ (Proposed Mortgagee)

(Address of Mortgagee)

(Name and Title of Officer)

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I. RESOURCES:

1. LANDS (Names and Addresses of Owners) (Estimated Value)

	\$
	\$
	\$

2. OTHER EQUITY SOURCES:

	\$
	\$
	\$

3. CASH FROM:

	\$
	\$
	\$

TOTAL RESOURCES \$

J. INFORMATION CONCERNING LAND OR PROPERTY:

Parcel or Lot	Present Owner	Total Mortgage Now a Lien	Interest Due and Unpaid	Unpaid Taxes and Assessments	Assessed Valuation Date -----	Current Tax Rate
		\$	\$	\$	\$	\$

K. SITE OR PROPERTY COST:

Parcel or Lot	Date Acquired	Purchase Price	Additional Costs Paid or Accrued	Total Cost	Relationship - Business, Personal, or Other, Between Seller and Sponsor
		\$	\$	\$	

L. SCHEDULE OF PROPOSED TYPES OF EMPLOYEES AND COMPENSATION:

Number	Type of Position	Hourly Rate or Value of Contract	Salary	Payroll Taxes	Total
		\$	\$	\$	\$

M. ATTACHMENTS:

Check (✓)	REQUIRED EXHIBITS		OTHER (LIST)
1.	Legal Description of Property	9.	
2.	Options	10.	
3.	Photographs	11.	
4.	Map of City or County	12.	
5.	Zoning Map	13.	
6.	Request for Wage Determination	14.	
7.	Personal Financial and Credit Statement	15.	
8.	Architectural Exhibits	16.	

Remarks:

[U.S. Government memorandum]

AUGUST 11, 1961.

To: Gerald P. Nye, Special Assistant for Elderly Housing.  
 From: Buford Yerger, director, Jackson, Miss.  
 Subject: Brotherhood Retirement Home, housing for the elderly project,  
 Pascagoula, Miss.

Reference is made to your memorandum of August 9, 1961, in regard to the captioned project.

We have been unable to secure from the local union or from the international brotherhood any sort of data, statistical or otherwise, in regard to the number of retirees already receiving pensions, rate of retirement of members, or future retirement benefits. The only information which we have secured is included in the copy of the letter from Mr. Calvin which was forwarded to you under date of July 27, 1961. This information was furnished in response to our request (prepared by our market analyst) to try to get some concrete information about the source of tenants for the proposed project and the income that they would be receiving.

I am sure you know that we are processing this as a nonprofit, nonsubsidized project and, therefore, some underwriting determinations will have to be made in regard to the availability of tenants and income.

We have had another conference with Mr. J. A. Sullivan of the local on Wednesday of this week and hope that he understands the kind of information which we need and that he will be able to furnish it to us.

The international brotherhood has approved in principle the project and for your information I enclose a copy of a letter from the international's president dated December 30, 1960. You will note that he makes it perfectly clear that they do not wish to assume any financial responsibility whatsoever beyond the arrangements which it may have entered into with the local to provide some initial funds.

This office is on record as being quite interested in the project in principle and favorably disposed toward the eventual issuance of a commitment, provided the underwriting requirements can be satisfactorily met.

Any assistance or suggestions which you may have to offer would certainly be welcomed.

BUFORD YERGER, *Director*.

[Memorandum for the file]

JANUARY 12, 1962.

Project No. 065-38001-NP, Brotherhood Retirement Home Association, Inc.,  
 Pascagoula, Miss.

At 9:20 a.m. today a telephone conversation was held with Mr. Tom B. Garrett, assistant director of our Jackson, Miss., insuring office to elicit information such as he could give on the Brotherhood Retirement Home Association, Inc., at Pascagoula, Miss. Mr. Yerger, the director, was not in the office.

Mr. Garrett was asked whether he knew Mr. Donald P. Lallemond who stated, in a conversation with Mr. C. Franklin Daniels, assistant commissioner, multi-family housing operations, and myself, that he had been the prime worker in putting together a retirement home for the International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers, and Helpers, Local No. 693.

The application was dated September 28, 1961, and was signed by Mr. J. A. Sullivan, chairman of the board of trustees for the union. Reid-McGee & Co. was designated as mortgagee. In this application, Mr. Sidney Cumbest was listed as attorney.

Mr. Lallemond alleged that the American Security & Trust Co. was to furnish the interim financing at the request of the Electrical Workers Benefit Association who had agreed to take the permanent loan. Mr. Garrett asserted that, so far as he knew, this arrangement was terminated due to the discounts required.

An attempt was made to contact Mr. Herbert S. Thatcher, attorney for International Brotherhood with offices in Washington, but he was ill and not available. Mr. William Calvin is president of the International Brotherhood of Boilermakers, etc., and no attempt was made to contact him.

Mr. Lallemond claimed that the union is disturbed and that the project will be terminated if he is eliminated from the deal as he has been advised by Mr. Cumbest, the attorney.

The files indicate that, under the date of December 18, 1961, a commitment was issued to Reid-McGee & Co., 516 East Capitol, Jackson, Miss., as mortgagee. The project involves 194 units.

Mr. Lallemond was asked to come into this office this morning for a conference and the foregoing information was conveyed to him. I informed him that, so far as the FHA was concerned, the application as signed by Mr. Sullivan, chairman of the board of trustees, had designated Reid-McGee & Co. as mortgagee and that, upon completion of processing, a commitment had been issued to that mortgagee and, therefore, the FHA had no knowledge of any arrangements, contracts, etc., that he may have entered into with the union. He was also informed that it was up to him to settle the difficulties within his own organization. Mr. Lallemond asserted that he was the victim of a doublecross and would pursue the matter further.

WALTER C. COX.

[U.S. Government memorandum]

FEBRUARY 5, 1963.

To: R. P. Cunningham, representative, Multifamily Housing Operations, Atlanta, Ga.

From: Arny Rhoden, director, Jackson Insuring Office.

Subject: Project No. 065-38001-NP, Brotherhood Retirement Home, Pascagoula, Miss.

The mortgagor-corporation in the captioned case specifically requested the mortgagee for the release of approximately \$13,000 from the working capital fund to be used as a downpayment on furniture to be used by them in furnishing public areas of the project. The mortgagee has informed the mortgagor-corporation that the 1 percent held by them in the working capital fund is just sufficient to cover anticipated cost at closing; such as, insurance, FHA mortgage insurance premiums, etc.

In view of this fact, and the fact that it is necessary that these public areas be furnished at the time of the opening of the project, it is requested that consideration be given to the release of the funds mentioned above from the operational deficiency fund which the mortgagee has but is under our control as to its disbursement.

Also, inasmuch as the mortgagor-corporation will be required to give a chattel deed of trust to the firm furnishing the furniture, it is requested that we be advised by the legal department what effect this chattel deed of trust would have on the first mortgage insured by this Administration, or, if the first mortgage would take precedence over the chattel mortgage in the event of foreclosure and the holder of the chattel mortgage could not recover the furniture, what type of agreement should be entered into between the holders of the mortgage insured by us and the holders of the chattel mortgage to fully set forth the rights of each party.

ARNY RHODEN, *Director.*

BLUE LAKE MANOR,  
*Pascagoula, Miss., March 25, 1963.*

Re FHA Project No. 065-38001-NP.

Mr. GERALD P. NYE,  
*Special Assistant for Elderly Housing,*  
*Federal Housing Administration,*  
*Washington D.C.*

DEAR MR. NYE: We are happy to send you our brochure on the Brotherhood Retirement Home Association, Inc., project, which we have named Blue Lake Manor, along with pertinent forms to be used in our operation.

Our construction progress has not been up to my expectations and even now an occupancy date is not certain. We do, however, expect to have some occupancy in June or July.

I shall look forward to seeing you at final closing if it is made in Washington and hope that you can be of as much assistance to us then as you were on the initial closing, which was so much appreciated.

At any time that you can assist us in this endeavor, we shall be glad to hear from you.

With kindest regards and best wishes, I remain,

Sincerely yours,

ERWIN CAFFEY, *Administrator.*

BLUE LAKE MANOR,  
Pascagoula, Miss., May 15, 1963.

Mr. GERALD P. NYE,  
Special Assistant for Elderly Housing,  
Federal Housing Administration,  
Washington, D.C.

DEAR MR. NYE: Your last correspondence to me was with reference to our progress for winning residents for occupancy in Blue Lake Manor.

We have received a number of inquiries but, as of this date, have not received an application for occupancy. With this situation, things are not looking up too well for Blue Lake Manor and we are stymied as to what steps should be taken.

As you know, on initial closing we lost 1 percent of our working capital as a fee to Mr. Lollament and the only funds available to promote this project, up until now, has been approximately \$8,000 which, as you know, was donated back to the home by Mr. Lollament and our attorney, Sid Cumbest. These funds are now exhausted and I feel as though I am hanging by the neck in a tall oak tree. The local union is not financially able to put any money into the project, nor will the international make any advances whatsoever. Knowing this situation was arising, I went to Jackson, Miss., on April 26, and talked with Messrs. Rhoden and Garrett about a possible advance from our working capital fund for operation expenses. They promised to make a request for release of funds for expenses but since have advised that no funds can be released for operations until final closing.

I am well aware of regulations and the necessity for them but have always been a man who believes in "ways and means," therefore, I can only recall what was stated in Washington to Mr. Lambert and myself in going ahead with closing the loan, even though we had lost 50 percent of our working capital.

I would appreciate hearing from you in a positive manner and advising as to what can be done with the situation as it exists.

With kindest regards and best wishes, I remain,

Very truly yours,

ERWIN CAFFEY, *Administrator.*

The CHAIRMAN. Senator Cannon?

Senator CANNON. What is the reason for a project like this going sour so fast, Mr. Daniels?

Mr. DANIELS. Well, I suppose there are various reasons. I don't know, maybe the retirees of this union just don't want to live in Pascagoula, Miss.

Senator CANNON. How many units in the project?

Mr. DANIELS. 194.

Senator CANNON. Do you know what the occupancy rate is in it now?

Mr. DANIELS. Zero.

Senator CANNON. So people have never moved in?

Mr. DANIELS. This is a most unusual case of all of the cases that we have insured in housing for the elderly. This is the first one or—let me say a most unusual one in that the sponsorship did not in our judgment live up to the expectations of the FHA and the mortgagee in obtaining occupants for the project. The project became completed and apparently the local and the international just more or less washed their hands of all responsibility in connection with it. This is an unusual kind of behavior for a sponsor or a mortgagor to take, but it happened in this particular case.

Senator CANNON. When you say a sponsor, has the national union disclaimed responsibility to your organization as indicated by Mr. Boggs?

Mr. DANIELS. They never assumed officially any financial responsibility. In the development of the housing agency with nonprofit sponsors such as churches, fraternal organizations, and a great many

unions, their charters prohibit them from extending or officially extending any financial responsibility in connection with undertaking. However, our overall experience clearly indicates that the moral responsibility of a church group, of fraternal organizations, and most unions is adequate, because their identification with this type of endeavor means so much to them and to their prestige and reputation that they do stand by these projects and support them in the event that they do run into difficulty. Now some of them, a great many of them, do not. A great many of them are immediately successful. But we have found that nonprofit sponsors, even though they do not officially assume financial responsibility, they do stand by the projects and support them until they reach a self-sustaining basis. This is inherent in most of the projects that are developed.

Senator CANNON. Did this project have any occupants from the very beginning?

Mr. DANIELS. No; it did not, sir.

Senator CANNON. Never had any occupants?

Mr. DANIELS. Never had any occupants.

Senator CANNON. Would you say that the FHA made a thorough study to determine the feasibility of this project then from the start?

Mr. DANIELS. Based on our judgment at the time, we felt that this had a good chance, a reasonable chance of success. Back in 1961 we made a determination that this would be a feasible project given the support that was indicated to us by the international union.

Senator CANNON. Did you have any other outside pressures brought upon you to help effect this decision?

Mr. DANIELS. None that we have been able to find at all, sir.

Senator CANNON. In other words, you used just your simple good business judgment, which was not too good in this case?

Mr. DANIELS. At that time we thought it was good.

Senator CANNON. Have you had other projects like this go bad throughout the country, this type of project?

Mr. DANIELS. Yes. We have had other housing for the elderly projects. The latest figures that I looked at indicated that probably about 7 percent of the projects that we insure run into this kind of difficulty, not as exaggerated as this, but these losses are covered by the mortgage insurance premiums paid by the successful projects. The FHA is in an insurance business, and there inevitably will be some losses from our operations. This has been true since 1934.

Senator CANNON. On those mortgage insurance premiums does the FHA carry that alone or do they insure it through outside insurers?

Mr. DANIELS. We carry it alone, sir.

Senator CANNON. You didn't turn around and reinsure this with MGIC?

Mr. DANIELS. No, sir.

Senator CANNON. Are there any other projects of this nature where you have not had one solitary occupant move in?

Mr. DANIELS. Yes; we have one project out in California where a similar thing happened. We never had an occupant. This happened because of a breakdown of relationships between the sponsor of the project and the building contractor. There were long protracted delays, and at the moment we have that project and are negotiating for the sale of that project at the present time.

Senator CANNON. Who was the sponsor of that project?

Mr. DANIELS. This was sponsored by the Senior Citizens League of California headed by a Mr. George McLain.

Senator CANNON. Are those the only two that you have had of this nature where no persons moved in?

Mr. DANIELS. Those are the only two, I am grateful to say.

Senator CANNON. And so far as your records disclose, there were no outside pressures or interests brought to bear in inducing you to accept approval of this project?

Mr. DANIELS. No, Senator; there was not.

Senator CANNON. No further questions.

The CHAIRMAN. Senator Cooper?

Senator COOPER. Have you studied, yourself, the record of all of the dealings and negotiations concerning this contract, and the decision of FHA to insure the mortgage?

Mr. DANIELS. I have gone through all of the available information in our files; yes sir.

Senator COOPER. Now, from your study and from the record and from your knowledge of the procedures and requirements of your agency, can you say that in no case was there any variation or any change from the normal procedures that your agency follows in making decisions on contracts like this one?

Mr. DANIELS. So far as I can recall, there were none, save one. At the time of the endorsement of the note, a normal requirement for us is to have a 2-percent working capital requirement. In this particular case this amount was reduced to 1 percent. However, the working capital is established for the purpose of meeting unexpected expenditures during the course of construction, and there were none of those, so the 1 percent proved to be adequate for the purpose for which it was established. This is the only—

Senator COOPER. Was there any particular reason why this waiver was made?

Mr. DANIELS. The union people came to us and said that at the present time that they had some obligations that they had to pay and wondered whether or not we could accept a 1-percent working capital instead of the 2, and in order to expedite the closing of the loan we did agree to 1 percent instead of 2 percent. This is the only variation that I know in all of the processing or any of the requirements that were made. This is done occasionally at the request of sponsors when in our judgment we feel that the FHA will be amply protected during the course of construction.

Senator COOPER. Did you hear the testimony of Mr. Boggs?

Mr. DANIELS. Yes; I did, sir.

Senator COOPER. Concerning the adoption of the resolution by the union.

Mr. DANIELS. Yes, sir.

Senator COOPER. Was that required by the FHA?

Mr. DANIELS. We required the adoption of a resolution pledging their support for this project. They made it perfectly clear that this did not constitute financial support. The explanation was that they couldn't under their charter, but they did pledge themselves to identify themselves with this project, to support it, to step in, in the event that the local failed. The letter even said that the international would step in and take their place. But it just never happened.

(Senator Hayden left the hearing room.)

Senator COOPER. Then is it your statement that, in your judgment, there is no legal liability of the union?

Mr. DANIELS. No, sir.

The CHAIRMAN. Did you finish, Senator Cooper?

Senator COOPER. Yes, sir.

The CHAIRMAN. Any further questions?

Mr. McLENDON. Let me ask you: Is there any additional information that you have not given that Mr. Berman can give?

Mr. BERMAN. No, sir; I don't believe there is anything I can add to what Mr. Daniels has said.

Mr. McLENDON. Is the committee willing to excuse both of these gentlemen?

Senator COOPER. What is his title?

Mr. McLENDON. What is your title?

Mr. BERMAN. Programs operations adviser.

Mr. McLENDON. Robert H. Berman?

Mr. BERMAN. Yes, sir.

The CHAIRMAN. That is all. Thank you very much.

Mr. DANIELS. Thank you.

Mr. McLENDON. Mr. Boggs, will you come back for just one additional question?

#### TESTIMONY OF MAYWOOD BOGGS—Resumed

Mr. McLENDON. Mr. Boggs, I find in Senator Jordan's file a letter from you dated October 7, 1964.

Mr. BOGGS. I beg your pardon; a letter from me?

Mr. McLENDON. Yes, sir; a letter from you to Senator Jordan, dated October 7, 1964, enclosing a letter from the district director of the Internal Revenue Service advising that the Service has accepted your return as filed for the year 1960.

Mr. BOGGS. That is correct.

Mr. McLENDON. I thought, in fairness to you, that this ought to be put in the record.

Mr. BOGGS. Thank you very much, sir.

The CHAIRMAN. You testified to that, and we will put it in the record for you.

Mr. McLENDON. Mr. Stewart.

The CHAIRMAN. Mr. Stewart, you testified here last week?

Mr. STEWART. Yes, sir.

The CHAIRMAN. And you heard the statement and you were sworn at that time and it will not be necessary to go through that again, and your counsel was identified at the same time.

Mr. GITTIS. Yes, sir. If I may, Senator, I delivered to you an original of a letter from my senior partner, Judge McBride, who represented Mr. McCloskey before this committee—Mr. Matthew H.—a copy of which was sent to the general counsel of the committee, Major McLendon, which we ask leave to read into the public record at this time as a statement on behalf of Mr. McCloskey and McCloskey & Co.

Mr. McLENDON. Mr. Chairman and gentlemen of the committee, he is correct in saying that he showed me this letter, and I feel compelled to give it as my opinion it is not appropriate for the committee

to receive it in evidence in a public hearing. He, of course, has the right to file it with the committee, with the chairman, and without disclosing all the contents of the letter. My reason is based on the fact that the letter contains an extensive argument based on evidence and facts asserted by McCloskey & Co., and I don't think it is appropriate in a case—in an instance where you have taken and are taking factual testimony.

Mr. GITTIS. Might I be heard on that for a moment, sir?

The CHAIRMAN. Yes, sir.

Mr. GITTIS. Senator Cooper, I believe, on Thursday of last week, pointed out that a great deal of testimony which has been presented before this committee will boil down to an issue of credibility of witnesses; that is, which of two witnesses is telling the truth. In any judicial proceeding with which any lawyer has even been connected in making such a determination the panel which makes it would permit the adversary parties, or the persons who have told the two conflicting stories, to look into the background of those persons making the statement, and it is these statements contained in our letter which I believe Major McLendon has reference to.

The fact that we asked this committee, and ask it as a matter of public record, to take notice of the fact that Mr. Reynolds, who made one of the contradictory statements, is a person whose reputation and background is severely to be questioned, that it has appeared in the public press that Mr. Reynolds is a man who on previous occasions has given false testimony to other Government agencies making investigations, that the records of Mr. Reynolds on file with the State Department, and on file with his military—in connection with his military service, shows clearly the kind of person Mr. Reynolds is, and the kind of false statements which he has made before.

Senator COOPER. Mr. Chairman—

The CHAIRMAN. Senator Cooper.

Senator COOPER. In effect, Mr. Gittis is trying to make the same statements that the facts or allegations as are contained in the letter presented to the chairman by Mr. McBride.

Mr. GITTIS. That is right, sir.

Senator COOPER. I think it is improper for you to make the statement, and I submit it to the chairman, when we are determining whether or not the original letter should be received.

The CHAIRMAN. Mr. Gittis, I want to repeat what the general counsel has just stated to you prior to your comments there, that he did receive this letter from you, and we decided it wouldn't be appropriate to accept this now or to permit you to make that statement here because that, I think, would have to be taken up in executive session, which will be done and then determined if it can be received as evidence and, with that understanding, I think we will have to forgo any further discourse on this particular subject.

Mr. GITTIS. Thank you, sir.

The CHAIRMAN. Of course, we appreciate your efforts on that, but I don't think it is proper that it should be made before this has been taken up in executive session as evidence.

Mr. GITTIS. Well, of course, we will abide by the chairman's decision.

Senator COOPER. Mr. Chairman, I don't want to delay the proceedings. But Mr. Gittis stated correctly that I pointed out the other day that in view of the evidence we have heard thus far it has come down pretty much to an issue of credibility between Mr. Reynolds and Mr. McCloskey and witnesses for McCloskey & Co. Later I suggested that certain records be brought into the case—and I assume they will be brought—which would qualify my statement somewhat because these records would tend to prove or disprove the allegations that have been made by Mr. Reynolds and by Mr. McCloskey.

Maybe it is correct that one of the difficulties of an investigation such as this, and I say this personally at this time, is that witnesses are deprived to some extent of the power to cross-examine on the question of credibility. However, I think that is something the committee does. Some witnesses tell pretty improbable stories, which we have heard in some cases, and which relate to the credibility of the witness. I think it is hard in an investigation like this to get ministers and priests to testify. We are dealing with people who are talking about wrongdoing. As I understand the chairman received the statement and it will be considered by the committee as a whole to determine whether or not it is going into the record.

The CHAIRMAN. That is correct.

Mr. McLENDON. I think, Senator Cooper and Mr. Chairman, that the list of projects attached to that letter is specifically an item that you requested he produce, and comment about. The letter has no application to this list of projects which you have furnished.

Mr. GITTIS. We so understand it, sir.

Senator COOPER. Further, I think that direct evidence can be brought up which is not based on hearsay. But knowledge about the credibility of witnesses relates to a different subject.

The CHAIRMAN. You may proceed, Mr. Counsel.

Mr. McLENDON. Mr. Stewart, since you were here and testified last week, you were furnished through your company's counsel an exact copy taken by the reporter of Senator Cooper's request for further information and further testimony, were you not?

#### TESTIMONY OF WILLIAM K. STEWART, ACCOMPANIED BY HOWARD GITTIS, ATTORNEY

Mr. STEWART. Yes, sir.

Mr. McLENDON. And in compliance with that request you are back here today to furnish such additional information as you have?

Mr. STEWART. Yes, sir.

Mr. McLENDON. Have you prepared, and can you now present to the committee, a list of all the projects under construction, under contract, by McCloskey & Co. on which a broker or an agency other than Hutchinson, Rivinus handled the performance bond and general liability insurance?

Mr. STEWART. Well, sir, we received your communication yesterday of Senator Cooper's request.

Mr. McLENDON. Well, it was first phoned to you; was it not?

Mr. STEWART. Yes, sir; I think the counsel—

Mr. McLENDON. On Friday afternoon.

Mr. STEWART. Yes, sir.

Mr. GITTIS. That is correct, sir.

Mr. McLENDON. And then a copy was put in the mail which you only received yesterday?

Mr. GITTIS. Yes, sir.

Mr. McLENDON. Go ahead.

Mr. STEWART. Yes, sir. In company with Hutchinson, Rivinus, or the usual broker, we prepared a list of projects of McCloskey & Co. or its affiliates where an insurance agent or broker other than Hutchinson, Rivinus & Co. participated. This includes bonds and many other types of insurance, including casualty in some cases, general liability in some cases. But the list is not intended to be definitive. We had to work it up mainly from memory of Hutchinson, Rivinus and myself as to what projects there were and what brokers there were; in some cases you will notice we have put down the name of a broker because we haven't been able to find the supporting information for it. And then some of them are various contracts, and the amounts to a large extent are approximate amounts on a contract. We didn't have enough time honestly to make a definitive study of the request, so this is of more recent projects where another broker has participated in some form in our insurance.

Mr. McLENDON. Well, let me ask you a few questions about the document.

Mr. STEWART. Yes, sir.

Mr. McLENDON. You identify the projects in the left-hand column, do you not?

Mr. STEWART. Yes, sir.

Mr. McLENDON. And number them from 1 to 19?

Mr. STEWART. Nineteen, sir.

Mr. McLENDON. And then in the second column you give the name of the agent or broker in one—

Mr. STEWART. I think it is only once.

Mr. McLENDON. And the reason you give for not giving the broker there is because you couldn't identify him?

Mr. STEWART. I couldn't find it, sir; it is a very recent job and our files didn't indicate it. Nor did Hutchinson, Rivinus.

Mr. McLENDON. In the last column you have the approximate amount of the contract.

Mr. STEWART. Yes, sir.

Mr. McLENDON. And I notice you say, "where available"; what does that qualification mean?

Mr. STEWART. Well, where it was available to me quickly, sir. Some of these contracts were back 3 or 4 years ago, where it would take a little time to get them out of our warehouse, and so on.

Mr. McLENDON. So, if I understand you, this list is as complete as you could make it within the time limit?

Mr. STEWART. Yes, sir, within the time limit. But it is not intended to be definitive. There could possibly be others.

Mr. McLENDON. Hand a copy of it to the reporter to put in the record. Do you have another copy?

Mr. GITTIS. Yes.

Mr. McLENDON. So I will be able to hand it to Senator Cooper. In these cases where you say, and illustrate by this list that you have just handed us and been put in evidence, if I understand it correctly, you

are testifying that Hutchinson, Rivinus did not handle the insurance or the bond, as the case might be, directly, but it was brokered through some other person.

Mr. STEWART. Yes, sir.

(The document referred to is as follows:)

EXHIBIT 67

List of projects of McCloskey & Co. and/or its affiliates where an insurance agent or broker other than Hutchinson, Rivinus & Co. participated

Project	Agent or broker	Approximate contract amount (where available)
1. Air Traffic Control Center, Fremont, Calif.	Marsh-McLennan	\$1,500,000
2. 1 North Charles St., Baltimore, Md.	Mason & Carter, Inc., Baltimore, Md.	9,000,000
3. General Electric Co. Research Center, Orlando, Fla.	Oliver Joe Bailey, Orlando, Fla.	4,000,000
4. John Wanamaker, Valley Forge, Pa.	Marsh-McLennan	4,100,000
5. Bell Telephone Bldg., Philadelphia, Pa.	Oliver Joe Bailey, Orlando Fla.	5,000,000
6. Twin Towers Apartment House, Cocoa Beach, Fla.	Henry E. Wood & Associates,	3,000,000
7. Rittenhouse Dorchester, Philadelphia, Pa.	New York, N.Y.	9,000,000
8. First Pennsylvania Co. Computer Center, Philadelphia, Pa.	Seltzer & Mitchell, Philadelphia, Pa.	1,800,000
9. Sheraton Park Hotel, Washington, D.C.	Mutual Insurance Agency, Washington, D.C.	
10. State of New Jersey Health and Agricultural Center, Trenton, N.J.	Ellis & Dupree Insurance Agency, Paterson, N.J.	3,500,000
11. St. Vincent's Hospital, Philadelphia, Pa.	Costello Bros	1,300,000
12. Post Office, Detroit, Mich.	Halsted-Johnson, Detroit, Mich.	22,000,000
13. Post Office, Grand Rapids, Mich.	Marsh-McLennan	6,000,000
14. Cardinal O'Hara High School, Springfield, Pa.	James J. Gowan, Springfield, Pa.	4,000,000
15. Fitzgerald Mercy Hospital, Darby, Yeadon, Pa.	Vincent A. Carroll III	(1)
16. LaSalle College, Philadelphia, Pa.	John J. Manley, Philadelphia, Pa.	3,000,000
17. Pennsylvania Railroad.	Marsh-McLennan	(1)
18. Franklin Institute, Philadelphia, Pa.	Theodore B. Rogers, Philadelphia, Pa.	4,000,000
19. Kuwait Embassy Bldg., Washington, D.C.	Atkins & Ainley, Inc.	

<sup>1</sup> Various contracts.

Mr. McLendon. Or some other agency?

Mr. Stewart. In these cases?

Mr. McLendon. Yes.

Mr. Stewart. Sometimes it could have even been an agent involved here. I think there were several where there was an agent.

Mr. McLendon. But if it were an agent it would not be Hutchinson, Rivinus?

Mr. Stewart. No, sir.

Mr. McLendon. Now, last week there was some confusion, I think, among all of us, concerning the billing to McCloskey & Co. for the premiums on general liability insurance, and there was some testimony from you, and perhaps others, to the effect that the rates established by Aetna for any particular locality varied from time to time. Do you remember that testimony?

Mr. Stewart. Yes, sir.

Mr. McLendon. And that also there was some statement by you or by some other representatives of McCloskey & Co. that even the amount of the premium might be adjusted after the original policy was issued.

Mr. Stewart. Yes, sir.

Mr. McLendon. Is that correct?

Mr. Stewart. That is correct.

Mr. McLENDON. That is all very confusing to many of us, and I would like for you to take time, if you will, and state the whole thing now, as clearly as you can, as to what happens when a broker enters the picture and you compute the premium for general liability insurance. I think the broker, so far as the bond is concerned, that is pretty clear to everybody. Do you understand my question?

Mr. STEWART. I believe so, sir. The first contact we have with general liability is when we bid a job, and we have to ascertain the amount of the premium involved, because to us it is just like brick or mortar or anything else on the job, it is another item of cost and for this reason we work closely with Hutchinson, Rivinus and I presume they work closely with Aetna to arrive at what is an average rate, normal rate, for the area.

Now, particularly in Washington, D.C., at this particular time, our rate was established the way I indicated, a little over \$1.25 a thousand, plus a figure for the contingency fractional part of the general liability, and that rate is applied against—the first part of that is applied against the labor factor and the second part is applied against the amount of the contract, and in that combined way, which is what I gave you, the statement I gave you, gives you the premium worked out.

Now, later there are in our general liability policy provided by Aetna Insurance Co., they make periodic audits, and make adjustments all over, to our insurance premiums, and they bill us for the total amount of the insurance for a quarter, which is principally the amount of labor involved in that quarter as I understand it. They do that, honestly. I honestly don't get into that. The adjuster makes that audit.

Mr. McLENDON. To what extent would those adjustments affect the premium as calculated on this document which was marked "Exhibit 29" that was put in evidence?

Mr. STEWART. Well, they should arrive at the same figure, generally speaking, as we do. There will be—for instance, you have extras on a job, additional labor and so on, that always influences the amount. But generally speaking, on the basic contract it should be approximately the same.

Mr. McLENDON. To make it perfectly clear, in this case you testified that you calculated with Reynolds—I believe you said—this premium and came out with a figure of \$36,278.65 for the general liability premium?

Mr. STEWART. Yes, sir. That is—

Mr. McLENDON. How much, normally, would that premium be changed as a result of subsequent audits or rate changes?

Mr. STEWART. It would be substantially the same.

Mr. McLENDON. It would be substantially the same?

Mr. STEWART. Unless there were large extras on the job or something, but normally it would be substantially the same.

Mr. McLENDON. If there was an increase in the premium, would the insurance company bill McCloskey for the increase?

Mr. STEWART. Yes, sir.

Mr. McLENDON. Do you have any evidence in this case that McCloskey was billed for any additional premium?

Mr. STEWART. Well, what happened in this case happens in all cases; that every quarter they bill us, as I have explained before, Major, city-wide on all the jobs, and it was substantial; I mean \$90,000, \$100,000; it would be in that neighborhood.

Mr. McLENDON. But that is for all the company's work?

Mr. STEWART. Yes, sir.

Mr. McLENDON. What I am trying to find out from you is whether under conditions that existed with respect to the stadium this figure of \$36,278 which you computed for the premium would be the final premium?

Mr. STEWART. It would be substantially that, sir.

Mr. McLENDON. What do you mean by "substantially"?

Mr. STEWART. Well, it would be within—it normally would be within a few hundred dollars of it unless there were other factors such as additional labor involved. But so far as the job we bid, it would be that. That would be the premium.

Mr. McLENDON. Now, your reference to the computation has been to this document which has been marked "Exhibit 29", is it not? Do you have a copy of it before you?

Mr. GITTIS. I don't now.

Mr. STEWART. I don't know, sir, but it is the one.

Mr. McLENDON. Let's show him one so the record will be correct.

Mr. STEWART. With performance bonds.

Mr. McLENDON. Look at the copy there so the record will be clear.

Mr. STEWART. Yes, sir.

Mr. McLENDON. This is a computation which you testified about the other day, is it not?

Mr. STEWART. Yes, sir.

Mr. McLENDON. And shows the method used in computing the premium on the general liability insurance?

Mr. STEWART. That is correct, sir.

(Exhibit 29 above referred to may be found in the printed hearing, pt. 3, of Dec. 2, 1964.)

Mr. McLENDON. Was it your testimony that this computation was made by you in Reynolds' presence and the figures given to him?

Mr. STEWART. I believe my testimony, sir, was that we had a full discussion of it and I gave him whatever information he needed. He would need the labor amount and he would need the rate; yes, sir.

Mr. McLENDON. Yes. And you had no further inquiry from him after that? With respect to the premium?

Mr. STEWART. No, sir.

Mr. McLENDON. And out of this \$36,000, representing the premium on general liability as you have calculated with him, what would be his commission, approximately?

Mr. STEWART. I don't know, sir. I think it is around 10 percent on liability.

Mr. McLENDON. I think some witness—

Mr. STEWART. I wouldn't know for certain.

Mr. McLENDON. I believe that would be in evidence, isn't it? He testified about 5 percent. I think that is in evidence. So to sum up this question then, is the committee to understand that once you determined the premium to be approximately \$36,000, as you say you did

in this case, it would be an abnormal condition for that amount of the premium to be changed substantially either up or down.

Mr. STEWART. Yes, sir.

The CHAIRMAN. Let me ask a question.

Mr. STEWART. Without the job changes as I have indicated.

The CHAIRMAN. That is what I wanted to ask you there. Let me see if I understand this: You are talking about from the bid price of this contract; is that correct?

Mr. STEWART. Yes, sir.

The CHAIRMAN. But later on there were over \$2 million in extras added to this contract?

Mr. STEWART. Yes, sir.

The CHAIRMAN. That would run this insurance up?

Mr. STEWART. Yes, sir.

The CHAIRMAN. Higher than what you bid it at, wouldn't it?

Mr. STEWART. That is correct, sir.

The CHAIRMAN. But if it stayed at what you bid it, this would be the picture; is that correct?

Mr. STEWART. Yes, sir.

The CHAIRMAN. Well, I understand that.

Mr. McLENDON. Go ahead, Senator.

Senator COOPER. I don't want to repeat too many of the questions asked but I want to ask this question. I requested that the witness testify, who either has knowledge of the facts or who had the capacity to testify and verify the records. My first request was would you submit to the committee a list of individuals or companies that had participated as brokers in general liability insurance contracts provided to McCloskey & Co., during the life of this insurance policy, and brought up to date. You have submitted a list of 19 contracts, projects, and listing 18 of the brokers. Might I ask was this list made up from the records of McCloskey & Co., or was it developed by some independent recollection of members of the company?

Mr. STEWART. It was developed by the personnel of Hutchinson, Rivinus and myself, sir.

Senator COOPER. Can you testify to the committee then that this list given us comes from the official records of McCloskey and Hutchinson, Rivinus?

Mr. STEWART. I think they are principally from Hutchinson, Rivinus.

Senator COOPER. Can you state whether these brokerage participations refer to general liability insurance contracts?

Mr. STEWART. They refer to various kinds of insurance. Some of them include general liability. I am not certain, Senator, as to exactly which ones do. I know that specifically some of them include general liability.

Senator COOPER. I remember from your testimony that you said that at the very outset you opposed this brokerage being given to Reynolds because of the difficulty you would have in future adjustments.

Mr. STEWART. I was speaking mainly of workmen's compensation. I was reluctant to give him that; we never did.

Senator COOPER. It is difficult, is it not, to have a broker participate in a general liability insurance contract?

Mr. STEWART. No, sir; not for a broker.

Senator COOPER. There was great difficulty in this case. Can you now or any time give the committee a statement that any one of these participations represented a participation in a general liability insurance contract?

Mr. STEWART. Yes, sir. The No. 1 project would be, which was air traffic control at Fremont, Calif. The General Electric Research Center at Orlando, Fla., would be. The State of New Jersey Health and Agricultural Center; the Detroit post office; the Grand Rapids post office, various contracts for the Pennsylvania Railroad, that is item No. 17; there were—there must be 10 or 15 of them which include general liability.

Senator COOPER. In these cases was the premium paid in advance to the broker as it was in the Reynolds case?

Mr. STEWART. In some cases. I honestly, Senator, didn't have enough time—

Senator COOPER. This is rather important because what I was trying to find out—

Mr. STEWART. I can say yes.

Senator COOPER (continuing). Whether the Reynolds case was an unusual case.

Mr. STEWART. I can answer it categorically yes, it was done in many cases.

Senator COOPER. It was paid in advance?

Mr. STEWART. Yes, sir.

Senator COOPER. But in all those cases, I think you stated the other day notice was given to the agent?

Mr. STEWART. As far as I know, Senator; yes, sir.

Senator COOPER. Hutchinson, Rivinus and thereby to Aetna. In any of these cases was a double payment ever made?

Mr. STEWART. Not to our knowledge, sir.

Senator COOPER. What?

Mr. STEWART. Not to our knowledge. I think I can answer that absolutely not, because the broker in all cases I got from Hutchinson, Rivinus so they had to be notified.

Mr. McLENDON. You lowered your voice so we can't hear you.

Mr. STEWART. I say I got all of this information from Hutchinson, Rivinus and they had to be apprised of it.

Senator COOPER. I asked the other day when you had left and were not testifying that evidence be furnished as to whether an audit was made of McCloskey's operations.

Mr. STEWART. Yes, sir.

Senator COOPER. Yearly?

Mr. STEWART. Yes, sir.

Senator COOPER. Can you state whether or not that audit, from the date of the award of the contract until the completion of the contract, showed either in the first year when the payment was made to Reynolds or in succeeding years that this item of \$109,000 had been paid to Reynolds?

Mr. STEWART. It was an item of cost on the job; I have testified to that, Senator. You may not have been here. But I testified to the fact off the tax return that the item of cost of \$109,000 was a cost item against this job; expense item charged against it. The audit report would include exactly the same figures, were prepared by exactly the same auditor.

Mr. GITTIS. Might I add, Senator, the audit firm of Lybrand, Ross Bros. & Montgomery does have one of its partners here to testify at the conclusion of Mr. Stewart's testimony.

Senator COOPER. He will testify as to whether this item appeared in the audits made by his company?

Mr. GITTIS. He will testify as to what the audit showed. I don't know what he will testify to in that respect.

Senator COOPER. It is evident from your testimony that the premium on the part of the general liability insurance that was applicable to the District of Columbia Stadium was paid twice, once to Reynolds and then to Aetna through Hutchinson, Rivinus. Is that correct?

Mr. STEWART. Yes, sir.

Senator COOPER. Then it could be possible that this item was claimed twice as a deduction?

Mr. STEWART. Yes, sir.

Senator COOPER. Expense deduction?

Mr. STEWART. Yes, sir. Yes, sir. Very well could be. Not only very well, it probably was.

Senator COOPER. Again, it is a question of credibility. As you stated yourself in your testimony, the kind of transaction that occurred was one that—if you accept Mr. McCloskey's statement—was one which made it very easy for Mr. Reynolds to retain this money without being discovered.

Mr. STEWART. Yes, sir.

Senator COOPER. And whether it was retained as he claims for some political purpose, or whether it was just kept by him for his own use.

Mr. STEWART. As I commented to you, Senator, I thought—

Senator COOPER. That again is not a matter for you to comment on. Well, we will let the facts speak for themselves.

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

Senator COOPER. Perhaps this is a question for your auditor, although it has been said and argued that it will never be possible to isolate the accounts of the District of Columbia Stadium. Is it correct that at the completion of the contract the costs of the District of Columbia Stadium, including labor, which was part of this premium cost, the general liability contract would have been isolated?

Mr. STEWART. Yes, sir.

Senator COOPER. On McCloskey's books?

Mr. STEWART. Yes, sir.

Senator COOPER. You would also have to isolate those costs in order to withhold for income tax purposes and also for social security purposes.

Mr. STEWART. Yes, sir.

Senator COOPER. Is it correct that the actual cost and the actual premium finally due Aetna on account of the District of Columbia Stadium can be isolated and this cost determined?

Mr. STEWART. Well, I think Aetna testified on that, Senator. I wasn't here, but they testified, I believe, that they could not isolate them.

Mr. McLENDON. Could not what?

Mr. STEWART. Didn't they testify they couldn't isolate them because of the peculiar methods of citywide auditing that they did?

Senator COOPER. McCloskey & Co. would have to have a final payroll account to show what the final cost was. I think for the moment that is all I have to ask.

Mr. McLENDON. Go ahead, Senator Pell.

Senator PELL. Mr. Stewart, what is the percentage of liability premiums that are paid out to independent brokers, roughly, opposed to those that are paid to Hutchinson, Rivinus. I don't want you to state exactly but is it a tenth, a half, or roughly what?

Mr. STEWART. I would say—this would be a wild guess, Senator—over the last 4 or 5 years on the work that we have done, it would be a substantial amount. I don't—I wouldn't want to hazard a guess as to percentage.

Senator PELL. Maybe a tenth?

Mr. STEWART. I think it would be more than 10 percent.

Senator PELL. Perhaps even more than a tenth?

Mr. STEWART. Yes, sir; I am sure it would be more than 10 percent; how much higher I wouldn't know.

Senator PELL. Would it be the same thing with performance bonds roughly, the number of independent brokers, or would it be a little less or a little more, in your recollection?

Mr. STEWART. I think it might be a little less.

Senator PELL. A little less?

Mr. STEWART. A little less. There were a lot of times, Senator, we are not required to give a performance bond and in those cases you would have to take them out.

Senator PELL. In order to clarify this picture in my own mind, am I correct in what your understanding of the facts are, and that is that at Mr. McCloskey's direction you informed Hutchinson, Rivinus to bill Reynolds for the performance bond but somehow or other the ball was fumbled between you and McCloskey and you didn't tell Hutchinson, Rivinus to bill Reynolds for the liability premium? Would that be correct?

Mr. STEWART. Yes, sir; either I didn't tell them or they didn't hear me. It was a breakdown in communication between the two of us.

Senator PELL. And you don't recollect—

Mr. STEWART. No, sir.

Senator PELL (continuing). Yet which it was. Would this double payment ever have shown up on your books if it hadn't been for the fortuitous investigation by this committee?

Mr. STEWART. It is highly unlikely because it never turned up in the audit and it never turned up in our internal organization. The chances are it never would have.

Senator PELL. And who got the additional premium that was caused by the increase of more than \$2 or \$3 million, whatever it was, of change orders—did that go to Hutchinson, Rivinus or to Reynolds?

Mr. STEWART. It would have gone to Hutchinson-Rivinus to Aetna.

Senator PELL. Aetna. Reynolds wouldn't have gotten a supplemental check for that?

Mr. STEWART. No, sir.

Senator PELL. Thank you very much.

Mr. McLENDON. Mr. Stewart, when you and others connected with the company were interviewed by some of the staff, at our request, we

requested that you produce any of the accounts—records of the company that are normally kept in your accounting processes on which this item of \$109,000 could be identified?

Mr. STEWART. Yes, sir.

Mr. McLENDON. My question is: When these numerous documents were introduced here the other day, without going back and referring to the numbers, are those all the documents or copies of documents in your regular accounting system?

Mr. STEWART. Yes, sir.

Mr. McLENDON. Do you have charge of that department of the company?

Mr. STEWART. Yes, sir.

Mr. McLENDON. And are you able to sit down with those documents and begin with the check of \$109,000 payable to Reynolds Associates and trace it all the way through the books of the company?

Mr. STEWART. Yes, sir.

Mr. McLENDON. Even into the final audit?

Mr. STEWART. Yes, sir.

Mr. McLENDON. And also into the tax return?

Mr. STEWART. Yes, sir.

Mr. McLENDON. And is there any doubt about the fact that that item appears in those numerous records of the company?

Mr. STEWART. No, sir; there is no doubt in the world about it. It is—

Mr. McLENDON. You started to say something a while ago about the workmen's compensation premiums as compared with general liability, and I think you either interrupted yourself or I couldn't hear the finish of it. Were you saying that it was more difficult or less difficult to compute the premium on general liability than it was on workmen's compensation?

Mr. STEWART. I don't know. It wouldn't be too much different, I wouldn't think, Major. You would have to know that also in bidding a job, so it is—it wouldn't be too much different.

Mr. McLENDON. What was your reason for telling Reynolds, if I understood your testimony correctly, that you couldn't give him the workmen's compensation liability but you could give him the liability?

Mr. STEWART. I was trying to minimize the amount of insurance which he would be broker for, to be absolutely honest about it. It doesn't make any difference; being a broker you are just picking up a commission check. But I was trying to minimize the amount of business which he would carry. I had always understood that workmen's compensation was the junk end of the business.

Mr. McLENDON. Was what?

Mr. STEWART. I always understood that workmen's compensation was what they call the junk end of the business.

Mr. McLENDON. Junk end of the business?

Mr. STEWART. Yes, and there were very little commissions involved and there is an awful lot of work involved in the presentation of claims and that sort of thing that most brokers feel, have expressed to me they don't consider it a very desirable end of the business, and I indicated that to him and he went along with it.

Mr. McLENDON. Now, do you still affirm your statement you made the other day that Reynolds first asked you for the bond and all insurance?

- Mr. STEWART. Yes, sir.
- Mr. McLENDON. And you told him you couldn't give him all the insurance but you would give him general liability?
- Mr. STEWART. Yes, sir.
- Mr. McLENDON. Is that correct?
- Mr. STEWART. Yes, sir.
- Mr. McLENDON. You still affirm that?
- Mr. STEWART. Yes, sir.
- Mr. McLENDON. I believe that is all, Mr. Chairman.
- The CHAIRMAN. Senator Cooper, do you have any further questions?
- Senator COOPER. No.
- The CHAIRMAN. Senator Pell?
- Mr. McLENDON. The gentleman from the auditor. What is his name?
- Mr. GITTS. Mr. McMenamin.
- The CHAIRMAN. Mr. McMenamin, will you come forward, please, sir? Did you hear this opening statement read here?
- Mr. McMENAMIN. This afternoon; yes, sir.
- The CHAIRMAN. Will you remain standing, please, and place your left 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. McMENAMIN. I do.
- The CHAIRMAN. Thank you, sir. Please be seated.
- Mr. McLENDON. State your name for the record, please.

#### TESTIMONY OF JAMES DENNIS McMENAMIN

- Mr. McMENAMIN. My name is James Dennis McMenamin.
- Mr. McLENDON. What is your address?
- Mr. McMENAMIN. I live at 8320 Seminole Avenue, Chestnut Hill, Philadelphia, Pa.
- Mr. McLENDON. Are you an accountant?
- Mr. McMENAMIN. Yes, sir; I am a CPA and a partner in the certified public accounting firm of Lybrand, Ross Bros. & Montgomery.
- Mr. McLENDON. Does that firm of Lybrand—I will shorten it that way—do the regular auditing work for McCloskey & Co.?
- Mr. McMENAMIN. We were employed in the early part of January 1962, to make a typical audit examination of financial statements for the year 1961, and have done so every year since.
- Mr. McLENDON. Will you explain how you proceed to make the audit of a company like this?
- Mr. McMENAMIN. A typical auditing examination today is done specifically for the purpose of the outside accountant forming judgment as to whether the financial statements present fairly the results of operations and the financial condition of the company in accordance with generally accepted accounting principles. Typically, an examination of this type breaks down into about three sections.
- First, a review of the company's accounting procedures is made for the purpose of determining the effectiveness of the internal control procedures within the company. Based on the results of that

review the extent and timing of audit testing procedures that are going to be applied is determined.

For example, you might decide that in view of the internal control you would want to look at perhaps a hundred accounts payable vouchers or some test of the related procedures. And those tests are then made.

In addition there are various analyses of the accounts made, you write to the outsiders involved, for example, a bank, or the debtors, the creditors, to satisfy yourself as to the validity of these numbers in the company's financial statements.

Normally, following such an examination, at least in our firm, you issue an opinion as to these financial statements, and we also follow such an opinion up with a supplemental report to management which would contain any suggestions or recommendations we might have for improving the accounting procedures of the company.

Mr. McLENDON. You earlier said, if I didn't misunderstand you, that you first audited the company's books for the return filed in 1961. Is that what you said?

Mr. McMENAMIN. That is true, sir.

Mr. McLENDON. Would that be for the calendar year 1960?

Mr. McMENAMIN. Yes, sir; the year ends December 31.

Mr. McLENDON. Beg pardon?

Mr. McMENAMIN. Their year ends December 31.

Mr. McLENDON. I believe the statutory requirements are that the return has to be filed by April 15 in the following calendar year.

Mr. McMENAMIN. That is true, sir.

Mr. McLENDON. Unless the company is on a fiscal year basis.

Mr. McMENAMIN. That is correct, sir.

Mr. McLENDON. Or got an extension. If you did, or your company did, in auditing McCloskey's books for the calendar year 1960, in April 1961, find a check in the records of the company of \$109,205.60 payable to Don Reynolds Associates, Inc., the check which I show you, what further inquiry, if any, would you make with respect to whether that was a valid regular expenditure of the company?

Mr. McMENAMIN. You are asking a hypothetical question, sir.

Mr. McLENDON. Yes, sir.

Mr. McMENAMIN. We would have examined the check to see that it had been properly paid by the bank. We would have asked to see the appropriate supporting documents including the invoice from the vendor, possibly the purchase order which authorized the disbursement, and we would scrutinize the related invoice to see that it had been properly approved within the company.

Mr. McLENDON. Properly approved?

Mr. McMENAMIN. Yes, sir.

Mr. McLENDON. Has your attention been called to the invoice which supports that particular check that you have there before you?

Mr. McMENAMIN. I am familiar with the invoice, sir.

Mr. McLENDON. Yes. Well, if you saw that invoice, which is in evidence here, what would you have done with respect to the invoice? Would you have accepted it or would you have made further inquiry about it?

Mr. McMENAMIN. We would probably have made further inquiry about it.

Mr. McLendon. Do you recall whether you did in this case?

Mr. McMENAMIN. This particular check, sir, is dated in 1960.

Mr. McLendon. Yes, sir.

Mr. McMENAMIN. And as I indicated I first—our first auditing examination was for the year 1961. Another firm audited the record for the year 1960.

Mr. McLendon. I thought you just said a while ago that you audited the company's books for the year 1960?

Mr. McMENAMIN. No, sir; beginning with the year 1961 and every year since.

Mr. McLendon. So this particular transaction then would not have been in the records of the company in the first audit you made?

Mr. McMENAMIN. I would like to explain that a little bit, if I may.

Mr. McLendon. I wish you would, because I am confused now, thoroughly confused.

Mr. McMENAMIN. McCloskey & Co. follow an accounting method that is called in the trade the completed contract method.

Mr. McLendon. Completed contract.

Mr. McMENAMIN. Completed contract method.

Mr. McLendon. Is that an allowable method under the internal revenue laws?

Mr. McMENAMIN. It is one of three acceptable methods of accounting in the construction industry.

Mr. McLendon. Go ahead.

Mr. McMENAMIN. Under this particular method of accounting, the costs relevant to a particular contract are deferred on the books and considered as an asset, in effect, until such time as the contract is completed. This particular contract was not completed until 1961, which was our initial examination. So that this item, this transaction, which occurred in 1960 would have been recorded on the books in 1960 and audited in that year by the predecessor firm, and carried over as a cost of the contract into the succeeding year 1961 when the contract was completed and closed.

Mr. McLendon. What would there be in the record for 1961 that would identify this particular transaction?

Mr. McMENAMIN. It would be a cost of the contract that is carried over from 1960 into 1961.

Mr. McLendon. Well, would you analyze that cost?

Mr. McMENAMIN. We would not go back into the prior year being as it was audited by a firm of extremely good reputation, so we would not make a detailed investigation of what had carried over from the previous year; this is not formally done when this is the case.

Mr. McLendon. Let me see if I understand that now. When you made the audit for 1961 you found records, company records, showing the accumulated costs on this particular transaction, the stadium in Washington, D.C.

Mr. McMENAMIN. As of January 1, 1961, there were certain costs that had accumulated to that point in time.

Mr. McLendon. And that would include, if this check had been properly entered on the books, this expenditure?

Mr. McMENAMIN. Yes, sir.

Mr. McLendon. By the check that you have before you?

Mr. McMENAMIN. Yes, sir.

Mr. McLendon. So you didn't at that time see the check?

Mr. McMENAMIN. No, sir.

Mr. McLendon. But if the evidence is correct and true that the check was recorded in quite a number of the bookkeeping entries of the company, would you have any doubt about its being reflected in the costs that were carried over, as you express it?

Mr. McMENAMIN. No, sir; I think I could say with confidence that this particular item was considered in toto as a cost of the particular project.

Mr. McLendon. Although you didn't see the check and the invoice—the invoice from Reynolds Associates—at the time you made the audit?

Mr. McMENAMIN. That is right, because the transaction had occurred in a prior year.

Mr. McLendon. Would you tell the committee what you, as a certified public accountant, would have done if you had seen the check and the bill-supporting invoice? I am talking about what you would normally do in your practice if you had seen those two documents.

Mr. McMENAMIN. Yes, sir. What you normally do would depend upon the company and the records that they keep. In this particular case there was an invoice on file which had passed through the normal routine of the company and been approved for payment. We might have made some inquiry of Mr. Stewart who is responsible for these things, if there were any question in our mind, but from what I have seen of the invoice and the check I doubt that there would have been any questions.

Mr. McLendon. You think you would have normally accepted it on its face?

Mr. McMENAMIN. Yes, sir.

Mr. McLendon. Was there anything about the invoice or the check that would cause you to have any suspicion with respect to its regularity?

Mr. McMENAMIN. Suspicion, no. As I indicated some time back we do normally supplement our normal auditing report with a separate report to management concerning any comments we may have regarding the accounting procedures. Following our initial examination of the year 1961 we did submit such a report to management of the company which I have in front of me, calling to their attention quite a number of items which had given us some concern in the course of our audit. If I may, I would like to cite three specific references.

Mr. McLendon. You may; go ahead.

Mr. McMENAMIN. Our examination disclosed numerous instances where there had been a breakdown in communication between various segments of the business. We suggested that management communicate to all employees its insistence that prescribed procedures be followed.

Mr. McLendon. Was that in your report; what you have just read there; are you reading from your report?

Mr. McMENAMIN. I have read verbatim, sir.

Mr. McLendon. What is the date of that report?

Mr. McMENAMIN. It is dated May 7, 1962.

Mr. McLendon. All right; go ahead.

Mr. McMENAMIN. I think another comment here which has some bearing on the question, we go to some length to outline the procedures followed by the company in connection with contract accounting. May I say at this point normally I would have some ill feelings about talking as freely because of the confidential nature of some of the things which come to our attention during our work but here we have been directed to cooperate fully with your committee.

Under contract accounting we go to some length to outline the various procedures followed by the company in keeping track of the various costs that are incurred during the course of a project which I won't recite in detail. But we conclude by saying:

This voluminous job of cost accumulation is therefore performed in part by four separate groups, in some respects by mechanical devices, but in the main manually.

We suggest that while the reporting of activity may properly be done by four groups, the chore of accumulating this accumulated activity can be performed more effectively and efficiently by one group, and because of the volume in your company's case preferably by mechanical devices.

Finally, if I may, the last section of the same report deals with purchases and accounts payable and it starts out:

Our examination discloses the following weaknesses in internal control—and there are some 10 weaknesses listed.

The last three read as follows:

8. The required approval stamp on vendor's invoices is not being filled in to indicate that the various internal check procedures have been followed.

9. Data on the vendor's invoices is not compared with purchase orders by someone other than the purchasing department.

10. The accounting distribution of invoices is not being stipulated by the person ordering the material and checked by the accounting department.

And then in conclusion:

In view of the numerous and serious weaknesses observed in this area, we suggest that the entire procedure be reviewed by management to determine which weaknesses can be corrected in a practicable manner.

Mr. McLENDON. After this matter of the controversy about the bond premium and the general liability insurance premium arose, were you requested and did you look into the records of the company to ascertain whether or not the record did properly reflect this item of \$109,000?

Mr. McMENAMIN. No, sir; we were not requested to do such a thing.

Mr. McLENDON. You didn't do that. Is there any other comment you can make about the method of accounting that was followed by this company that would help the committee in this connection?

Mr. McMENAMIN. Could we wait a while to see if there are any other questions?

Mr. McLENDON. Yes; certainly.

The CHAIRMAN. Go ahead, Senator Cooper.

Senator COOPER. Is it correct, then, in the course of the audit your company made, that you cannot identify the check of McCloskey & Co. to Reynolds Associates in the sum of \$109,000?

Mr. McMENAMIN. I didn't hear the first part of your question, Senator.

Senator COOPER. In the course of your audit, am I correct in saying that you cannot state that you identified the check of McCloskey & Co. to Reynolds Associates in the sum of approximately \$109,000?

Mr. McMENAMIN. We would not have had any occasion to look at this check, Senator. It occurred in the prior year.

Senator COOPER. And in the same way you did not identify any invoice upon which such check had been approved and issued?

Mr. McMENAMIN. For the very same reason, yes, sir.

Senator COOPER. Did you know from your examination that McCloskey & Co. adjusted its premiums with Aetna quarterly and made payments to Aetna on account of its insurance?

Mr. McMENAMIN. Yes, sir.

Senator COOPER. As a hypothetical question, if you had known or identified the check of \$109,000 representing advance payment of a premium on a policy, and known that these adjustments were being made quarterly, would it have occurred to you or would it have been a normal auditing practice to find out if double payments were being made upon account of any one project or a group of projects?

Mr. McMENAMIN. As I understand this transaction, it was not recorded in the records the way it should have been in error. That sounds bad. Let me go on. This particular transaction should have been recorded, I think, as Mr. Stewart has pointed out, in such a manner that the performance bond portion of the premium should have been considered as an expense relative to the contract in one area. The portion of the premium attributable to the general liability insurance under the company's normal accounting procedures should have been recorded as an expense relative to the contract in another area.

As I understand the situation, the entire amount was erroneously charged to the cost of the contract in the one area as a performance. If it had been recorded in the normal manner the overpayment would have come to light, I believe, in the normal accounting routine of the company. I think the reason that it did not come to light is because of the way in which it was recorded.

Senator COOPER. To repeat, if you had found—and this is a hypothetical question again, from your experience as an auditor and your knowledge of auditing procedures—a separate \$109,000 item and at the same time that quarterly adjustments were made for the insurance premium, would these facts have directed your inquiry to find out if double payment was being made?

Mr. McMENAMIN. It would have been obvious to our men as an outsider coming in with an objective view, that this particular item should have been recorded somewhat differently than it was. In other words, the total costs should have been split into two pieces and recorded that way. Which would have led to inquiries.

Senator COOPER. McCloskey & Co.'s accounting procedures took recognition of its costs on a cash basis or on an accrual basis?

Mr. McMENAMIN. It is on an accrual basis.

Senator COOPER. If made on an accrual basis, isn't it true that year by year following the first year of the payment of the \$109,000 that an appropriate part of that amount would be carried as prepaid insurance and hence an asset and would appear in following audits?

Mr. McMENAMIN. In fact, the whole \$109,000 in this case—

Senator COOPER. The whole \$109,000?

Mr. McMENAMIN. Was considered an asset relative to an uncompleted contract at December 31, 1960, and carried over into the succeeding year.

Senator COOPER. Then according to McCloskey & Co.'s auditing or the way it conducted its business—what did you call it, completed contract?

Mr. McMENAMIN. Completed contract basis.

Senator COOPER. It would have been proper for this item to appear yearly until the contract was completed?

Mr. McMENAMIN. That is right. Not as a separate item, because the financial statements are not normally that detailed, but as part of the costs of an uncompleted contract.

Senator COOPER. And each year that that item appeared it would have called attention to an auditor the possibility of double payment and the necessity of questioning the item?

Mr. McMENAMIN. No, sir. As I indicated it would not appear under normal circumstances as a separate item. It would be part of the cost of an uncompleted contract. For example, this particular contract at December 31, 1960, had, from memory, something on the order of \$4 million worth of costs attributable to it to that point in time. To itemize the various elements of costs that make up that \$4 million would require quite a lengthy financial statement. So, it is shortcutted, and only the total cost is shown in financial statements.

Senator COOPER. By normal procedure it would appear year after year as an asset item?

Mr. McMENAMIN. As part of the total cost of an asset.

Senator COOPER. You are giving your testimony based upon your experience as an auditor but you cannot yourself testify as to this specific item.

Mr. McMENAMIN. Since it occurred in a previous year, no, sir, other than to the extent that it was part of the overall costs of a contract that was completed in 1961.

Senator COOPER. That is all.

Senator PELL. Mr. Chairman?

The CHAIRMAN. Go ahead; excuse me.

Senator PELL. I am a little confused in my mind when you say the way it was reported meant that you didn't catch it. By that you mean because it was reported as part of an uncompleted contract and not as a cost of services than it did not stand out. Would that be a correct statement?

Mr. McMENAMIN. Well—

Senator PELL. How should it have been reported, in other words?

Mr. McMENAMIN. If it had been recorded in two pieces, as it normally should have been, it, I believe, it would have come to light with the next quarterly audit by the insurance company's people because it would have been obvious that there was \$30-some-thousand, whatever the figure is of general liability premium paid. It got lost, in other words, by the way it was recorded.

Senator PELL. But if it had been recorded separately, the overpayment would still have been lost, would it not, if it had been lumped together with the premium on the bond, with the performance bond, in one case and reported separately in the other?

Mr. McMENAMIN. It is a matter of judgment as to whether it would have or not. I don't believe it would have gotten lost if it had been separated into two component pieces and recorded separately. I believe the company's normal accounting procedures with respect to

workmen's compensation and general liability coverage would have brought it to light.

Senator PELL. Why do you think it was lumped together, it was not reported separately in this case? Is there any reason for it?

Mr. McMENAMIN. I have no idea other than what Mr. Stewart has testified to. I don't know.

Senator PELL. Was this the only case, to your knowledge, of the liability and the performance bond being recorded together and not separately?

Mr. McMENAMIN. It is the only one of which I am aware.

Senator PELL. Have you ever discussed this with Mr. Stewart and asked him the reason why?

Mr. McMENAMIN. I have never discussed this matter with Mr. Stewart until late yesterday afternoon.

Senator PELL. Mr. Counsel, wouldn't this be a good question to put to Mr. Stewart, to ask him why it was recorded in a lump instead of the normal custom separately?

Mr. McLENDON. I think he has explained that.

Senator PELL. Did he?

Mr. McLENDON. Yes; he got the invoice and it was recorded just like it was from the invoice from Reynolds Associates, as one item, a total of \$109,000.

Senator PELL. I see.

Mr. McLENDON. In other words, it was recorded just like it appeared on the invoice, and the check corresponds to the invoice.

Senator PELL. Right.

Senator COOPER. May I follow with a question?

Senator PELL. From the viewpoint of income tax payment, what is the procedure now? Presumably the extra \$35,000 is perfectly naturally taken as a cost of doing business by McCloskey. Does that have to be refunded to the Federal Government because he was, in his view, mulcted of it?

Mr. McMENAMIN. If the company had been in a—if the company's results of operations had been such, in other words, profitable, and they had been paying taxes there would have to be some adjustment made. The question involved here, 1960 has already been examined and closed by Internal Revenue Service, and I think what will eventually happen is that there will be some downward adjustments of the net operating loss carried forward that the company has.

Senator PELL. But normally if you are cheated of a sum of money, you can't take that as a deduction in your income tax.

Mr. McMENAMIN. That is true.

Senator PELL. Thank you. What present procedure do you have now to prevent a recurrence of similar items? It would seem to me that while the presumption that people you do business with are honest, there are always some who are not, and what's come out of these hearings is the wonderful way of making money illegally. I was wondering if this has changed your own procedures at all.

Mr. McMENAMIN. Not my procedures; you mean the company's procedures?

Senator PELL. No; I mean the accounting procedures.

Mr. McMENAMIN. Well, since we issued this report in May of 1962, numerous steps have been taken within the company to improve the procedures. Frankly, this report is somewhat of a blast at the com-

pany's procedures, and since that point in time there has been a good improvement in the internal control. They now have contract costs on IBM equipment, the payroll is prepared utilizing that equipment, and there has been a general improvement in the condition of the company records.

Senator PELL. Thank you.

Senator COOPER. I have one other question.

The CHAIRMAN. Go ahead.

Senator COOPER. Did you make the statement that according to your own knowledge this is the only case in which you know that the premiums for the performance bond and premiums for the general liability insurance were treated in a special way or unusual way?

Mr. McMENAMIN. Yes, sir. The normal accounting routine of the company would call for splitting such an item into two pieces and reporting it in two separate places. This is the only item I know of that such a thing—

Senator COOPER. Do you know the name of the firm that audited McCloskey operations for the year 1960?

Mr. McMENAMIN. It is a New York firm of public accountants—Harris, Kerr, Foster & Co.

Senator COOPER. I know this would be a matter of recollection but if you do know, can you state whether or not this firm, in its report, made any comment on these matters about which we have been talking, respecting their accounting procedures for this particular check?

Mr. McMENAMIN. No, sir; I don't know of any comment on their part.

The CHAIRMAN. May I ask a question in extension of that very same question?

Mr. McMENAMIN. Yes, sir.

The CHAIRMAN. Would it have been normal for that other accounting firm, had they found something that they would question, even though they had not completed their audit and this is a contract-completion job here, they would have normally passed their question on to you because you were to finish this audit on this particular job? Would they have normally done that?

Mr. McMENAMIN. You must remember that the auditing procedures that are applied are made on a test basis. In other words, you don't look at every invoice that a company has during the year. Here, for example, we are talking about a company that does on an average \$40 million worth of business a year, and as you might imagine there are thousands upon thousands of transactions that occur during the course of the year. The auditor, in his judgment, selects from those thousands of transactions what he considers to be a representative group of transactions so that he can satisfy himself as to whether the company's procedures are sound. It may very well be that this was not one of the transactions that they tested. I just don't know.

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

The CHAIRMAN. What they meant, to try to get for my own information, was, had they had a reason to think there was something irregular about this particular invoice and so forth, they in their normal—

Mr. McMENAMIN. I am sure they would have questioned it.

The CHAIRMAN. They would have questioned it?

Mr. McMENAMIN. Yes, sir.

The CHAIRMAN. You would think that—

Mr. McMENAMIN. Because it was not recorded in accordance with the normal accounting procedures.

The CHAIRMAN. Yes. Now, you are familiar with the liability insurance that you did audit in the District of Columbia on this particular job as well as other jobs in the District of Columbia, are you not?

Mr. McMENAMIN. I didn't understand your question.

The CHAIRMAN. McCloskey & Co. had other contracts in the District of Columbia?

Mr. McMENAMIN. Yes, sir.

The CHAIRMAN. At the same time this was going on?

Mr. McMENAMIN. Yes, sir.

The CHAIRMAN. Your firm was auditing those contracts, too, were they not?

Mr. McMENAMIN. Yes, sir.

The CHAIRMAN. It has been stated here—I think a number of times—that this insurance, liability insurance in the District of Columbia, was treated as a whole, in one invoice; is that correct?

Mr. McMENAMIN. Yes; that is normally the way this type of coverage is billed because the rates vary from city to city and even within cities depending upon the occupation. In other words, the premium is determined by reference to payroll dollars, first by city and then within each city or area by class of occupation. So that—

The CHAIRMAN. Would it be difficult to break out of this total billing this one item in here if there was anything irregular about it? Would it be difficult to catch that out of all the liability insurance for all the contracts that McCloskey had in the city of Washington—in the District of Columbia, rather—in breaking out all of those items and allocating them to a particular job, would it have been hard to catch this particular item?

Mr. McMENAMIN. The way it was recorded, it would have been virtually impossible to catch it. If it had been recorded following the normal accounting routine, it would probably have showed up the very next audit.

The CHAIRMAN. By virtue of the fact that the performance bond and the liability insurance were lumped into one account and paid under one invoice, that made it much more difficult to find; is that correct?

Mr. McMENAMIN. Yes, sir.

The CHAIRMAN. Is that your answer to that?

Mr. McMENAMIN. Yes, sir. As this report of ours of May indicates we found numerous instances of breakdowns in communications. I recited some of the weaknesses we observed with respect to vendors' invoices. So I can't honestly, in my judgment, say I am surprised that it wasn't discovered. I do think if it had been handled in the normal manner, though, it would have shown up.

The CHAIRMAN. Thank you, sir. Any further questions?

Mr. McLENDON. Just one further question. You spoke of filing the income tax returns for the corporation on an accrual basis.

Mr. McMENAMIN. Yes, sir.

Mr. McLENDON. Would the manner in which these premiums were paid, No. 1, on a performance bond, and, No. 2, on the general liability totaling \$109,000—would there be any difference in the way each of those items would be treated as an expense?

Mr. McMENAMIN. All costs that are recorded on the books, whether they have in fact been paid or have been set up based on an invoice or accrued based on time worked by employees are deducted for income taxes in the year that the contract is completed, in this case 1961. Did I understand your question?

Mr. McLENDON. I think so. All right.

The CHAIRMAN. Did I understand you to say there was a loss on this contract? Did I understand you to say that a while ago?

Mr. McMENAMIN. No, sir.

The CHAIRMAN. You said something about a carry-forward loss or something.

Mr. McMENAMIN. Overall, the company has a net operating loss carry forward.

The CHAIRMAN. Overall the company had an operating loss? Senator Cooper, do you have any further questions?

Senator COOPER. No.

The CHAIRMAN. It looks like those are all the questions. Thank you, sir.

Mr. McLENDON. Mr. Gittis.

Mr. GITTIS. Yes, sir.

Mr. McLENDON. The company that audited your books for 1960, I think you told me that the individual who did the work was not available. Do you want to make any explanation to the committee why you do not have him here?

Mr. GITTIS. Major, if you will recall, you and I spoke on the telephone yesterday. I told you that this was done on a completed contract basis, and that auditing firm hired by McCloskey & Co. at the time this contract was closed and accounted for was Lybrand, Ross Bros., who were in Philadelphia and who I could get, and I did get Mr. McMENAMIN late yesterday afternoon. I couldn't get the Harris, Kerr, Foster firm. They are in New York; as you know our office is in Philadelphia. All I can say about that is if they are available, it is perfectly all right, we will try to get them for you to testify. But I am afraid they will run into the same situation that Senator Cooper has pointed up here. All they could say is that at the end of the year 1960 there were probably \$20 million worth of costs of uncompleted contract which were being carried forward to the succeeding years, and they never accounted for it thereafter. That was done by Lybrands. But if the committee thinks they will be of any assistance whatsoever we will be more than happy to get them for you.

Mr. McLENDON. All right.

Senator COOPER. I think just to complete this part of the record I would like to see them, and I think they should be called.

Mr. GITTIS. I will make it my business.

Mr. McLENDON. You will find out what individual did it, will you?

Mr. GITTIS. Yes, sir, I don't know at the moment, but I will go back to Philadelphia tomorrow morning and let you know.

Mr. McLENDON. You will let us know?

Mr. GITTIS. Yes, sir.

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

The CHAIRMAN. Do you have any further witnesses?

Mr. McLENDON. Not today; no.

The CHAIRMAN. The committee hasn't recessed yet. I had hoped to have a little executive committee meeting this afternoon but Senator Cooper has got another engagement, and it looks like I have lost some Democrats, too, so we will have to get one a little later on. There is one item that we wanted to get on the record this afternoon which will take but a very short time.

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

Senator PELL. Mr. Chairman, I would just like to make a plea that as long as we are considering our program, I would hope we could keep going with this thing as hard as we can, and then not space it out too far. Many of us have come a long way. We would like to be at home. We have had to shorten our stays and break our engagements at home.

The CHAIRMAN. Well, I will do my best. I am here, too.

Senator PELL. Thank you.

The CHAIRMAN. I have a lot of grandchildren at home, too, I would like to play with a little bit, but I have to go home and get my stocking ready to hang up, too, Senator Cooper.

Senator COOPER. I will say I am ready to stay here.

The CHAIRMAN. Senator Cooper and Senator Pell, I had one item I wanted to get in the record; it just came to me today; it might have been here a day or two earlier; I am going to ask the general counsel to read my letter and then the answer to it.

Mr. McLENDON. This is a letter dated November 23, 1964, airmail, special delivery, addressed to Hon. Harry S. Truman, Independence, Mo.:

DEAR MR. PRESIDENT: I am enclosing a copy (three pages) of a statement made by Mr. Don B. Reynolds, of Silver Spring, Md., on August 18, 1964, and delivered by him to Senator John J. Williams, of Delaware.

On September 1, 1964, Senator Williams read this statement on the floor of the Senate, and it appears in the Congressional Record of that date at pages 20576 and 20578, except that Senator Williams deleted your name as it appears in paragraph 3 on page 1 of the enclosed statement.

The Senate Committee on Rules and Administration has scheduled public hearings in the Baker investigation to commence on December 1, 1964, and will take extensive testimony from a number of witnesses, including Mr. Reynolds and Mr. Matthew H. McCloskey. The enclosed statement of Mr. Reynolds will necessarily become a part of the public record.

I am calling your attention this matter for several reasons. First, I think it would be unfair to you for your name to appear in the public press without any prior knowledge on your part of the allegation. Second, it occurs to me that you might have some record, such as a personal diary, which would show whether you did attend a breakfast meeting as alleged by Mr. Reynolds. And, third, I want to assure you that the committee will receive, as a part of its record of these hearings, any statement you may care to make about this matter.

For your information, Mr. McCloskey has been interviewed and will testify that he had never at any time attended a breakfast meeting with you when Don B. Reynolds or Robert G. Baker was present.

With assurance of my great respect, Mr. President, I beg to remain,

Yours sincerely,

B. EVERETT JORDAN,  
U.S. Senator, Chairman.

The reply is dated December 3, 1964, as follows:

DEAR SENATOR: I appreciated most highly yours of November 23, and I was as happy as I could be to hear from you.

I read your letter with a great deal of interest. I was not present at the breakfast referred to in your letter, nor have I had any connection with the people mentioned.

I also read the exhibit attached to your letter and am surprised that the Senator from Delaware scratched my name off. I suppose the reason he did it was because I was not there.

Sincerely yours,

HARRY S. TRUMAN.

[Laughter.]

The CHAIRMAN. I thought that should be received in evidence because we had asked for that, and Mr. Reynolds had stated that he was at this breakfast—stated publicly—at which time President Truman—ex-President Truman—was present. I think that that should be made a part of the record and that is my only reason for doing that.

The committee will recess as far as this part of the session is concerned until 10:30 tomorrow morning in this place.

(Whereupon, at 4:45 p.m., the committee recessed, to reconvene at 10:30 a.m., Wednesday, December 9, 1964.)





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