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D63/Pt. 11

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

Y4
.R 86/2
D 63/PT. 11

HEARING
BEFORE THE
COMMITTEE ON
RULES AND ADMINISTRATION
UNITED STATES SENATE

EIGHTY-NINTH CONGRESS
FIRST SESSION

PURSUANT TO

S. Res. 212 and S. Res. 367
(Eighty-eighth Congress)

RESOLUTIONS AUTHORIZING AN INVESTIGATION INTO THE
FINANCIAL, BUSINESS, OR OTHER INTERESTS OR ACTIVITIES
OF PRESENT OR FORMER MEMBERS, OFFICERS, OR EM-
PLOYEES OF THE SENATE, WITH PARTICULAR EMPHASIS ON
THE ALLEGATIONS RAISED IN CONNECTION WITH THE CON-
STRUCTION OF THE DISTRICT OF COLUMBIA STADIUM, AND
MATTERS RELATED THERETO

FEBRUARY 2, 1965

PART 11

Testimony of Harry Watson, George Jamme, Lawrence
McQuaid, Thomas Hogan, Joseph Rosetti, Donald Con-
nelly, Earl Morris, Kenneth Brinsfield, and Edward T.
Hugler

Printed for the use of the
Committee on Rules and Administration



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

TUESDAY, FEBRUARY 2, 1965

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

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

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

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

The CHAIRMAN. The committee will please come to order. Who is your first witness?

Mr. McLENDON. Mr. Watson is the first witness. He has already testified, so he doesn't need to have the statement read to him.

The CHAIRMAN. Mr. Watson, will you come up and take the witness chair, please, sir?

Before we start this hearing, it was announced or released from the committee that the Sweet Water Development matter would be heard in open session Thursday. Matters have come before the committee since that time that the committee—this is the unanimous decision of the committee—think it wise to hold hearings in executive session Thursday on this matter, rather than do it in open session. So there will be no open session on the Sweet Water Development case on Thursday as previously stated. This does not preclude it being done later on. But there is some evidence that has come to us that we think should be considered in executive session first.

Mr. Watson, you have been sworn before, I believe.

Mr. McLENDON. You are Mr. Harry Watson?

TESTIMONY OF HARRY WATSON; ACCOMPANIED BY HOWARD GITTIS, ATTORNEY

Mr. WATSON. Yes; I am.

Mr. McLENDON. The same Harry Watson who testified before the committee recently concerning the Reynolds-McCloskey bonding insurance transaction?

Mr. WATSON. Yes.

Mr. McLendon. You have, today, the same counsel who appeared with you at that time?

Mr. Watson. Yes; I do.

Mr. McLendon. Mr. Watson, as I recall your testimony, you identified yourself as being in charge of the insurance division of Hutchinson, Rivinus & Co. in Philadelphia.

Mr. Watson. I don't believe I said it quite that way.

Mr. McLendon. Will you state it again?

Mr. Watson. I said I was an account handler. One of my duties was to handle the McCloskey account on an overall basis.

Mr. McLendon. That is insurance you speak of?

Mr. Watson. General, insurance, across the board; that is right.

Mr. McLendon. You were asked to bring with you today copies of the bills from Hutchinson, Rivinus & Co. to McCloskey & Co., covering the period during which the District of Columbia Stadium was under construction. Have you with you copies of those bills?

Mr. Watson. Yes; we do.

Mr. McLendon. Will you begin with the top one there, which seems to be dated December 1, 1960, and tell the committee what that is?

Mr. Watson. That is a bill for premiums developed during the period July 1 to October 1, 1960, for the earned premiums for all of the work done by McCloskey during that time.

Mr. McLendon. The contract, to remind everyone, was made July 7, for the construction of the stadium.

Mr. Watson. I didn't hear you.

Mr. McLendon. I say to refresh the memory of everyone, the contract between McCloskey and the District of Columbia Armory was dated July 7. And this bill begins with July 1 and extends to October 1.

Mr. Watson. That is correct.

Mr. McLendon. It states, does it not, that it is based on audit for that term?

Mr. Watson. That is right.

Mr. McLendon. By whom was the audit made?

Mr. Watson. By the Aetna Casualty & Surety Co.

Mr. McLendon. Is this bill a comprehensive bill for all of the insurance carried by Aetna for the McCloskey Co. during that year?

Mr. Watson. I wouldn't say all of the insurance. All of the workmen's compensation and liability insurance, yes.

Mr. McLendon. All right. It does cover workmen's compensation and general liability, does it not?

Mr. Watson. That is right.

Mr. McLendon. The total for that quarter—read that figure, please.

Mr. Watson. \$93,157.76.

Mr. McLendon. To make it absolutely clear, I repeat one question. This is based on an audit made by the Aetna—

Mr. Watson. Aetna Casualty & Surety Co., the carrier; right.

(The documents referred to are as follows:)

EXHIBIT 98

McCloskey and Company
1620 West Thompson Street
Philadelphia 21, Pennsylvania

Philadelphia 6, Pa.
December 1, 1960

HUTCHINSON, RIVINUS & Co.

INSURANCE

Public Ledger Building

JEMCH/RFC/JM

Premiums are due and payable on date insurance takes effect

Date	Policy No.	Company	Property Insured	Amount	Premium
12/31/59 to 12/31/60	LC9310QRR	The Aetna Casualty & Surety Co.	Earned Premiums, based on audit for the term July 1 to October 1, 1960, in connection with the following policies: Workmen's Compensation Insur- ance	0.19	0.19
"	4AL9337RR	"	Comprehensive Public Liability Insurance	10.20	10.20

No Receipt Sent Unless Requested

EXHIBIT 99

McCloskey and Company
1620 West Thompson Street
Philadelphia 21, Pennsylvania

Philadelphia 6, Pa.
May 1, 1961

HUTCHINSON, RIVINUS & Co.

INSURANCE

Public Ledger Building

JEMCH/RFC/JM

Premiums are due and payable on date insurance takes effect

Date	Policy No.	Company	Property Insured	Amount	Premium
12/31/59 to 12/31/60	LC9310QRR	The Aetna Casualty & Surety Co.	Earned Premiums based on audit for the term October 1 to December 31, 1960, as follows: Workmen's Compensation Insur- ance		\$124,523.62
" (2nd Year of 3-Year Term)	4AL9337RR	"	Comprehensive Public Liability Insurance		13,764.43 \$138,288.05

No Receipt Sent Unless Requested

EXHIBIT 100

Philadelphia 6, Pa.
May 16, 1961

HUTCHINSON, RIVINUS & Co.

INSURANCE

Public Ledger Building
INDEPENDENCE SQUARE

HUTCHINSON, RIVINUS & Co.		Premiums are due and payable on date insurance takes effect			
Date	Policy No.	Company	Property Insured	Amount	Premium
12/31/60 to 12/31/61	LC99500RR	The Aetna Casualty & Surety Co.	Earned Premiums based on audit for the term 12/31/60 to 3/31/61, in connection with the following policies: Workmen's Compensation Insurance	\$86,228.50 ✓	
"	LA19337RR	"	Comprehensive Public Liability Insurance	12,117.71 ✓	\$98,676.21 ✓
			LESS Return Premiums on excess pay- rolls, as follows:		
"	LC99500RR	"	Workmen's Compensation Insurance	11,307.01 ✓	
"	LA19337RR	"	Comprehensive Public Liability Insurance	802.08 ✓	12,109.09
Net Additional Premium					\$86,567.12 ✓

Handwritten: Premium - Aetna
Deductible - \$10,000

Handwritten: Change W.C.
Credit W.C. \$1,109.09
\$86,567.12

Handwritten: 651-1007
651A-1007

APPROVED
DATE: 5/20/61
BY: [Signature]

EXHIBIT 101

McCloskey and Company
1620 West Thompson Street
Philadelphia 21, Pennsylvania

Philadelphia 6, Pa.
October 4, 1961

HUTCHINSON, RIVINUS & Co.

INSURANCE

Public Ledger Building
INDEPENDENCE SQUARE

JRMH/RFC/M

Premiums are due and payable on date insurance takes effect

Date	Policy No.	Company	Property Insured	Amount	Premium
			Earned Premiums based on audit for the term 3/31/61 to 6/30/61 in connection with the following policies:		
12/31/60 to 12/31/61	LC99500RR	The Aetna Casualty and Surety Co.	Workmen's Compensation Insurance	\$133,777.39	
"	HAL9337RR	"	Comprehensive Public Liability Insurance	21,679.21	\$155.45
			L E S S		
			Return Premiums on excess pay-rolls, as follows:		
"	LC99500RR	"	Workmen's Compensation Insurance	\$15,659.40	
"	HAL9337RR	"	Comprehensive Public Liability Insurance	1,218.79	
					16,878.19
			Net Additional Premium		\$138,578.41

CHANGE AMT 651 155,466.00
CREDIT AMT 651-0 16,878.19

138,578.41
CHARGE
APPROVED
EXTENSION
VOUCHER
ENTERED
REMARKS

No Receipt Sent Unless Requested

EXHIBIT 102

McClintock and Company
222 West Thompson Street
Philadelphia 21, Penna.

Philadelphia 6, Pa.
November 17, 1961

HUTCHINSON, RIVINUS & Co.

INSURANCE

Public Ledger Building

INDEPENDENCE SQUARE

10/24/61/RFC/JM

Premiums are due and payable on date insurance takes effect

Date	Policy No.	Company	Property Insured	Amount	Premium
12/31/60 to 12/31/61	LC99500RR	The Aetna Casualty & Surety Co.	Earned Premiums based on audit for the term 6/30/61 to 9/30/61, in connection with the following policies: Workmen's Compensation Insur- ance	\$153,768.10	
"	LAL9337RRT	"	Comprehensive Public Liability Insurance	23,377.50	\$177,145.60
L E S S					
Return Premiums on Excess Payrolls, as follows:					
"	LC99500RR	"	Workmen's Compensation Insur- ance	13,013.52	
"	LAL9337RRT	"	Comprehensive Public Liability Insurance	1,097.65	
"	"	"	Comprehensive Public Liability Insurance		
To correct Bodily Injury charge in audit for 3/31/61 to 6/30/61 on E. C. and Va. Sales.				15.05	
					14,126.22
Net Premium Due					\$163,019.38

Charge 4661 177145.60
Credit 4651-A 14126.22

163,019.38

CONTRACT _____ CHARGE _____
APPROVED _____
EXTENSION _____
PRICE _____
ENTERED _____
REMARKS _____
PAID CHECK NO. _____

No Receipt Sent Unless Requested

EXHIBIT 103

Agency and Company
 2420 West Thompson Street
 Philadelphia 21, Pennsylvania

Philadelphia 6, Pa.
 April 4, 1962

HUTCHINSON, RIVINUS & Co.

H.M. for JEMch/BPC/JM

INSURANCE

Public Ledger Building

INDEPENDENCE SQUARE

Premiums are due and payable on date insurance takes effect

Date	Policy No.	Company	Property Insured	Amount	Premium
12/31/60 to 12/31/61	4C99500RR	The Aetna Casualty & Surety Co.	Adjustment of premium, based on and in connection with the following policies: <u>Earned Premiums for the term 10/1/61 to 12/31/61</u> Workmen's Compensation Insur- ance	\$125,070.95	
"	4AL9337RRY	"	Comprehensive Public Liability Insurance Additional Premium a/c D. C. rate increase effective 9/1/61 -- applied to month of September	17,625.98	
"	4C99500RR	"	Workmen's Compensation Insur- ance Occurrence and Personal Injury Endorsement	3,362.10	
"	4AL9337RRY	"	Comprehensive Public Liability Insurance	3,547.37	
"	4JC1879RR	"	Comprehensive Automobile Liability Insurance Additional Premium	251.62	\$149,858.02
			<u>L E S S</u> Adjustment of excess over \$100 per wk. District of Columbia		
"	4C99500RR	"	Workmen's Compensation Insur- ance Return Premium 60,194.34 Previously allowed 39,979.93	20,214.41	

No Receipt Sent Unless Requested

EXHIBIT 103—Continued

Lokey and Company
2620 West Thompson Street
Philadelphia 21, Pennsylvania

April 4, 1962

HUTCHINSON REYNOLDS & Co.

INSURANCE

Public Ledger Building
INDEPENDENCE SQUARE

HJW for JEMCH/RFC/JM

Premiums are due and policy on auto insurance takes effect

Date	Policy No.	Company	Policy Insured	Amount	Premium
			2		
Brought Forward					\$149,858.02
"	4C99500RR			20,214.41	
2/31/60 to 2/31/61	4AL9337RRY	The Aetna Casualty & Surety Co.	Comprehensive Public Liability Insurance		
			Return Premium	5,099.05	
			Previously allowed	<u>3,118.52</u>	
				1,980.53	
			<u>Refund of Deposit Premiums</u>		
"	4C99500RR	"	Workmen's Compensation Insur- ance	4,000.00	
"	4AL9337RRY	"	Comprehensive Public Liability Insurance	<u>2,500.00</u>	
					<u>28,694.94</u>
Balance Due					\$121,163.08
Change n/c 651 127,663.08 CREDIT n/c 200 6,500.00 121,163.08					OK W.M.
CONTRACT APPROVED DATE BY PRO					

No Receipt Sent Unless Requested

EXHIBIT 104

McCloskey and Company
1620 West Thompson Street
Philadelphia 21, Pennsylvania

Philadelphia 6, Pa.
June 7, 1962

16

HUTCHINSON, RIVINUS & Co.DISTRICT OF COLUMBIA**INSURANCE****Public Ledger Building**

INDEPENDENCE SQUARE

HJM for JEMCH/RFC/JM

Premiums are due and payable on date insurance takes effect

Date	Policy No.	Company	Property Insured	Amount	Premium
			Earned Premiums based on audit for the term 12/31/61 to 4/1/62, in connection with the following policies:		
/31/61 to /31/62	4C104200RR	The Aetna Casualty & Surety Co.	Workmen's Compensation Insurance		\$98,251.95
"	4AL16300RRY	"	Comprehensive Public Liability Insurance		9,917.78
					108,169.73
			<u>L E S S</u>		
			Return Premiums on estimated excess over \$100. per week, as follows:		
"	4C104200RR	"	Workmen's Compensation Insurance	\$14,737.60	
"	4AL16300RRY	"	Comprehensive Public Liability Insurance	1,077.60	
					15,815.20
			Balance Due		\$92,354.53

No Receipt Sent Unless Requested

Senator CURTIS. Mr. Chairman, may I ask a question or two?

The CHAIRMAN. Yes.

Senator CURTIS. Look at that first page, this bill dated December 1, 1960, and see if you can tell me what jobs or contracts of McCloskey Co. are covered by this insurance for which you billed them.

Mr. WATSON. You can't tell from the bill, Senator. But the backup which the Aetna picks up are all of the work done by McCloskey, whether it would be in Washington or Pennsylvania or New York, wherever the case may be.

Senator CURTIS. Who made out this bill?

Mr. WATSON. Aetna Casualty is the one who picks up the information that constitutes the premium on here.

Senator CURTIS. Was there a bill, or information, provided to McCloskey & Co. carrying information as to what jobs or contracts this insurance should be charged to?

Mr. WATSON. I don't believe so. To my knowledge, the audits did not break down the jobs. It merely picked up the various State level premiums, because of the rate differentiation. But there was no breakdown of jobs at that time. We do do it today, but we didn't do it at that time.

Senator CURTIS. How did McCloskey & Co. do it for the purpose of accounting on their contracts and taxes and so on?

Mr. WATSON. That, I don't know.

Senator CURTIS. Did either Aetna or Hutchinson, Rivinus & Co. supply any supplemental material with their bills, so that McCloskey & Co. would know what they were paying for liability and workmen's compensation on the particular job, or all the jobs?

Mr. WATSON. They supplied them with the audits, yes. The audit figures were picked up from McCloskey & Co. by the Aetna.

Senator CURTIS. I don't quite understand.

Mr. WATSON. The total payrolls for the Washington, D.C., or Pennsylvania were picked up by the Aetna auditor from McCloskey & Co. to make up the premium bills.

Senator CURTIS. These bills start out, then, not with the insurance company, but with McCloskey?

Mr. WATSON. That is where the figures have to be obtained from; that is right.

Senator CURTIS. How does this operate? Does Aetna send agents or employees to McCloskey, to ascertain what the premiums are?

Mr. WATSON. That is right.

Senator CURTIS. Is that ascertainment by jobs?

Mr. WATSON. That, I don't know, because physically we were not involved in it in our office. The Aetna's auditors could tell you better, I would think. It seems to me that at that time the audits that we got did not break down the jobs. It only showed all of the work performed in Washington, D.C., or Delaware, or Maryland, wherever the case may be.

Senator CURTIS. Then you do not know whether this page 1 has any figure on it that is relevant in any way to the stadium here in Washington?

Mr. WATSON. Except we know from the policy as written that we were covering all of the work of McCloskey, which included at that

time the stadium. So we have to presume it is in here, and the premium is in here for it.

Senator CURTIS. Only a presumption?

Mr. WATSON. Without specification, yes.

Senator CURTIS. Well, is there anything on the page that you can point to that shows that this was the bill that had something to do with the insurance coverage for the Washington Stadium?

Mr. WATSON. Yes. Comprehensive public liability insurance. And the workmen's compensation—covers that job.

Senator CURTIS. How do you know it covers that job?

Mr. WATSON. Because we cover all of their operations under this blanket policy.

Senator CURTIS. But you do not—there is nothing on there to show—

Mr. WATSON. If we were not covering them, we sure paid some losses.

Senator CURTIS. What other jobs are shown there, then?

Mr. WATSON. I would say every other job they were doing. Any activity they were doing at that time, the policy would be picked up automatically, under the type of insurance we write for them. It has that flexibility. And the reason for it is, it is obvious, to make sure—

Senator CURTIS. Does either Hutchinson, Rivinus & Co. or Aetna retain any records as to what jobs or contracts this insurance coverage is contracted for and paid for?

Mr. WATSON. We know the jobs they were on during that time.

Senator CURTIS. Is there any record in your company—either one, the agent or the insurance company—where you could turn to and tell us what jobs were involved in this bill for \$93,157.76, dated December 1, 1960?

Mr. WATSON. Offhand, I am not certain. But I know that any records that we had were available to the FBI when they came in. We showed them every piece of material we had in reference to it.

Senator CURTIS. I am not suggesting that you are withholding information. You have presented a bill here, and you have been unable to tell me anything, or to present anything else, that shows any relationship to any particular job. I have asked you the question: Do you have such a record?

Mr. WATSON. A record of the jobs, you are talking about, or a record of how the premium was allocated?

Senator CURTIS. Do you have a record that shows what jobs or contracts created this bill of \$93,157.76, dated December 1, 1960?

Mr. WATSON. I would say the Aetna Casualty & Surety Co. would have it, definitely.

Senator CURTIS. But you don't have?

Mr. WATSON. I don't think we would be as accurate as them, because they set up an engineering service for each and every job, which they visit, and set up a safety program. So I would say they could probably give it to you more accurately than our office, because they are out in the field, they are the ones that contact McCloskey for this information, and they pass it on to us as agents, or the so-called middleman, and we in turn pass it on to them.

Senator CURTIS. That is all for the moment.

Mr. McLENDON. I think what Senator Curtis is getting at is this: When you received the information from Aetna from which this bill was made—referring now to this first page, \$93,000—was the information you received from Aetna in a lump sum for all insurance carried from McCloskey, or was it broken down by jobs?

Mr. WATSON. It was broken down by territories.

Mr. McLENDON. By territories? You mean by your answer it is not broken down by jobs?

Mr. WATSON. Not at that time, it was not, no.

Mr. McLENDON. Well, I don't understand what you mean by "at that time."

Mr. WATSON. Well, because the billings in those days was done on a statewide basis or a city basis, rather than on a per job basis.

Mr. McLENDON. All right. And this was all the money that was collected from McCloskey for all insurance, general liability and workmen's compensation, wherever he was working; is that correct?

Mr. WATSON. That is right, for that period of time; yes, that is right.

Mr. McLENDON. Did you ever receive any other bill from Aetna for general liability and workmen's compensation for that period, other than this?

Mr. WATSON. No.

Mr. McLENDON. You are sure about that?

Mr. WATSON. Positive.

Mr. McLENDON. All right. Now, let's go to the second sheet, which the reporter marked—

The CHAIRMAN. May I ask Mr. Watson a question here for my own information, to clear this up in my mind? The Aetna Insurance Co. is the insurer of all the McCloskey jobs—that is correct, is it not?

Mr. WATSON. That is right.

The CHAIRMAN. Well, now, for Aetna to arrive at what they were going to bill you, and you, in turn, to bill McCloskey, or however you did it, they would go to McCloskey Co.'s offices and audit their payrolls.

Mr. WATSON. That is right.

The CHAIRMAN. That information they would have on, I presume, every job—if the job was being done here in Washington, the payrolls would be kept here in Washington; Aetna then would know certainly the insurance that was due on this job here in Washington, the stadium job, or any other job being performed here. Now, I can readily understand why McCloskey handled his books on an area basis, why they might have lumped it together. But I would think that Aetna would have in their possession, or did at that time, the calculations they made on the payroll of every job that McCloskey had. They would have a total figure on it, wouldn't they?

Mr. WATSON. I don't know myself, because not being an auditor—our function, actually, we must take the Aetna's figures, and all we do is check them out for mathematical correctness, because we don't see the figures at all. We just see the audit. All we do is check it out for accuracy, and then pass it on. If McCloskey comes back at us, we in turn go back to Aetna, because that is where the information comes from in the first place.

The CHAIRMAN. You rely solely on what Aetna reported to you as due from McCloskey for insurance on an area or job basis, whichever it might be?

Mr. WATSON. That is right.

The CHAIRMAN. Thank you, sir.

Mr. McLENDON. Turning to the second sheet, which is purported to begin October 1 and end December 31, 1960, in the amount of \$138,288.05, does that quarterly bill also cover the premium for workmen's compensation insurance and comprehensive public liability for that quarter?

Mr. WATSON. That is right.

Mr. McLENDON. Is that based on information which Hutchinson, Rivinus received from Aetna?

Mr. WATSON. That is right.

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

Mr. McLENDON. Did it cover the insurance premium on all the work being done by McCloskey during that quarter?

Mr. WATSON. That is right.

Mr. McLENDON. Did you ever receive any other bill from Aetna, other than this?

Mr. WATSON. Not to my knowledge; no.

Mr. McLENDON. Has any demand ever been made upon you by Aetna for any additional payments for that quarter?

Mr. WATSON. No.

Mr. McLENDON. Is it also true of this one, as you have testified about the first one, that the information furnished by Aetna was not broken down by specific jobs?

Mr. WATSON. That is right.

Mr. McLENDON. Was this bill paid?

Mr. WATSON. I presume they have all been paid because they would be on a delinquent list by this time, and our office is pretty—

Mr. McLENDON. You have had no further demand for payment, I take it?

Mr. WATSON. That is right.

Mr. McLENDON. All right. Now, the third one is for the quarter beginning December 31, 1960, and running to March 31, 1961, in the amount of \$86,567.12. Is that correct?

Mr. WATSON. That is right.

Mr. McLENDON. Without repeating all the questions I have asked you about the first two, was this bill made up in the same way that the first and second quarters was made?

Mr. WATSON. That is right.

Mr. McLENDON. It was based on information furnished to you by Aetna?

Mr. WATSON. That is correct.

Mr. McLENDON. That included all the insurance carried from McCloskey Co., wherever he might be working?

Mr. WATSON. That is right.

Mr. McLENDON. Did you receive any other bill from Aetna for that quarter for insurance?

Mr. WATSON. Not to my knowledge.

Mr. McLENDON. Have they made any demand upon you in any way for any amount in addition to this \$86,000?

Mr. WATSON. Not to my knowledge.

Mr. McLENDON. The next one is for the quarter beginning March 31 to June 30, 1961, is it not?

Mr. WATSON. Yes; that is true.

Mr. McLENDON. The total amount is what?

Mr. WATSON. \$138,578.41.

Mr. McLENDON. Was this bill prepared by Hutchinson, Rivinus?

Mr. WATSON. Yes.

Mr. McLENDON. In the same manner that you testified about the other ones?

Mr. WATSON. That is right.

Mr. McLENDON. And presented to McCloskey Co., and your company was paid the amount showed on this invoice?

Mr. WATSON. That is right?

Mr. McLENDON. I assume that your answers to the other bills, about the other quarters, would be the same; is that correct?

Mr. WATSON. That is correct.

Mr. McLENDON. If you get to one that has any difference in it, I wish you would call my attention to it. Now, the next one, is it for the quarter June 30 to September 30, 1961, is it not?

Mr. WATSON. Yes.

Mr. McLENDON. What is the total amount of that one?

Mr. WATSON. \$163,019.38.

Mr. McLENDON. Was that bill made in the same way and from the same sort of information you obtained from Aetna?

Mr. WATSON. Yes; it was.

Mr. McLENDON. Has Aetna made any demand for any further payment of insurance premiums for that quarter?

Mr. WATSON. No; they have not.

Mr. McLENDON. You collected this amount from McCloskey & Co.?

Mr. WATSON. That is not my function in the office, but I presume we have. Otherwise, it would have been on the delinquent list.

Mr. McLENDON. Do you have any outstanding obligation of McCloskey & Co. for insurance for that period during which the stadium was being constructed?

Mr. WATSON. None whatsoever, to my knowledge.

Mr. McLENDON. All right. The next quarterly bill is from October 1 to December 31, 1961. What is the total amount of that?

Mr. WATSON. What was that period, again?

Mr. McLENDON. October 1 to December 31, 1961.

Mr. WATSON. Apparently there are two pages on that bill; \$121,163.08.

Mr. McLENDON. The next one in my folder is the quarter October 1 to December 31, 1961, is it not? Isn't that what you have?

Mr. WATSON. I think that is the one we just talked about, isn't it?

Mr. McLENDON. Yes, and that is \$149,000; is that right?

Mr. WATSON. There are two pages to that.

Mr. McLENDON. Oh, I see. The second page—so that the final amount is \$121,163.08; is that right?

Mr. WATSON. That is right.

Mr. McLENDON. Was that bill prepared from the same sort of information obtained from Aetna?

Mr. WATSON. Yes; it was.

Mr. McLENDON. Have they billed you any additional amount for insurance for that quarter?

Mr. WATSON. Not to my knowledge; no.

Mr. McLENDON. The next one is from December 31, 1961, to April 1, 1962, is it not?

Mr. WATSON. That is right.

Mr. McLENDON. Bill dated June 7, 1962. Is that the one you have?

Mr. WATSON. That is right.

Mr. McLENDON. What is the amount of that one?

Mr. WATSON. \$92,354.53.

Mr. McLENDON. Was that made in the same way, from information furnished by Aetna?

Mr. WATSON. Yes.

Mr. McLENDON. This amount was collected from McCloskey, was it not?

Mr. WATSON. To my knowledge, yes, sir.

Mr. McLENDON. Was any other bill rendered by Aetna for insurance for that quarter?

Mr. WATSON. Not to my knowledge; no.

Mr. McLENDON. Now, those bills cover the entire period that the stadium was under construction, as I understand it; is that correct?

Mr. WATSON. That is right.

Mr. McLENDON. Anything else you want to add by way of explanation, Mr. Watson?

Mr. WATSON. Nothing I could add.

Senator CURTIS. Mr. Chairman?

The CHAIRMAN. Yes.

Senator CURTIS. Mr. Watson, I inquired in some detail about the first bill. In reference to all the others, these are total bills to the McCloskey Co. prepared by Aetna, and seen submitted to the McCloskey Co. by Hutchinson, Rivinus & Co.; is that correct?

Mr. WATSON. That is correct.

Senator CURTIS. Is there anything on any of these that show what was paid for workmen's compensation or comprehensive public liability insurance on the District of Columbia Stadium?

Mr. WATSON. No, Senator; there is not. There is no detail on any of these bills.

Senator CURTIS. What is your position in Hutchinson, Rivinus & Co?

Mr. WATSON. As I mentioned before, I am an account handler, and one of my duties is to handle the McCloskey account from an overall basis.

Senator CURTIS. Do you have any records in Hutchinson, Rivinus & Co. to show what you billed McCloskey Co. for insurance of all kinds of the District of Columbia Stadium?

Mr. WATSON. We would not be able to break down the workmen's compensation and public liability; no.

Senator CURTIS. You have no record of that?

Mr. WATSON. Because we have to get that information from the Aetna. This is our bills here. Other insurance, the bond, for example, that we know, because that was a specific bond contract.

Senator CURTIS. Performance bond?

Mr. WATSON. Yes. That was written. We know that is allocated there. But unfortunately this is lumped all in one.

Senator CURTIS. This is lumped all in one. And so you have no record, then, of what you billed McCloskey for or what McCloskey paid for workmen's compensation insurance and public liability insurance in reference to the District of Columbia Stadium?

Mr. WATSON. That is correct.

Senator CURTIS. That is all.

Mr. McLENDON. Mr. Watson, when you were here before, you saw, did you not, the invoice from Don Reynolds Associates to McCloskey?

Mr. WATSON. Yes; I did.

Mr. McLENDON. Accompanied by a letter which has been marked "Exhibit 8," the invoice being in the amount of \$109,205.60. Do you remember seeing that?

Mr. WATSON. Yes; I do.

Mr. McLENDON. Being in charge of the insurance account of McCloskey & Co., if you had known that Reynolds was the broker for the general liability insurance at that time, how would you have billed the insurance premium?

Mr. WATSON. If we were instructed by McCloskey & Co. to recognize a broker, we would have billed Reynolds the same as we billed him on the bond. We would have billed him for the total premium less the commission.

Mr. McLENDON. The evidence shows with respect to a bond, it was first billed to McCloskey & Co. You recall that, do you not?

Mr. WATSON. Yes.

Mr. McLENDON. And then at the suggestion of Mr. McHale—is that his name?

Mr. WATSON. Yes.

Mr. McLENDON. Mr. Bent rewrote the bill to Don Reynolds Associates. Do you recall that?

Mr. WATSON. Yes; I do.

Mr. McLENDON. That related to the premium on the bond only?

Mr. WATSON. That is right.

Mr. McLENDON. Now, my question is if at that time, being in charge of the insurance account, you had known Reynolds was also the broker for the insurance, what would you have done?

Mr. WATSON. If we were instructed by McCloskey & Co.—

Mr. McLENDON. If you were instructed?

Mr. WATSON. By McCloskey & Co. to recognize a broker we would have set this up separately, and handled it out of our regular routine, and billed Reynolds & Co.—whatever the name is—the premium less the commission.

Mr. McLENDON. In other words, it was going to be done in a similar manner to the way the bond premium was billed?

Mr. WATSON. As far as the billing is concerned, that is right.

Mr. McLENDON. Do you recall seeing the calculation of the premium for the general liability insurance that Mr. Stewart testified about?

Mr. WATSON. Yes; I do.

Mr. McLENDON. Exhibit 30.

Mr. WATSON. Yes.

Mr. McLENDON. And shows the premium on the general liability insurance to be \$36,278.65?

Mr. WATSON. I remember seeing the bill; yes.

Mr. McLENDON. Assuming that that is a correct calculation of the premium, you would have prepared a bill to Don Reynolds Associates for this amount, \$36,278.65, would you?

Mr. WATSON. That is right.

Mr. McLENDON. Would you also have shown on that the amount of his commission?

Mr. WATSON. We would have shown it less commission.

Mr. McLENDON. Less a commission?

Mr. WATSON. That is right.

Mr. McLENDON. What would have been the amount of his commission on this amount?

Mr. WATSON. Well, under our package or blanket types of policies, we have what we call a negotiated commission. It would have been approximately about 7½ percent.

Mr. McLENDON. Will you pull the microphone a little closer to you there? It is a little difficult to hear you. I am not sure I understand that.

Mr. WATSON. It would have been about 7½ percent.

Mr. McLENDON. The 7½ percent would have been his commission. You mean 7½ percent of this figure of \$36,000?

Mr. WATSON. That is correct.

Mr. McLENDON. Which would be about \$2,700, would it not?

Mr. WATSON. A quick calculation, I would say that is about right.

Mr. McLENDON. I haven't figured it out myself, but it looks like it would be about that.

Mr. WATSON. About \$2,700 and some.

Mr. McLENDON. Would that commission of 7½ percent on this figure be changed as a result of an audit by Aetna & Co.?

Mr. WATSON. No; it would not. We set this up, as I said, on a separate brokerage basis.

Mr. McLENDON. Let's be sure we understand that. If Reynolds was the broker for general liability insurance, and if this figure representing the premium for the general liability insurance was correct, Reynolds would have been entitled to a commission of 7½ percent of that amount and that would remain that way; never would have changed. It wouldn't have gotten less or more.

Mr. WATSON. The rate of commission would have remained the same; that is right.

Mr. McLENDON. Is that commission or rate of commission the result of any agreement or contract that you have with Aetna?

Mr. WATSON. It is a negotiated commission; yes. It is much lower than the normal, so to speak, because of the volume, and so forth.

Mr. McLENDON. I assume that you mean negotiated commission—

Mr. WATSON. With the Aetna.

Mr. McLENDON. It was arrived at by agreement with Aetna; is that correct?

Mr. WATSON. That is right.

Mr. McLENDON. Is there any way that Reynolds could have known what that commission was?

Mr. WATSON. I doubt it very much.

Mr. McLENDON. He could have gotten it from you, could he not? He could have found out from you what the rate of the commission was.

Mr. WATSON. If he asked me, yes.

Mr. McLENDON. Could he have gotten it from Aetna?

Mr. WATSON. No; the Aetna would not give it to him, I don't think, unless he was recognized by them as broker of authority, and he had to file such recognition with them.

Mr. McLENDON. Let's assume that you notified Aetna that he was the broker for this insurance. They wouldn't have declined to give him the rate of commission, would they?

Mr. WATSON. They wouldn't do it without formal evidence as broker of authority.

Mr. McLENDON. Let's assume that they took all the precautions to get the proof.

Mr. WATSON. If he filed broker authority with the Aetna, they would have been in touch with me so fast, they would say there is a new broker on this, and I would probably have dropped dead.

Mr. McLENDON. Let's sum it up this way: It is a fact, is it not, that Reynolds could have found out the rate of commission on this general liability either from you or Aetna; would that be an accurate statement?

Mr. WATSON. Reasonably so; yes.

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

Mr. McLENDON. Did he ever make any inquiry of you as to what the commission was?

Mr. WATSON. Never spoke to the man.

Mr. McLENDON. Never spoke to him?

Mr. WATSON. No.

Mr. McLENDON. Have you ever had any communication from him in any way?

Mr. WATSON. Never have.

Senator CURTIS. So your best judgment is that he did not get that information from either Hutchinson, Rivinus & Co. or from Aetna?

Mr. WATSON. That is right.

Mr. McLENDON. The chairman is just asking me if some witness has not testified that Reynolds was informed as to the amount of this premium. To my recollection Mr. Stewart testified to that. You don't know about that?

Mr. WATSON. I don't know about that.

Mr. McLENDON. Mr. Reynolds didn't deny it; he just said he didn't remember it. But you don't know that personally?

Mr. WATSON. I do not.

Mr. McLENDON. What I am trying to get clear from you is that you, representing the insurance division of Hutchinson, Rivinus, and particularly handling the McCloskey account, you were never told that Reynolds was broker for this general liability insurance?

Mr. WATSON. Positively not.

Mr. McLENDON. If you had been, you would have rendered a bill for it?

Mr. WATSON. That is right.

Mr. McLENDON. You would have shown what his commission was?

Mr. WATSON. That is right.

Mr. McLENDON. And even—

Mr. WATSON. Set up a special account.

Mr. McLENDON. And even after this—I didn't mean to interrupt you.

Mr. WATSON. I said we would have set up a special account. We would have to.

Mr. McLENDON. With each broker?

Mr. WATSON. We do with each broker; that is right.

Mr. McLENDON. Is that your customary practice?

Mr. WATSON. That is right.

Mr. McLENDON. Even after the Reynolds Associates had rendered the bill for \$109,205.60 to McCloskey, and collected that amount from McCloskey, were you then informed that he was broker for the insurance?

Mr. WATSON. No. The first time I knew anything about it was when I read about it in the paper.

Mr. McLENDON. As a result of this investigation?

Mr. WATSON. That is right.

Mr. McLENDON. I think it is clear in the record, but I will be guilty of repetition by asking you one more time. The premium on the bond is a one-time affair, is it not? The bill for the premium on the bond?

Mr. WATSON. Yes, based on a contract price.

Mr. McLENDON. That is not subject to any audit by Aetna or anyone else?

Mr. WATSON. Normally speaking, no. Not unless the contract was doubled or something like that, which is not normal.

Mr. McLENDON. When the bond was signed on July 7 by Aetna, the amount of money due by McCloskey for that bond was fixed at that moment?

Mr. WATSON. That is right.

Mr. McLENDON. And it didn't change thereafter?

Mr. WATSON. No; it did not.

Mr. McLENDON. Would Mr. Reynolds' commissions on the premium on the general liability insurance change as a result of any audit made by Aetna?

Mr. WATSON. The rate of commission would remain the same all the way through.

Mr. McLENDON. It would remain the same?

Mr. WATSON. Yes; it would.

Mr. McLENDON. All right. I believe that is all, Mr. Chairman.

Senator CURTIS. Mr. Chairman?

The CHAIRMAN. Senator Curtis.

Senator CURTIS. Mr. Watson, if McCloskey & Co. paid Reynolds for anything beyond the premium on the performance bond, that excess payment was not for any insurance handled by Hutchinson, Rivinus & Co.; is that right?

Mr. WATSON. That is right.

Senator CURTIS. You referred to a Mr. McHale. Is he in the Hutchinson, Rivinus & Co.?

Mr. WATSON. Yes, sir.

Senator CURTIS. Is he related to Mr. McCloskey?

Mr. WATSON. Yes; he is.

Senator CURTIS. He is a son-in-law. What part of this transaction with Mr. Reynolds did Mr. McHale handle?

Mr. WATSON. All I know is from hearsay. I understand he was in on some part of the bond, to place it through Reynolds, recognize Reynolds as broker on the bond. But I didn't know anything except what was testified before that time.

Senator CURTIS. Can you get any other information from any other source that the bond be handled through Mr. Reynolds?

Mr. WATSON. No.

Senator CURTIS. So the only person that contacted Rivinus & Co. on behalf of Mr. Reynolds in connection with the bond was Mr. McCloskey's son-in-law, Mr. McHale?

Mr. WATSON. To my knowledge, that is true.

Senator CURTIS. That is all.

Mr. McLendon. That is all, Senator.

The CHAIRMAN. Senator Cannon?

Senator CANNON. Mr. Watson, Hutchinson, Rivinus & Co. submitted the bill—exhibit 17—to Mr. Reynolds on September 13, 1960, for the total sum of \$63,599.72; is that correct?

Mr. WATSON. It sounds like the net premium on the bond.

Senator CANNON. That was the net less the commission.

Mr. WATSON. I am not sure of the exact amount. It sounds like that is what it might be.

Senator CANNON. Now, are you familiar with the fact that the following day, September 14, Mr. Reynolds submitted a bill to Mr. McCloskey for the total sum of \$109,205.60?

Mr. WATSON. Only when I read about it in the papers.

Senator CANNON. Thank you. That is all.

The CHAIRMAN. Senator Pell?

Senator PELL. No questions.

The CHAIRMAN. Senator Hayden?

Senator HAYDEN. No questions.

The CHAIRMAN. Do you have any further questions?

Senator CURTIS. No; I have no further questions.

Mr. McLendon. That is all.

The CHAIRMAN. Thank you, Mr. Watson.

Mr. McLendon. Mr. Jamme.

The CHAIRMAN. Mr. Jamme, you have testified here previously, I believe.

Mr. JAMME. Yes, sir.

The CHAIRMAN. You have been sworn.

Mr. JAMME. Yes, sir.

The CHAIRMAN. Thank you. You may proceed.

Mr. McLendon. Mr. Jamme, my examination of you is very brief. Why does Aetna Casualty Co. audit the accounts of McCloskey & Co. when McCloskey & Co. is a customer buying general liability insurance and other insurance from Aetna?

TESTIMONY OF GEORGE B. JAMME

Mr. JAMME. It is a normal practice so that we may get the payroll to multiply it times the rate and bill them for a premium. We do it on a quarterly basis, so that we don't wait for a year. It is just a progressive payment on the policy.

Mr. McLendon. To break your answer down, I interpret it to mean there are two reasons, then. One is to verify the accuracy with which the premium is computed.

Mr. JAMME. Yes, sir.

Mr. McLendon. You do that by checking the payrolls and other data with respect to the type of work he is doing. Is that a fair statement?

Mr. Jamme. Yes, sir.

Mr. McLendon. Your second, and probably the most important reason to you, is so you can render a quarterly bill.

Mr. Jamme. Most important.

Mr. McLendon. That is a quick way of getting your money, is it?

Mr. Jamme. Yes, sir; it is the best way.

Mr. McLendon. I assume you are pretty careful to get it all, too, are you not?

Mr. Jamme. Very careful.

Mr. McLendon. When you make these quarterly audits, do you furnish the result to Hutchinson, Rivinus so that they, as your agent, can bill the client, McCloskey & Co.?

Mr. Jamme. Yes, sir.

Mr. McLendon. Have you in the course of your work with Aetna seen any of the bills rendered by Hutchinson, Rivinus to McCloskey & Co.?

Mr. Jamme. Have I seen——

Mr. McLendon. Have you come across any of them? Have you ever seen any of them?

Mr. Jamme. No, sir; I don't recall any.

Mr. McLendon. Has your company been paid each one of these quarterly bills?

Mr. Jamme. Yes, sir.

Mr. McLendon. Particularly during the period that the District of Columbia Stadium was under construction, did Aetna receive compensation for the premiums for all insurance carried by McCloskey & Co., including the premium due for insurance on the District of Columbia Stadium?

Mr. Jamme. Yes, sir.

Mr. McLendon. You never billed for any additional amounts other than these amounts Mr. Watson has identified?

Mr. Jamme. No, sir.

Mr. McLendon. That is all.

Senator Curtis. Mr. Chairman?

The Chairman. Senator Curtis.

Senator Curtis. How much did you bill McCloskey & Co. for workmen's compensation, public liability, and any other insurance, on the District of Columbia Stadium?

Mr. Jamme. I cannot answer that, Senator, because we billed it for the entire area of Washington.

Senator Curtis. Do you have any record of that?

Mr. Jamme. For the entire area of Washington, yes, sir.

Senator Curtis. No. Do you have any record as to how much you billed McCloskey & Co. for insurance on the District of Columbia Stadium?

Mr. Jamme. No, sir.

Senator Curtis. You have no record? Hutchinson, Rivinus has no record?

Mr. JAMME. We have no record. I cannot speak for Hutchinson, Rivinus.

Senator CURTIS. Well, how do you know what jobs these bills were charged to that were paid by McCloskey?

Mr. JAMME. We were not interested in what jobs. We were only interested in the total premium by classification.

Senator CURTIS. And you have no record of what jobs those premiums were chargeable to?

Mr. JAMME. No, sir.

Senator CURTIS. That is all.

The CHAIRMAN. Senator Cannon?

Senator CANNON. No questions.

The CHAIRMAN. Senator Hayden?

Senator HAYDEN. No questions.

Mr. McLendon. That is all.

The CHAIRMAN. May I ask one question at that point? I believe you have testified, or others have, that you billed on a territorial basis. In other words, the District of Columbia was a territory.

Mr. JAMME. Yes, sir.

The CHAIRMAN. The stadium was being built in the city of Washington.

Mr. JAMME. Yes, sir.

The CHAIRMAN. Am I correct, then, that you were only interested in seeing what the total payroll for McCloskey & Co. was in the District of Columbia by classification?

Mr. JAMME. By classification; yes, sir.

The CHAIRMAN. That would cover your entire interest in the case, because that is what you were billing for?

Mr. JAMME. Exactly.

The CHAIRMAN. So you were satisfied with what you needed to have, because the rates on all the work in the District of Columbia—say for brickmasons and painters and electricians—they are all different classifications?

Mr. JAMME. Yes, sir.

The CHAIRMAN. Carry a different liability rate; is that correct?

Mr. JAMME. That is correct.

The CHAIRMAN. Those things you would audit. You are interested in how many dollars McCloskey paid out for labor in the District of Columbia; is that correct?

Mr. JAMME. Yes, sir.

The CHAIRMAN. You billed McCloskey for that?

Mr. JAMME. Right. We bill Hutchinson, Rivinus.

The CHAIRMAN. Yes. I mean that is eventually what happens. I think I understand what you are talking about. But I would think that McCloskey themselves would have a list of all the projects or jobs they had in Washington, and what the payroll amounted to on each one of these jobs, which you got your information from. Of course, that wouldn't interest you. I would think McCloskey & Co. did have that information. That is all I have.

Mr. McLendon. On that point, as I recall your previous testimony, the original records which you made in connection with your quarterly audit would have shown data with respect to the names of the projects, for instance, that he was working on. But those records, according

to your system of recordkeeping, are destroyed every 3 years. Am I correct about that?

Mr. JAMME. No. The things that are destroyed every 3 years are billings to the agent—that would be the amount we have collected. The audit is simply the accumulation of figures on the payroll by classification in Washington. We could show you, for instance, all of the payroll for concrete work in Washington for that quarter. I could not break it down by job.

Mr. McLENDON. You could not. All right. I have been asked to ask you your exact title with Aetna.

Mr. JAMME. I am the manager, bond department, Philadelphia office.

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

Mr. JAMME. About 5 years.

Mr. McLENDON. Perhaps I ought to ask you the same question I did Mr. Watson. Is the premium on a performance bond a one-shot proposition?

Mr. JAMME. Yes, sir.

Mr. McLENDON. You render one bill for the bond for its entire duration?

Mr. JAMME. Yes, sir.

Mr. McLENDON. All right. That is all.

The CHAIRMAN. Thank you very much, Mr. Jamme.

Senator CURTIS. Mr. Chairman, could we go off the record for 30 seconds?

The CHAIRMAN. Yes, sir.

(Discussion off the record.)

Mr. McLENDON. Mr. McQuaid.

The CHAIRMAN. Mr. McQuaid, I believe that you have not been sworn.

Mr. McQUAID. No; I have not.

The CHAIRMAN. It will be necessary that I read this statement to you in order that you understand your rights before this committee, and by what authority you are testifying here this morning.

(At this point, Senators Hayden and Pell withdrew from the hearing room.)

The CHAIRMAN. This applies to all witnesses. I might add that you were not subpoenaed to be here; you came voluntarily.

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 involve any violation of law or other impropriety, or have reflected unfavorably upon the integrity of the Senate, and whether additional rules, laws, or regulations are necessary or desirable for the purpose of prohibiting or restricting 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 purposes. The Chair advises each witness that he is entitled under the rules of procedures 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 otherwise by request.

Will you please stand, tell your full name, raise your right hand, and put your left hand on the Bible?

Mr. McQUAID. Lawrence McQuaid.

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

Mr. McQUAID. I do.

The CHAIRMAN. Thank you, sir.

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

TESTIMONY OF LAWRENCE McQUAID

Mr. McQUAID. Lawrence F. McQuaid, 15 Shawnee Road, Ardmore Pa.

Mr. McLENDON. You are accompanied by your counsel, or do you have counsel?

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

Mr. McLENDON. You know you have a right to have counsel?

Mr. McQUAID. Yes, sir.

Mr. McLENDON. Mr. McQuaid, were you in the employment of McCloskey Co., in the year 1960?

Mr. McQUAID. Yes, sir; I was.

Mr. McLENDON. When did you terminate your employment?

Mr. McQUAID. December 31, 1961.

Mr. McLENDON. How long prior to December 1961 had you been in the employ of the company?

Mr. McQUAID. A little over 4 years.

Mr. McLENDON. In what capacity were you employed?

Mr. McQUAID. Controller

Mr. McLENDON. Controller?

Mr. McQUAID. Yes, sir.

Mr. McLENDON. What were your duties, generally?

Mr. McQUAID. I was in charge of the accounting department.

Mr. McLENDON. Did you have overall supervision of the entire accounting department during that time?

Mr. McQUAID. Yes, sir.

Mr. McLENDON. Some reference has been made here in prior testimony that McCloskey & Co., at that time, for tax purposes, were working on what is known as the completed contract basis, is that correct?

Mr. McQUAID. That is right.

Mr. McLendon. What does that mean?

Mr. McQuaid. Well, that means that on these major jobs which last over a year or two in operation, all of the income and all of the costs are deferred until the year in which the job is completed, and then it is taken into the accounts.

Mr. McLendon. Then you determine whether there was a profit or loss, when the contract is completed?

Mr. McQuaid. Yes, sir.

Mr. McLendon. Then, of course, whatever that determination is, is reflected in the income tax returns?

Mr. McQuaid. Right.

Mr. McLendon. For the year in which the job is completed?

Mr. McQuaid. Right.

Mr. McLendon. Mr. McQuaid, there is in evidence in this proceeding a document marked "Exhibit 18," which appears on page 156 of the record. Could somebody hand the witness a copy so he knows what I am referring to? You have it there, do you not?

Mr. McQuaid. Yes, sir; page 156.

Mr. McLendon. Exhibit 18, appearing on page 156, part 2, containing the testimony of Don B. Reynolds, on December 1, 1964. It is in evidence, Mr. McQuaid, that that document was received by McCloskey & Co. and approved by Mr. William Stewart, who has testified in person, and then a stamp was placed on it, which you see there on the exhibit, giving the contract number and charge—I guess that is a code number, isn't it?

Mr. McQuaid. That is a charge account code number, sir.

Mr. McLendon. Charge account code number, with the word "approved." It also bears a date—stamped date—October 17, 1960, isn't it?

Mr. McQuaid. I suppose it should be 60. It is a little—

Mr. McLendon. A little blurred.

Mr. McQuaid. Blurred; yes.

Mr. McLendon. Do you have any recollection that this particular document ever came to your personal attention as controller?

Mr. McQuaid. No, sir; I have no present recollection of ever having seen this document personally.

Mr. McLendon. In connection with that, the record also shows exhibit 20, which appears at page 171 of the printed record you have before you. It was a check of McCloskey & Co., signed by T. D. McCloskey, dated October 17, 1960, in exactly the same amount as the invoice which was marked "Exhibit 18"—\$109,205.60. Do you have any recollection that that check ever came to your personal attention?

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

Mr. McLendon. If the invoice and the check, as appear in this record, had come to your attention with a stamp on the bill and the information that Mr. Stewart had approved it, what would have been the method of processing it through your records?

Mr. McQuaid. I am sorry—what would what?

Mr. McLendon. I say if this invoice had come to your attention, bearing the stamp of approval, and the information that Mr. Stewart had approved it, and then you found the check which corresponded to the bill, what would have been the process by which these documents would have been handled in your accounting?

Mr. McQUAID. Well, I would say just about the way they apparently had been handled here. They would have been processed and charged into the particular job, which is this 403, the District of Columbia Stadium, and set up for payment at the appropriate time. The bill is stamped "Paid, October 17, 1960," and that is the date of the check that paid it. It seems to be all in order.

Mr. McLENDON. If anyone had called your attention to the fact at that time, or raised a question—whether it was a fact or not—that maybe this bill for insurance would be paid twice, what would you have done then?

Mr. McQUAID. That it would be paid twice?

Mr. McLENDON. Yes.

Mr. McQUAID. I would do what I could—

Mr. McLENDON. That this check would be a duplicate payment—would constitute a duplicate payment. What would you have done?

Mr. McQUAID. I would try to stop it.

Mr. McLENDON. Sir?

Mr. McQUAID. I would have tried to stop the duplicate payment.

Mr. McLENDON. You would have stopped it, wouldn't you?

Mr. McQUAID. I could not stop the payment, because I did not initiate the payment. But I would try to stop it by bringing it to the attention of those who would pay it.

Mr. McLENDON. I am not trying to be facetious. What I mean is that as controller you would not have stood by and see it paid twice, without doing something about it.

Mr. McQUAID. Not deliberately; no, sir.

Mr. McLENDON. But it appeared to be perfectly regular. Is it true it was processed in all your records?

Mr. McQUAID. Yes.

Mr. McLENDON. And would finally be treated as an expense item in computation of income tax?

Mr. McQUAID. It wound up in the proper slot in accordance with this coding, in our records.

Mr. McLENDON. I believe that is all.

The CHAIRMAN. Senator Curtis?

Senator CURTIS. Yes, Mr. Chairman. You made reference to the coding. What does that code show on this bill shown on page 156?

Mr. McQUAID. It shows C-403, which indicates the contract number assigned to the District of Columbia Stadium job, and a subcoding, 32.

Senator CURTIS. What does the 32 mean?

Mr. McQUAID. Which indicates the bond costs on that job.

Senator CURTIS. The bond costs?

Mr. McQUAID. Yes.

Senator CURTIS. Was the whole amount charged to bond costs?

Mr. McQUAID. Yes, sir.

Senator CURTIS. Why?

Mr. McQUAID. Because that is the coding on it.

Senator CURTIS. Who put that coding on it?

Mr. McQUAID. The accounts payable clerk, I would assume.

Senator CURTIS. Who did?

Mr. McQUAID. Well, the handwriting is familiar to me, but I would only be guessing.

Senator CURTIS. Whose handwriting is it?

Mr. McQUAID. It looks like the accounts payable clerk.

Senator CURTIS. His name?

Mr. McQUAID. It was a she.

Senator CURTIS. What was her name?

Mr. McQUAID. Miss McCloskey.

Senator CURTIS. Miss McCloskey?

Mr. McQUAID. Miss Agnes McCloskey.

Senator CURTIS. Who is she?

Mr. McQUAID. The accounts payable clerk.

Senator CURTIS. Is she related to the management of the company?

Mr. McQUAID. I believe so.

Senator CURTIS. Do you know?

Mr. McQUAID. I think so, but I don't know just by what degree of relationship.

Senator CURTIS. And her code directed that to be charged as all performance bond?

Mr. McQUAID. Yes, sir. The code of account for that job—

Senator CURTIS. What was the term there "general liability" on the bill for?

Mr. McQUAID. I beg your pardon?

Senator CURTIS. What does the term "general liability" mean there?

Mr. McQUAID. I don't know.

Senator CURTIS. Now, accompanied with that, up above it, is a letter to Mr. McCloskey from Don Reynolds that says, "Enclosed is invoice as agreed." Were you present when Mr. Reynolds testified?

Mr. McQUAID. No, sir.

Senator CURTIS. Have you read his testimony?

Mr. McQUAID. No, sir.

Senator CURTIS. Well, he has testified that he made out this bill as directed by the McCloskey Co.

Mr. McLENDON. No.

Senator CURTIS. I think that is his testimony. It may be disputed, but I think that is his testimony.

Mr. McLENDON. I think he made it out according to the instructions of Baker.

Senator CURTIS. Yes. I beg your pardon. But, at any rate, he got instructions, and Miss Agnes McCloskey put a code on there that it was all to be charged to bond.

Mr. McQUAID. That is right.

Senator CURTIS. Now, how much was charged to the District of Columbia Stadium for insurance, liability insurance, workmen's compensation, and performance bond, and all other insurance?

Mr. McQUAID. I would not have the vaguest idea.

Senator CURTIS. Do you have any record of it?

Mr. McQUAID. I have a record? I haven't been associated with them for 3½ years.

Senator CURTIS. Well, does the company have a record?

Mr. McQUAID. I would think so, but I don't have any knowledge of it.

Senator CURTIS. Now, these bills that were discussed by the previous witness, Hutchinson & Rivinus, have you seen those?

Mr. McQUAID. I have seen photocopies; yes, sir.

Senator CURTIS. Will you look at them and examine them and see if there is any code on there, to see what job they should be charged to and whether it is to be charged to a bond cost or what?

Mr. McQUAID. This—

Senator CURTIS. That first one, the one dated December 1, 1960. What does the code tell you about that?

Mr. McQUAID. It says 651.

Senator CURTIS. What is that?

Mr. McQUAID. As I recall it, it is a general ledger account. I think it indicates a liability account for workmen's compensation.

Senator CURTIS. What job?

Mr. McQUAID. No job. This is the entire liability.

Senator CURTIS. Well, where would they have a record as to what jobs or contracts they charged that to?

Mr. McQUAID. I can explain this to you, Senator, but do you have an accountant on your staff who can understand it?

Mr. McLENDON. Yes, sir; we have one up here.

Senator CURTIS. You recite it, and we will take the record to an accountant if we don't have one here. But I think we have.

Mr. McQUAID. It might be advisable. At that time, as I recall—and this is all vague now—this was the entire liability for workmen's compensation and comprehensive public liability. As I recall, at that time, we were using a fixed percentage rate applied to all the payrolls and all the jobs in order to absorb this cost.

Senator CURTIS. What does that mean?

Mr. McQUAID. This is an easy way of doing it. It is not the best way of doing it, but it is an easy way.

Senator CURTIS. You mean by that, if they had 10 jobs going at various total costs, it would be arbitrarily allocated to those jobs?

Mr. McQUAID. Based on the labor. This is applicable to labor. Based on the experience of what our total workmen's compensation cost was in relation to total payroll, we would develop a pro rata percentage, and apply that to the labor on all the jobs, to absorb this cost.

Senator CURTIS. Now, to all the jobs in all the localities?

Mr. McQUAID. Everywhere, wherever there was payroll.

Senator CURTIS. If McCloskey & Co. paid \$109,205.60 to Reynolds, would any part of it be handled through this?

Mr. McQUAID. No; that is a direct charge for the bond costs, directly charged to the job. One shot.

Senator CURTIS. And your best judgment is that that was coded by Miss McCloskey—

Mr. McQUAID. I can only tell from the appearance of the handwriting; that is all.

Senator CURTIS. And the code clearly shows that they directed that all be shown as bond costs?

Mr. McQUAID. Yes, sir.

Senator CURTIS. When did you leave McCloskey & Co.?

Mr. McQUAID. The end of 1961—December 31.

Senator CURTIS. Any time while you were there did McCloskey & Co., attempt to recover any money from Don Reynolds?

Mr. McQUAID. Not that I know of.

Senator CURTIS. Now, turning to the next one there, the one dated—the bills testified to by the previous witness—dated May 1, 1961, what does the code tell you about that?

Mr. McQUAID. The same thing as the other—the same thing as the previous one. You will note the account number 651.

Senator CURTIS. How about the bill dated May 16, 1961?

Mr. McQUAID. The same treatment.

Senator CURTIS. What is that A business on there—651 and 651-A?

Mr. McQUAID. It seems to be—well, it is a reverse; it is a credit, you see. In other words, it doesn't show because of the photocopy, but one of those is a black figure and one is a red figure. It is an adjustment. You see you have a total charge of \$98,000 and a credit of \$12,000 to come to that total bill of \$86,000.

Senator CURTIS. What does that mean?

Mr. McQUAID. Well, it looks like some kind of an adjustment. I don't know offhand.

Senator CURTIS. What is that writing over there on the left "charge, 651, \$98,276.21, credit, 651-A."?

Mr. McQUAID. You have to look at the whole invoice, Senator. There is a charge in the upper half for expenses. Then it says, "less return premiums on excess payrolls"; there is a credit there.

Senator CURTIS. What does the code 651-A mean?

Mr. McQUAID. This is the credit. This same thing would have to be allocated back across the job the same way as the charge.

Senator CURTIS. In other words, 651 refers to the same ledger account as 651-A, only A indicates a credit?

Mr. McQUAID. Right.

Senator CURTIS. I see. What does the code show you about the bill dated October 4, 1961?

Mr. McQUAID. More of the same.

Senator CURTIS. And the next one, the bill dated November 17, 1961?

Mr. McQUAID. The same treatment.

Senator CURTIS. And the one dated April 4, 1962?

Mr. McQUAID. That is the same treatment.

Senator CURTIS. And June 7?

Mr. McQUAID. Same treatment.

Senator CURTIS. I think that is all.

The CHAIRMAN. Senator Cannon?

Senator CANNON. I have no questions.

Mr. McLendon. Just one question. This code No. 651, did I understand you to say that that indicates that any debit or credit on account of insurance in connection with the McCloskey bookkeeping would appear with this code number?

Mr. McQUAID. This particular type of insurance—workmen's compensation and general liability.

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

Mr. McLendon. So you can go to that account—651—and tell what was paid for general liability and workmen's compensation?

Mr. McQUAID. Yes, sir.

Mr. McLendon. All right.

The CHAIRMAN. No further questions. Thank you.

Mr. McLendon. Mr. McQuaid, you are excused.

Mr. McQUAID. Thank you, sir.

Mr. McLendon. We would be glad to have you stay. Mr. Hogan?

The CHAIRMAN. Mr. Hogan, I believe you were in the room when I read this statement awhile ago.

Mr. HOGAN. Yes; there is no need to repeat it.

The CHAIRMAN. It will be necessary that you be sworn. Do you solemnly swear that the evidence you are about to give before this committee in the matter now under investigation is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. HOGAN. I do.

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

TESTIMONY OF THOMAS HOGAN

Mr. HOGAN. My name is Thomas J. Hogan. My address is 455 Dogwood Lane, Landon, N.Y.

Mr. McLENDON. What is your profession?

Mr. HOGAN. I am a certified public accountant.

Mr. McLENDON. With what firm?

Mr. HOGAN. I am a partner in the firm of Harris, Kerr, Forster & Co.

Mr. McLENDON. K-e-r-r?

Mr. HOGAN. K-e-r-r; yes, sir.

Mr. McLENDON. F-o-r-s-t-e-r?

Mr. HOGAN. Correct.

Mr. McLENDON. Where is the headquarters of that company?

Mr. HOGAN. We have offices throughout the United States. I am attached to the New York office.

Mr. McLENDON. In the year 1960, was your auditing firm employed by the McCloskey Co. to audit its books?

Mr. HOGAN. We were.

Mr. McLENDON. Did you personally supervise the audit?

Mr. HOGAN. I did.

Mr. McLENDON. I mean by physically being present.

Mr. HOGAN. Yes, sir.

Mr. McLENDON. Tell the committee what sort of an audit you made, and how comprehensive it is, and how much in detail.

Mr. HOGAN. Our engagement was of the usual type, that we make according to the auditing standards of the American Institute of Certified Public Accountants. This type of examination is so that we can issue a report giving our opinion as to the financial statements, that they fairly present the balance sheet, the financial position of the company, and the operations of the company for the period that we have examined.

Mr. McLENDON. Does your employment include the preparation of the income tax returns for the company?

Mr. HOGAN. Yes, sir.

Mr. McLENDON. The information you gather in the course of the audit, of course, would be used, I take it, in preparation of the income tax returns?

Mr. HOGAN. The tax returns are prepared from our audit report.

Mr. McLENDON. Mr. Hogan, there has been introduced in evidence in this case an invoice to McCloskey & Co. from Don Reynolds Associates, Inc., of Silver Spring, Md., dated September 12, 1960, for \$109,205.60. Do you have a copy of this record there? That is on page 156.

Mr. HOGAN. Yes, sir.

Mr. McLENDON. And on page 171 of the same document, there appears a check of McCloskey & Co. marked "Exhibit 20," payable to

Don Reynolds Associates, Inc., in the same amount as shown on the invoice. Do you observe that?

Mr. HOGAN. Yes, sir.

Mr. McLENDON. In the course of your work in auditing the records of McCloskey & Co. for the calendar year 1960, did either one of those documents come to your personal attention?

Mr. HOGAN. No, sir.

Mr. McLENDON. If they had come to your attention, tell the committee whether or not they would have been processed in the usual way, or whether any special treatment would have been given to them.

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

Mr. HOGAN. I see that the invoice on page 156 bears the usual approval stamp, which was the routine manner of approving invoices at McCloskey & Co., and the check was drawn in the ordinary manner and signed by, I believe, Thomas McCloskey, and perfectly in order.

Mr. McLENDON. There is nothing about those documents you would have considered irregular?

Mr. HOGAN. I would not have raised any question.

Mr. McLENDON. I believe it is in evidence already that the tax reporting by McCloskey & Co. was done on what is known as a job completion basis; is that correct?

Mr. HOGAN. Yes, sir.

Mr. McLENDON. So that this expenditure of \$109,205.60 would show up in the tax returns for the year in which the District of Columbia Stadium was completed, if the check was related directly to the stadium?

Mr. HOGAN. That is correct.

Mr. McLENDON. It would not have shown up in a previous tax return?

Mr. HOGAN. That is correct.

Mr. McLENDON. Do you have any reason to believe that these items were not treated in the regular manner, in all the accounting processes of McCloskey & Co.?

Mr. HOGAN. I have no reason to believe so.

Mr. McLENDON. Quite a number of documents have been put in evidence before the committee taken from the records of McCloskey & Co. showing the entries of the amount of the bill and the check is already in evidence. I won't ask you about them. That is all, sir.

The CHAIRMAN. Senator Curtis?

Senator CURTIS. Are you familiar with that code marking on the exhibit, carried on page 156?

Mr. HOGAN. No, sir. I do know they mark these invoices where they are to be charged, but I don't know what that particular one means.

Senator CURTIS. Now, do you know how much McCloskey paid out for liability insurance, workmen's compensation, performance bond, and other insurance on the District of Columbia Stadium?

Mr. HOGAN. No, sir.

Senator CURTIS. Did you ever have such a figure?

Mr. HOGAN. No, sir.

Senator CURTIS. Does anyone know?

Mr. HOGAN. Not that I know of.

The CHAIRMAN. Senator, would you repeat that question? I didn't hear the question.

Senator CURTIS. I asked him if he knew how much McCloskey paid out for public liability, workmen's compensation, performance bond, and other insurance on the District of Columbia Stadium. He said he didn't know; he did not know at any previous time, and he knows of no one who does know. That is all.

The CHAIRMAN. Senator Cannon?

Senator CANNON. No questions.

The CHAIRMAN. No further questions. Thank you, Mr. Hogan.

Mr. McLENDON. Mr. Rosetti.

The CHAIRMAN. Mr. Rosetti, were you in the room when I read this statement a while ago?

Mr. ROSETTI. Yes.

The CHAIRMAN. You have not been sworn before this committee?

Mr. ROSETTI. No, sir.

The CHAIRMAN. Will you please stand? 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 shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. ROSETTI. I do.

Mr. McLENDON. Mr. Chairman, I must make a statement to the committee about this witness and the following witness. They are both employees of the Internal Revenue Service, special agents in the Division of Intelligence. And under the rules applicable to them and to this committee, as stated on a previous occasion, we are not permitted to ask them any questions that would result in disclosure by them of any fact concerning the amount of income or expenses reported by any taxpayer or any questions that call on them to express a conclusion as to whether any taxpayer has paid or has failed to pay the amount of taxes he was due to pay under the law. These two witnesses are being called for the specific purpose of having them inform the committee with respect to their dealings and conversations with Don B. Reynolds and Milton Hautt, both officers of Don Reynolds Associates.

Mr. Rosetti, what position did you hold with the Internal Revenue Service in 1961, 1962, 1963, and 1964?

TESTIMONY OF JOSEPH R. ROSETTI, SPECIAL AGENT, INTELLIGENCE DIVISION, INTERNAL REVENUE SERVICE; ACCOMPANIED BY WILLIAM F. McALEER, DIRECTOR, ENFORCEMENT DIVISION, INTERNAL REVENUE SERVICE

Mr. ROSETTI. I am a special agent with the Intelligence Division, Internal Revenue Service.

Mr. McLENDON. You still occupy that position?

Mr. ROSETTI. Yes, sir.

Mr. McLENDON. Will you state your residence in the record?

Mr. ROSETTI. No. 9 Kerwood Court, Silver Spring, Md.

Mr. McLENDON. I believe you are accompanied by one of the counsel in the General Counsel's office of the Internal Revenue Service. Will you state your name and your exact title?

Mr. McALEER. William F. McAleer. I am Director, Enforcement Division, Internal Revenue Service.

Mr. McLENDON. Mr. McAleer, you heard the statement I made to the committee a moment ago with respect to the limitations upon the right of this witness to testify. Was that statement accurate and adequate?

Mr. McALEER. I think it is; yes, sir.

Mr. McLENDON. Mr. Rossetti, in your capacity as special agent in the Intelligence Division of the Internal Revenue Service, will you tell the committee in a general sort of way what your duties are?

Mr. ROSETTI. Primarily we conduct fraudulent investigations, wherein the prime factor is the person or any entity defrauding Internal Revenue in any fashion.

Mr. McLENDON. You are charged with the responsibility of making investigations in any case in which there is a suggestion of fraud?

Mr. ROSETTI. Where there is an alleged fraud; yes, sir.

Mr. McLENDON. You are assigned case by case, I take it; are you?

Mr. ROSETTI. That is correct.

Mr. McLENDON. In the regular performance of your duties, were you assigned the case of—the case involving the tax returns of Robert G. Baker?

Mr. ROSETTI. Yes, sir.

Mr. McLENDON. For what years?

Mr. ROSETTI. Assigned the years 1958 through 1962, sir.

Mr. McLENDON. In connection with your duties concerning the tax returns of Robert G. Baker, did it become necessary for you to interview Don B. Reynolds?

Mr. ROSETTI. Yes, sir.

Mr. McLENDON. Did you interview him?

Mr. ROSETTI. Yes, sir.

Mr. McLENDON. Is it correct that your first interview with him was on November 7, 1963?

Mr. ROSETTI. This was the first time I met Mr. Reynolds.

Mr. McLENDON. Will you tell the committee what occurred in conversation between you and Mr. Reynolds on that date, November 7, 1963?

Mr. ROSETTI. On November 7, 1963, I contacted Mr. Reynolds in his Silver Spring office, and I requested that he provide me with the records that affect his transactions with the subject taxpayer, Bobby Baker.

Mr. McLENDON. Did you explain to him that you were interested in the Baker tax returns?

Mr. ROSETTI. Yes, sir; I explained our purpose of being there, sir.

Mr. McLENDON. Now, what was the result of that? What did he tell you?

Mr. ROSETTI. He stated that his records were in the corner of the room—there was a box in the corner of the room—and I stated the records that I am interested in are just those that affect his transactions with the taxpayer. He stated that these records were turned over to Senator Williams of Delaware, sir.

Mr. McLENDON. Did you look at the box to which he referred at that time as being in the corner of the room?

Mr. ROSETTI. Approximately 10 feet away is the closest I got to it.

Mr. McLendon. But you made it clear to him that you were only interested in records that dealt with Baker?

Mr. Rosetti. That is correct, sir.

Mr. McLendon. In consequence of that information, did you on the same day visit Senator Williams?

Mr. Rosetti. That is correct, sir.

Mr. McLendon. Tell what occurred then.

Mr. Rosetti. I went to Senator Williams' office, and Senator Williams stated—I don't know the exact reason, but he suggested that we come back the following day, and that he would have the records available for us.

Mr. McLendon. Did you go back the following day?

Mr. Rosetti. Yes, sir; we did.

Mr. McLendon. Did you obtain from Senator Williams on the following day some records, or the records that Reynolds had referred to?

Mr. Rosetti. He provided us with photostatic copies of checks and various notes that he had, which he stated he obtained from Don Reynolds, which affect the transactions involving the two, sir.

Mr. McLendon. Did you take the documents that he offered you?

Mr. Rosetti. Yes, sir; we did.

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

Mr. McLendon. Two days later did you have a conference with Mr. Reynolds and his counsel—November 9?

Mr. Rosetti. I believe that was the following day.

Mr. McLendon. The following day?

Mr. Rosetti. That was Saturday, November 9. And on this date, we went back to Mr. Reynolds' office. We then went into Mr. Fitzgerald's office, who I believe is his attorney, and seated there with Mr. Fitzgerald was a Milton Rauff. He was also there.

Mr. McLendon. Did you know him before that?

Mr. Rosetti. No, sir.

Mr. McLendon. That is the first time you had met him?

Mr. Rosetti. Yes, sir.

Mr. McLendon. Did he identify himself and his connection with Baker, or Reynolds, or both?

Mr. Rosetti. Well, during the time we were there, he stated that "You will be wanting to see me. I prepared Baker's returns." I stated to him I will want to see him, but not at this time.

Mr. McLendon. What occurred between you and Mr. Reynolds and his counsel on that occasion?

Mr. Rosetti. I again told, in front of his counsel, my purpose of being there, and that what I wanted in affidavit form was an outline and identification of his transactions with the taxpayer, Mr. Baker. Primarily these concerned the checks and loans going back and forth between the two parties.

Mr. McLendon. What happened?

Mr. Rosetti. He stated at that time that, well, he said, "I don't have those records. Those records Senator Williams has." Well, I had the records I had picked up from Senator Williams, which were photocopies. So then I left him those photocopies, from which he subsequently prepared an affidavit explaining each of the checks and each of the notes.

Mr. McLendon. Was that affidavit by Mr. Reynolds in person?

Mr. ROSETTI. I am sorry?

Mr. McLENDON. Was the affidavit made by Mr. Reynolds?

Mr. ROSETTI. It was signed by Mr. Reynolds.

Mr. McLENDON. Do you have a copy of it with you?

Mr. ROSETTI. Yes, sir; I do.

Mr. McLENDON. It is already in evidence, marked "exhibit 21," and appeared on page 178. Were you present when this affidavit was written?

Mr. ROSETTI. No, sir.

Mr. McLENDON. When was it delivered to you?

Mr. ROSETTI. On November 21, sir, and it was delivered to me by Mr. FitzGerald. There was no one present other than another agent and myself.

Mr. McLENDON. State whether or not you made it clear to Mr. Reynolds and his counsel that you wanted all the information that Reynolds had with respect to any and all financial transactions with Baker.

Mr. ROSETTI. Well, that is exactly what we stated to him. We wanted the records and any information he had which would show his financial transactions between Robert G. Baker and Don Reynolds or Don Reynolds Associates.

Mr. McLENDON. Did you say anything to Reynolds or his counsel to indicate that you wanted him to confine his affidavit just to the checks and notes that you had received from Senator Williams?

Mr. ROSETTI. Well, I cannot recall specifically. I am sure I did not put a limitation on it. I said all information, and I was primarily interested in, of course, the records we had, an explanation for these checks and notes.

Mr. McLENDON. I notice the affidavit at page 181 in this report of the testimony says, "The foregoing description of notes and checks and the purposes therefore constitutes and is a summary of all business transactions between you, the affiant, and/or Don Reynolds Associates, the corporation, and Robert G. Baker, to the best of your affiant's knowledge, information and belief." Did you take that to mean he had narrated in this affidavit all of his business transactions, financial transactions?

Mr. ROSETTI. Yes; I did, sir.

Mr. McLENDON. Aside from the affidavit, did he orally state to you in any manner that he had a dealing with Baker growing out of the writing of a performance bond or insurance, either one or both, for the McCloskey Co.?

Mr. ROSETTI. No, sir.

Mr. McLENDON. Was any mention made of any such subject?

Mr. ROSETTI. No, sir.

Mr. McLENDON. Now, as far as you personally were concerned, since you were assigned to the tax returns of Baker, I take it that you did not ask for Reynolds' personal records or the records of Don Reynolds Associates.

Mr. ROSETTI. No. He was just a witness in the Bobby Baker case, sir.

Mr. McLENDON. You were not concerned with the tax records of Don Reynolds as an individual or with the tax records of Don Reynolds Associates?

Mr. ROSETTI. Well, I don't know—concerned—has was not under investigation, sir.

Mr. McLENDON. You were not conducting an investigation with respect to those?

Mr. ROSETTI. No, sir.

Mr. McLENDON. OK. That is all, sir.

Senator CURTIS. Mr. Chairman?

The CHAIRMAN. Senator Curtis.

Senator CURTIS. You state that it recites that this was all the information he had knowledge of, and that the affidavit says nothing about transactions with Baker involving a performance bond on the District of Columbia Stadium?

Mr. ROSETTI. Well, I don't believe that is right, sir. I was left with the impression that Mr. McLendon asked for the excess. I think he explains that \$4,000 transaction which was on the original \$73,000, sir. Am I right in saying that your question was on the excess?

Mr. McLENDON. That is what I intended; yes.

Senator CURTIS. Well, now, if Reynolds believed that that excess was for the purpose of making a political contribution and not as income to Baker, it would not have belonged in here, would it?

Mr. ROSETTI. Well, I can only cite—

Senator CURTIS. You were seeking information of Reynolds to ascertain Baker's income; is that right?

Mr. ROSETTI. Correct taxable income; yes, sir; correct.

Senator CURTIS. So I am not passing on the transaction, but if Mr. Baker was the conduit of political funds from any source, and he received them and delivered them in toto to the intended recipient, that would not be an item of income that you would be pursuing; is that correct? I am stating that as a hypothetical question.

Mr. ROSETTI. Well, again, to answer hypothetically, I think I would have to say that if I had known that there was a \$109,000 transaction, I would have pursued it, sir, at that time.

Senator CURTIS. To ascertain whether or not—

Mr. ROSETTI. It is taxable or not.

Senator CURTIS. To ascertain whether it is taxable or not?

Mr. ROSETTI. That is correct, sir.

Senator CURTIS. Yes. But if the individual who gave the affidavit was of the opinion that it was a political contribution, and not income to Baker, it is understandable that he might not have included it; is that right?

Mr. ROSETTI. Well, the problem, Senator, is, of course, political contributions are not deductible. And if I had known they were in fact political contributions, I would have made inquiry.

Senator CURTIS. No, no; not political contributions on the part of Baker.

Mr. ROSETTI. But they would have had to be political contributions from some source.

Senator CURTIS. But you were not investigating Reynolds' tax returns.

Mr. ROSETTI. No, sir; we were not.

Senator CURTIS. Nor at that moment you were not investigating McCloskey's.

Mr. ROSETTI. I don't know, sir.

Senator CURTIS. I mean you, personally.

Mr. ROSETTI. No, sir.

Senator CURTIS. I think that is all.

Senator CANNON. Mr. Rosetti, based on the facts that you now have in this case, would you say that the affidavit of Mr. Reynolds was misleading to you at the time?

Mr. ROSETTI. I would have to say it was misleading, sir.

Senator CANNON. And it did in fact mislead you at the time, did it not?

Mr. ROSETTI. Yes; it did, sir.

Senator CANNON. Nothing further.

Mr. McCLENDON. One other question, Mr. Rosetti. If Mr. Reynolds had disclosed to you at that time that he claimed to have passed on to Robert G. Baker \$25,000 in case for any purpose, would you have pursued it and felt it your duty to pursue it?

Mr. ROSETTI. Well, it would have posed two obvious questions. One would be the source of the \$25,000, and the other would be the disposition of the money, sir.

Mr. McCLENDON. You had no such information?

Mr. ROSETTI. I had no such information.

Mr. McCLENDON. That is all, sir.

Senator CURTIS. In what way were you misled?

Mr. ROSETTI. Again, misled to the extent that I though this was the extent of his business transactions.

Senator CURTIS. Have there been any more transactions come to his mind since giving this affidavit? Communicated to you?

Mr. ROSETTI. Only one time we communicated—but we had it included in here. We wanted a little more data regarding his insurance that he personally covered, like homeowners, automobile insurance, for Bobby Baker. But I believe we were told that, sir—that he did handle that.

Senator CURTIS. Well, what I am getting at this: Do you have anything to cause you to state with reference to being misled that that information was intentionally withheld?

Mr. ROSETTI. Well, Senator, this word—

Senator CURTIS. Isn't it true as an investigator you go back to witnesses sometimes to see what else they can produce after taking affidavit or one statement from them? Isn't that true?

Mr. ROSETTI. Well, in my interpretation, Senator, as an investigator at the time, if he made this, it constitutes a summary of all business transactions—until I hear otherwise, I would have no basis of going back and asking him another question.

Senator CURTIS. But in the course of your work you do go back and ask people if they can think of something more or have any further recollection?

Mr. ROSETTI. Yes, sir.

Senator CURTIS. Sometimes they do.

Mr. ROSETTI. Ofttimes they might call us and say, "In that affidavit I omitted something."

Senator CURTIS. My question is at the time the affidavit was given, did you have any reason to believe information was willfully withheld?

Mr. ROSETTI. I cannot really answer that, sir. Willfully is a state of mind, and only the witness would be able to answer that, sir. I cannot answer it.

Senator CURTIS. But if you did go back and interrogate him about it, did he give you what information he had?

Mr. ROSETTI. We have never gone back and interrogated him about this matter, sir; I have not.

Senator CURTIS. For any particular reason?

Mr. ROSETTI. The minute that the disclosure was made public about the difference between the \$73,000 and \$109,000, I immediately came up to interview and to discuss with Senator Williams this recent development. He then provided me with the \$109,000 check and then at the time an investigation was initiated to see the extent of the involvement of Don Reynolds.

Senator CURTIS. And did Mr. Reynolds tell you at that time that one of the reasons it was delayed in discussing this was because he wanted to locate the check first?

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

Mr. ROSETTI. He has never said anything to me, sir. He has never called me, or I haven't called him, sir.

Senator CURTIS. What is the tax status of this \$35,000? Did McCloskey take it as a deduction?

Mr. McLENDON. I don't believe he is permitted to answer.

Mr. ROSETTI. I would not be able to answer that, sir.

Senator CURTIS. Well, I will ask you this: Do you know—don't tell me what your conclusion is. I want to ask you—do you know—and I will not ask you what happened, but I am just asking you—do you know whether or not McCloskey took it as a tax deduction? I just want a yes or no.

Mr. ROSETTI. Yes; I know now he took the \$109,000 as an expense.

Senator CURTIS. Do you know whether Baker reported any part of it other than the \$4,000 as income?

Mr. ROSETTI. I cannot answer that, sir.

Mr. McLENDON. You mean you are not permitted?

Mr. ROSETTI. I am sorry. When I say I cannot answer, I am not permitted to answer.

Senator CURTIS. I am not asking you whether he did or not. I am just asking you whether you know whether he did.

Mr. ROSETTI. My answer would be I am not permitted to answer.

Senator CURTIS. That is all.

The CHAIRMAN. Senator Cannon?

Senator CANNON. Mr. Rosetti, did Mr. Reynolds ever call you at any time after furnishing you this affidavit and tell you that he had omitted to account for the difference on the \$109,000 check?

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

Senator CANNON. Has not up to the present time?

Mr. ROSETTI. That is correct.

Senator CANNON. Nothing further.

The CHAIRMAN. Senator Cooper, did you have any questions?

Senator COOPER. No questions.

Mr. McLENDON. That is all.

The CHAIRMAN. Thank you, Mr. Rosetti.

Mr. McLENDON. Mr. Connelly.

The CHAIRMAN. Mr. Connelly, I believe you were in the room when the opening statement was read awhile ago.

Mr. CONNELLY. Yes, sir.

The CHAIRMAN. 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 is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. CONNELLY. I do.

Mr. McLENDON. State your full name and residence address.

TESTIMONY OF DONALD R. CONNELLY, SPECIAL AGENT, INTELLIGENCE DIVISION, INTERNAL REVENUE SERVICE; ACCOMPANIED BY WILLIAM F. McALEER, DIRECTOR, ENFORCEMENT DIVISION, INTERNAL REVENUE SERVICE

Mr. CONNELLY. Donald R. Connelly, Box 7, Crownsville, Md.

Mr. McLENDON. Mr. McAleer, will you state your name again, please?

Mr. McALEER. William F. McAleer, with the Revenue Service.

Mr. McLENDON. Mr. Connelly, what position do you hold with the Internal Revenue Service?

Mr. CONNELLY. I am a special agent with the Intelligence Division of the Internal Revenue Service.

Mr. McLENDON. How long have you occupied that position?

Mr. CONNELLY. Approximately 3½ years.

Mr. McLENDON. Was the tax case of Don B. Reynolds Associates referred to you for investigation?

Mr. CONNELLY. No, sir; it was not.

Mr. McLENDON. Who was it referred to?

Mr. CONNELLY. It was referred to another special agent in our office, John O. Bridgman.

Mr. McLENDON. Were you associated with him?

Mr. CONNELLY. I was asked to give Mr. Bridgman any help and assistance that he thought was necessary.

Mr. McLENDON. Did you assist him?

Mr. CONNELLY. Yes, sir; I did.

Mr. McLENDON. You were not assigned the Baker case, I take it?

Mr. CONNELLY. No, sir.

Mr. McLENDON. You had nothing to do with that?

Mr. CONNELLY. No, sir.

Mr. McLENDON. What about the tax returns of Don B. Reynolds as an individual?

Mr. CONNELLY. No, sir; I was not assigned that, either.

Mr. McLENDON. The only one you were assigned, with Mr. Bridgman, was Don Reynolds Associates?

Mr. CONNELLY. To assist him.

Mr. McLENDON. In the performance of your duty, did you call at the offices of Don Reynolds Associates, Inc., on September 17, 1964?

Mr. CONNELLY. Yes, sir. On that date, at 12:40 p.m., I called the offices of Don Reynolds Associates. At that time I was told Mr. Reynolds was out of town. So I left my name and telephone number.

Mr. McLENDON. Did you identify yourself?

Mr. CONNELLY. Yes, sir; I said I was with the Internal Revenue Service.

Mr. McLENDON. Did you receive a message on the same day?

Mr. CONNELLY. Yes, sir; I received——

Mr. McLENDON. From whom?

Mr. CONNELLY. I received a telephone call from a man identifying himself as a Mr. Haft.

Mr. McLENDON. And what was the purpose of his call, or what did he say was the purpose of his call?

Mr. CONNELLY. He said that he prepared the returns for Don Reynolds Associates, and he thought he might help me. At this time I told him I preferred to discuss the matter with Mr. Reynolds personally.

Mr. McLENDON. On the following day, did you have a communication with this same man, Milton Haft?

Mr. CONNELLY. Yes, sir; I did.

Mr. McLENDON. Did you call him?

Mr. CONNELLY. Yes, sir.

Mr. McLENDON. What occurred?

Mr. CONNELLY. I explained to Mr. Haft that Special Agent Bridgman had been assigned to Don Reynolds Associates, Inc., and that he would like to examine the records of that corporation.

Mr. McLENDON. Did you ask him whether he had heard from Mr. Reynolds since you had spoken to him the previous day?

Mr. CONNELLY. I asked him, and he replied that he had not at that time heard from Mr. Reynolds.

Mr. McLENDON. Had not?

Mr. CONNELLY. Had not.

Mr. McLENDON. When you told him that you wanted to examine the records of the corporation for the years 1960 through 1963, what did he say?

Mr. CONNELLY. He said that he had the records from July 1960 through 1963, but that 1960 was a dead year.

Mr. McLENDON. What did he mean by dead year?

Mr. CONNELLY. I assume he referred to the statute of limitations.

Mr. McLENDON. What did you say to him in reply to that?

Mr. CONNELLY. I replied we had a 6-year statute.

Mr. McLENDON. That the 6-year statute applied and not the 3?

Mr. CONNELLY. I stated that, "We have a 6-year statute," and we didn't go into it any further. At that time he said we could come to his residence to see the records any time outside the normal working hours. So we agreed to see him at 5:30 p.m., that evening.

Mr. McLENDON. Did you know that Mr. Haft had had long years experience as a revenue agent himself?

Mr. CONNELLY. At that time, I don't think I knew that, sir.

Mr. McLENDON. You did discover that later?

Mr. CONNELLY. Yes, sir.

Mr. McLENDON. How many years' experience did he have with the Service?

Mr. CONNELLY. I don't know, sir. I have heard that he is an employee of the Internal Revenue Service.

Mr. McLENDON. Did you advise Mr. Haft on that occasion that you had also been assigned to investigate his personal tax returns?

Mr. CONNELLY. Yes; I did.

Mr. McLendon. What did you say to him?

Mr. Connelly. I told him that I was assigned to examine his tax returns.

Mr. McLendon. What did he say?

Mr. Connelly. He said that was fine with him, but he had not filed his 1963 return yet—it was just about ready.

Mr. McLendon. Did you get his address?

Mr. Connelly. Yes, sir; he gave me his address, and I told him I would see him that evening.

Mr. McLendon. Mr. Connelly, on that same day, September 18, 1964, did you, in compliance with Mr. Hauft's statement about the availability of tax returns, go to his residence?

Mr. Connelly. Yes, sir; we did.

Mr. McLendon. You mean by "we," you and Mr. Bridgman?

Mr. Connelly. Special Agent Bridgman and myself.

Mr. McLendon. What time of day did you go?

Mr. Connelly. At approximately 5:30 p.m.

Mr. McLendon. What did you first say to him?

Mr. Connelly. Well, we met Mr. Hauft at his residence. We identified ourselves as special agents of the Internal Revenue Service, Intelligence Division. Hauft was reminded under the Constitution he was not obliged to answer any questions that would tend to incriminate him.

Mr. McLendon. You told him that he was not required to answer any questions to you and Mr. Bridgman that would tend to incriminate him?

Mr. Connelly. Yes, sir.

Mr. McLendon. Did he tell you that he was fully aware of his rights?

Mr. Connelly. Yes, sir; and he said he intended to cooperate with us in every way.

Mr. McLendon. That he would cooperate?

Mr. Connelly. Yes, sir.

Mr. McLendon. Was he questioned on that occasion about his official connection with Don Reynolds Associates, the corporation?

Mr. Connelly. Yes, sir; he was.

Mr. McLendon. What did he tell you was his official connection?

Mr. Connelly. That he was the secretary-treasurer of that corporation.

Mr. McLendon. Did he tell you who the other stockholders were?

Mr. Connelly. Yes, sir; he explained that Mr. Reynolds was the sole stockholder, and that Mrs. Don B. Reynolds was the third corporate officer.

Mr. McLendon. Did he, on that occasion, make any reference to documents relating to the tax returns or tax liability of Don Reynolds Associates?

Mr. Connelly. Yes, sir; he did.

Mr. McLendon. What did he say?

Mr. Connelly. He went down into the basement and brought up a box, a cardboard box, full of various documents, which he identified as the books and records of Don Reynolds Associates.

Senator CURTIS. Mr. Chairman, the witness is reading from a document. Will you identify the document?

Mr. CONNELLY. These are my memorandums made each time I contacted Mr. Hauft.

Senator CURTIS. Will you submit them in full, please?

Mr. CONNELLY. Yes, sir.

Mr. McLENDON. These documents or memorandums are memorandums prepared by you and signed by you, are they not?

Mr. CONNELLY. Yes, sir.

Mr. McLENDON. Now, what was said again about the box?

Mr. CONNELLY. He stated that the box which contained various documents, or appeared to contain various documents, were the books and records of Don Reynolds Associates.

Mr. McLENDON. Did you look at them?

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

Mr. McLENDON. How big a box was it?

Mr. CONNELLY. I would say—about 2½ feet by about a foot high, a cardboard container, brownish color.

Mr. McLENDON. Did Mr. Bridgman look at the box and make a list of the contents?

Mr. CONNELLY. Yes, sir; he did.

Mr. McLENDON. Do you have a copy of the inventory of the records in that box, Mr. Connelly?

Mr. CONNELLY. Yes, sir.

Mr. McLENDON. Is it signed by Mr. Bridgman?

Mr. CONNELLY. Yes, sir; it is.

Mr. McLENDON. It states at the top: "List of records seen in the possession of Milton L. Hauft on September 18, 1964. All of the above records were for Don Reynolds Associates, Inc., and were stored in a cardboard box in Mr. Hauft's home." Then it recites who was present—Hauft, yourself, and Bridgman, is that right?

Mr. CONNELLY. Yes, sir.

Mr. McLENDON. And then follows a list of general description of the documents. Canceled checks, June 25, 1960, through June 30, 1964, drawn on Suburban Trust Co. Checks stubs, June 23, 1960, through June 26, 1964, for above checks. Retained copies of corporate tax returns for the fiscal years ending in 1961, 1962, 1963, and 1964. Numerous invoices and receipted bills. Commission statements for the period covered by the above tax returns. A blackbound ledger book with the first 60-some pages missing. The balance of the pages had no writings. Did Mr. Bridgman furnish a copy of this to Mr. Hauft on that occasion?

Mr. CONNELLY. I don't know, sir, if he did.

Mr. McLENDON. You don't know. But this document that I read is a copy of the inventory made by Mr. Bridgman on that occasion?

Mr. CONNELLY. Yes, sir; it is.

Mr. McLENDON. Were you permitted to examine those records that day?

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

Mr. McLENDON. What occurred about that?

Mr. CONNELLY. Mr. Hauft stated he could see no reason why we should not be able to examine the records, but he would prefer that Mr. Reynolds be contacted first, and give his permission.

Mr. McLendon. So you were not permitted to take the records out of his office?

Mr. Connelly. No, sir; we were not.

Mr. McLendon. You were not permitted to do anything more than make a general observation of them, and make an inventory?

Mr. Connelly. That is correct, sir.

Mr. McLendon. He stated to you that he wanted Reynolds' permission first, before you saw them?

Mr. Connelly. Yes, sir.

Mr. McLendon. Was he asked on that occasion to have Mr. Reynolds get in contact with you?

Mr. Connelly. Yes, sir; he was, by Special Agent Bridgman—he asked Haft to have Reynolds contact us as soon as possible.

Mr. McLendon. Did Mr. Haft say that he would get in touch with you shortly about his own records?

Mr. Connelly. Yes, sir; he did.

Mr. McLendon. Mr. Reporter, mark that inventory.

(The document referred to is as follows:)

EXHIBIT 105

List of records seen in the possession of Milton L. Haft on September 18, 1964. All of the above records were for Don Reynolds Associates, Inc., and were stored in a cardboard box in Mr. Haft's home.

Present: Milton L. Haft; Donald R. Connelly, special agent; John O. Bridgman, Jr., special agent.

Canceled checks 6/25/60 through 6/30/64 drawn on Suburban Trust Co.

Check stubs 6/23/60 through 6/26/64 for above checks.

Retained copies of the corporate tax returns for the fiscal years ending in 1961, 1962, 1963, and 1964.

Numerous invoices and receipted bills.

Commission statements for the period covered by the above tax returns.

A black-bound ledger book with the first 60-some pages missing. The balance of the pages had no writings.

JOHN O. BRIDGMAN, Jr., *Special Agent.*

Mr. McLendon. Mr. Connelly, following that interview on the 18th, did you next call Haft on September 22d?

Mr. Connelly. Yes, sir.

Mr. McLendon. What did you say to him?

Mr. Connelly. I asked him if Mr. Reynolds had contacted him yet.

Mr. McLendon. What did he say?

Mr. Connelly. He replied that Reynolds had called him the previous Sunday.

Mr. McLendon. Go ahead and tell what else he said. Did he tell you that he had told Reynolds that Mr. Bridgman was looking for him?

Mr. Connelly. Yes. Mr. Haft stated that he told Reynolds that Special Agent Bridgman wanted to talk to him.

Mr. McLendon. He informed Reynolds of that?

Mr. Connelly. Yes; he did, on that day.

Mr. McLendon. Did he make any other statement to you about Reynolds' tax returns?

Mr. Connelly. Yes, sir; he did.

Mr. McLendon. What did he say?

Mr. CONNELLY. Mr. Hauff said that—well, first there was a minor matter. He had heard that Mr. Reynolds had been assaulted, which he found out was untrue. Then he said he heard everybody connected with the Bobby Baker case was being investigated. I told him I didn't know anything about that. And then we discussed his own personal tax situation, having to do with Mr. Hauff's, not Mr. Reynolds'.

Mr. McLendon. So you didn't get access to the records on that occasion?

Mr. CONNELLY. No, sir; we did not.

Mr. McLendon. Did you next see him on September 25?

Mr. CONNELLY. There was a telephone conversation. I called Mr. Hauff and asked him if he had talked to Mr. Reynolds yet, and he said he still had not received word from Reynolds about releasing the records to us.

Mr. McLendon. Did he tell you he would have to wait until Mr. Reynolds returned before you would be advised as to whether you could see the records?

Mr. CONNELLY. No, sir; he went back to the previous statement he made, that he would prefer for Reynolds to give the word before he released them to us.

(At this point, Senators Jordan and Pell withdrew from the hearing room.)

Mr. CONNELLY. When he said he had not received any word, I assume he meant he had not received word to release them to us.

Mr. McLendon. On that same day, September 25, 1964, did you and Mr. Bridgman serve a summons on him?

Mr. CONNELLY. Yes, sir.

Mr. McLendon. Do you have a copy of the summons?

Mr. CONNELLY. Yes, sir; I do.

Mr. McLendon. Attached to it is a memo signed by you and Bridgman, reciting that you served this summons on Hauff on that date, 10 p.m.; is that correct?

Mr. CONNELLY. Yes, sir.

Mr. McLendon. That summons required him to produce the records called for on or before October 7, 1964; is that right?

Mr. CONNELLY. Yes, sir.

Mr. McLendon. How are the records described in the summons?

Mr. CONNELLY. Do you want me to read the list?

Mr. McLendon. Yes.

Mr. CONNELLY. One—

Mr. McLendon. Is this a summons for the records of Don Reynolds Associates?

Mr. CONNELLY. This is in the matter of the tax liability of Don Reynolds Associates, Inc., Silver Spring, Md.

Mr. McLendon. And for what years did you ask for the information?

Mr. CONNELLY. Fiscal periods ending July 24, 1960, June 23, 1961, June 23, 1962, June 24, 1963, and June 24, 1964.

Mr. McLendon. Those dates indicate that the Don Reynolds Associates, Inc., was filing tax returns on a fiscal year basis?

Mr. CONNELLY. That is correct, sir.

Mr. McLendon. Ending in June of each year?

Mr. Connelly. The first one it would appear ended in July of 1960.

Mr. McLendon. And the others are in June?

Mr. Connelly. Yes, sir.

Mr. McLendon. What records were asked for in the summons?

Mr. Connelly. Canceled checks and bank statements beginning July 1, 1960 through June 30, 1964.

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

Mr. Connelly. Retained copies of corporate tax returns with work papers; earnings statements of commissions from insurance companies; and other records or documents which would help arrive at the correct tax liabilities of the above corporations for these periods.

Mr. McLendon. So the summons asked for at least part or a major part of the same records that Mr. Bridgman had seen in the box and had made the partial inventory on?

Mr. Connelly. Yes, sir.

Mr. McLendon. What was the return date of the summons?

Mr. Connelly. October 7, 1964.

Mr. McLendon. Did he, as a result of that summons, deliver to you and Mr. Bridgman, or either of you, any books or records on that date?

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

Mr. McLendon. Mark that, Mr. Reporter.

(The documents referred to are as follows:)

EXHIBIT 106

MEMORANDUM OF SERVICE OF THE COMMISSIONER'S SUMMONS ON MILTON L. HAFT

Date: September 25, 1964.

Time: 4:10 p.m.

Place: Vanguard Building, 20th and L Streets NW., Washington, D.C.

Special Agents Donald R. Connelly and John O. Bridgman served a commissioner's summons on Milton L. Haft in room 619 of the Vanguard Building at 4:10 p.m. Summons was served in regard to the tax liability of Donald B. Reynolds Associates, Inc., and required that on October 7, 1964, Mr. Milton L. Haft, secretary-treasurer of the above corporation produce the books and records, specifically, canceled checks, bank statements, retained copies of tax returns, and accountant's work papers.

Mr. Haft indicated that he had in his possession, the desired canceled checks, bank statements, and accountant's work papers as requested in the summons.

DONALD R. CONNELLY, *Special Agent*.

JOHN O. BRIDGMAN, *Special Agent*.

EXHIBIT 107

FORM 2039
(REV. SEPT. 1961)

U. S. TREASURY DEPARTMENT - INTERNAL REVENUE SERVICE

SUMMONS

In the matter of the tax liability of

Don B. Reynolds Associates Incorporated
Silver Spring, MarylandInternal Revenue District of Baltimore, Maryland
PERIOD(S)Fiscal periods ending 7-24-60; 6-23-61; 6-23-62; 6-24-63 and 6-24-64.

THE COMMISSIONER OF INTERNAL REVENUE

TO: Milton L. Hautt
3801 Archer Place
AT: Kennsington, Maryland

GREETING:

You are hereby summoned and required to appear before John O. Bridgman, Jr.,
an officer of the Internal Revenue Service, to give testimony relating to the tax liability and/or the
collection of the tax liability of the above named person for the period(s) designated and to bring with
you and produce for examination the following books, records, and papers at the time and place herein
after set forth:

1. Cancelled checks and bank statements beginning 7/1/60 through 6/30/64.
2. Retained copies of corporate tax returns with workpapers.
3. Earnings statements of commissions from Insurance Companies.
4. Any other records or documents which would help arrive at the correct tax liabilities of the above corporations for these periods.

Place and time for appearance:

At: Room 906, 1201 E Street, N. W., Washington, D. C._____ on the 7th day of October19 64, at 4:30 o'clock P. M.

Failure to comply with this summons will render you liable to proceedings in the district court
of the United States or before a United States Commissioner to enforce obedience to the require-
ments of this summons, and to punish default or disobedience.

Issued under authority of Section 7602, Internal Revenue Code of 1954

this 25th day of October ^{for} September, 19 64

ORIGINAL

SIGNATURE: John O. Bridgman, Jr.

Special Agent

TITLE: _____

EXHIBIT 107-Continued

CERTIFICATE OF SERVICE OF SUMMONS
(Pursuant to Section 7603, Internal Revenue Code of 1954)

I hereby certify that I served the summons on the reverse hereof

DATE SUMMONS SERVED (Day, month, year) 25-9-1964		TIME 4:10 P.M.
HOW SUM- MONS WAS SERVED (Check one)	☒ I handed an attested copy thereof to the person to whom it was directed, <i>Mr. Haught</i>	
	☐ I left an attested copy thereof with the following person at the last and usual place of abode of the person to whom it is directed,	
SIGNATURE <i>John C. Bridgman Jr.</i>		TITLE <i>Special Agent</i>

Sec. 7603. Service of Summons. — A summons issued under section 7602 shall be served by the Secretary or his delegate, by an attested copy delivered in hand to the person to whom it is directed, or left at his last and usual place of abode; and the certificate of service signed by the person serving the summons shall be evidence of the facts it states on the hearing of an application for the enforcement of the summons. When the summons requires the production of books, papers, records, or other data, it shall be sufficient if such books, papers, records, or other data are described with reasonable certainty.

Mr. McLendon. Following that, did you see Mr. Haught on September 29?

Mr. CONNELLY. Yes, sir; we did.

Mr. McLendon. At that time did he give you some of his own personal tax records?

Mr. CONNELLY. He did, sir.

Mr. McLendon. For the years 1961, 1962 and 1963?

Mr. CONNELLY. Yes, sir.

Mr. McLendon. What did he state to you with respect to getting Reynolds' permission to comply with the summons or his permission to turn over Reynolds Associates' records to you?

Mr. CONNELLY. He stated that he had not yet received permission to turn over the records to us.

Mr. McLendon. Did you get any records from him on that date, the 29th?

Mr. CONNELLY. Pertaining to Mr. Reynolds?

Mr. McLENDON. Reynolds Associates.

Mr. CONNELLY. No, sir.

Mr. McLENDON. Did he tell you that he hoped to give the records to you before the expiration date of the summons, October 7?

Mr. CONNELLY. Yes, sir; he did.

Mr. McLENDON. Did Haft ask you anything about whether you had conferred with Senator Williams about records of Don Reynolds Associates?

Mr. CONNELLY. Yes, sir; he did.

Mr. McLENDON. You told him no, that you had not?

Mr. CONNELLY. That is correct.

Mr. McLENDON. On that occasion, did Haft make any statement to you about what information he had or partial information he had when he prepared the tax returns, or a tax return, for Don Reynolds Associates?

Mr. CONNELLY. Yes, sir. At that time he stated that he had computed Reynolds' income for a year from Reynolds' records, and the total came to about \$17,000. And then Reynolds told him to add \$10,000 of income which wasn't on the books.

Mr. McLENDON. Which was not on the books?

Mr. CONNELLY. Which was not on the books. Haft said he cannot remember the year that this happened—approximately which year it was.

Mr. McLENDON. He could not identify the year?

Mr. CONNELLY. He could not.

Mr. McLENDON. Did he give you any other information about either the income or his deductions?

Mr. CONNELLY. Pertaining to Mr. Reynolds?

Mr. McLENDON. Yes.

Mr. CONNELLY. No, sir; not at that time.

Mr. McLENDON. Not at that time. Did you next get in contact with him on September 30?

Mr. CONNELLY. Yes, sir.

Mr. McLENDON. Was that for the purpose of giving him a receipt for his personal records that he had given to you?

Mr. CONNELLY. Yes, sir. This was pertaining to Mr. Haft's personal records.

Mr. McLENDON. You had no conversation with him about the Reynolds records at that time?

Mr. CONNELLY. No, sir.

Mr. McLENDON. Did you next see him on October 2, or have a conversation with him?

Mr. CONNELLY. Yes, sir; I did.

Mr. McLENDON. What did he say about the Reynolds records—tax records—in that conversation?

Mr. CONNELLY. He said that we could pick up Mr. Reynolds' records on Monday. He said that Reynolds had called him, and that Haft should wait until the time that the summons ran out, and then give the records to the Internal Revenue Service.

Mr. McLENDON. That he had a message from Reynolds in which Reynolds told him to wait until the last day of the summons, and then give the Reynolds records to you?

Mr. CONNELLY. Then he could turn them over; yes, sir.

Mr. McLENDON. Did you next see him on October 5?

Mr. CONNELLY. Yes, sir; we did.

Mr. McLENDON. What did he tell you about his instructions from Reynolds at that time?

Mr. CONNELLY. Hauff stated that Reynolds had called him on Sunday night and said to hold on to the records until the very last minute, and I told him that would be October 7. At that time, Hauff said we could come to his office at that time and pick up the records.

Mr. McLENDON. You not only told him October 7, but you gave him the minute.

Mr. CONNELLY. Yes, sir; 4:30 p.m.

Mr. McLENDON. Hauff told you on that day you could come to his office and get the records?

Mr. CONNELLY. Yes, sir.

Mr. McLENDON. Did he make any statement about some letters that he was getting from insurance companies?

Mr. CONNELLY. Yes sir; he said that he hoped to have some letters from some insurance companies pertaining to Mr. Reynolds' commissions; that he would be able to turn them over to us at the same time.

Mr. McLENDON. What did occur on October 7?

Mr. CONNELLY. We went to Mr. Hauff's office, and he turned over a cardboard box full of records to us—Special Agent Bridgman and I.

Mr. McLENDON. Was an inventory made of the records?

Mr. CONNELLY. Yes, sir; it was.

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

Mr. CONNELLY. Yes, sir; I do.

Mr. McLENDON. What is stated in the inventory as having been received on that occasion from Hauff with respect to records concerning Don Reynolds Associates, Inc.?

Mr. CONNELLY. You want me to read the list?

Mr. McLENDON. Yes.

Mr. CONNELLY. Various bank statements of the above corporation; retained copies of corporate returns ending in 1962, 1963, and 1964, with various work papers attached; various receipts in support of business—I can't quite make out the next word—I believe it is "expenses"—and canceled checks; 1,000 canceled checks of the corporation on the Suburban Trust Co. Also, there is a small addition to the bottom:

On October 8, 1964, additional three checks found with invoices and miscellaneous papers in envelopes.

Mr. McLENDON. Comparing this list of documents received from Hauff on October 7 with the inventory made by Mr. Bridgman in Hauff's office on September 18, I observe that this last receipt does not include the retained tax returns for the year 1961; is that correct?

Mr. CONNELLY. Yes, sir.

Mr. McLENDON. So the tax return for the year 1963—1961, which you had seen on the 18th—or Mr. Bridgman had seen—was not in the papers that Hauff turned over to you on October 7?

Mr. CONNELLY. Yes, sir.

Mr. McLENDON. Are there any other differences?

Mr. CONNELLY. There was a bound ledger book with some pages missing—I am sorry—on the summons that hadn't been required.

1038 CONSTRUCTION OF DISTRICT OF COLUMBIA STADIUM

There were commission statements for the period covered by the above tax returns, which were on the original inventory, which were not among the records given to us by Mr. Hauft that day.

Mr. McLendon. In other words, he did not turn over to you any commission statements?

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

Mr. McLendon. Insurance companies or otherwise?

Mr. CONNELLY. That is correct; he did not.

Mr. McLendon. Mark that, Mr. Reporter.

(The document referred to is as follows:)

EXHIBIT 108

FORM 2725 (JAN. 1965)		U. S. TREASURY DEPARTMENT - INTERNAL REVENUE SERVICE DOCUMENT RECEIPT	
1. DOCUMENTS SUBMITTED IN RE:			
Don Reynolds Associates Incorporated			
2. DISTRICT	Baltimore, Maryland	3. DATE	October 7, 1964
4. SUBMITTED BY	Milton L. Hauft	5. PLACE OF SUBMISSION	Van Buren Bldg Washington, D.C.
1. I ACKNOWLEDGE RECEIPT OF THE FOLLOWING DOCUMENTS SUBMITTED IN AN OFFICIAL MATTER:			
1. Various bank statements of above corporation 2. Retained copies of corporate returns ending in 62, 63 & 64 with various workpapers attached 3. Various receipts in support of business cancelled checks. 4. One Thousand cancelled checks of the corporation on the Suburban Trust Co. (on October 8, 1964 additional three checks found with invoices & memo papers in envelope) D.C.			
7A. RECEIVED BY (Signature)		7B. ADDRESS	
John C. Bridgman Jr.		Rm 906 1201 P St N.W.	
7C. TITLE		7D. PHONE NO.	
Special Agent		WO 4-3366	
8A. ACCOMPANIED BY (Signature)		8B. TITLE	
Donald R. Connelly		Special Agent	
9. Acknowledgment of return of documents			
The above documents were returned to me as indicated at right		10A. DATE RETURNED	10B. PLACE AT WHICH RETURNED
		11/23/64	Donnell Bldg Washington DC
			10C. NAME OF PERSON RETURNING DOCUMENTS
			Donnell B. Connelly - Frank Romanelli
11. SIGNATURE OF PERSON TO WHOM DOCUMENTS WERE RETURNED			
Milton L. Hauft			

COPY

FORM 2725 (1-65)

EXHIBIT 108—Continued

HISTORY AND CUSTODY OF DOCUMENTS

12. HOW DOCUMENTS WERE OBTAINED (Check one)

☒ BY CONSENT (Note any significant comments of the principal or third-party witness and any unusual circumstances which occurred)

☒ BY LEGAL PROCESS (Describe) *summons served on Milton S. Haft*

13. RELATIONSHIP BETWEEN DOCUMENTS AND PERSON SUBMITTING THEM

Secretary - Treasurer of Corporation

14A. WERE MANUAL TRANSCRIPTS OR FACSIMILE COPIES MADE OF ANY OF THE DOCUMENTS EITHER IN WHOLE OR IN PART?

☒ YES ☐ NO

14B. Documents Copied

Manner of Reproduction

*Microfilmed all documents submitted except
retained copies of tax return and misc papers
which had no bearing on tax liability*

15. HAVE ALL COPIES BEEN COMPARED WITH THE ORIGINAL DOCUMENTS AND IDENTIFIED?

☒ YES ☐ NO (Mention reason for any exceptions)

16. WERE THE ORIGINAL DOCUMENTS DESCRIBED HEREIN UNDER YOUR CONTROL OR SUPERVISION AT ALL TIMES PRIOR TO THEIR RETURN TO THE PRINCIPAL, THIRD-PARTY WITNESS, OR REPRESENTATIVE?

☒ YES ☐ NO (Set forth circumstances of any transfer in control)

17. DID THE PRINCIPAL, THIRD-PARTY WITNESS, OR A REPRESENTATIVE REQUEST ACCESS TO THE DOCUMENTS DURING YOUR CUSTODY?

☐ YES ☒ NO (What action was taken?)

18A. SIGNATURE

18B. TITLE

Mr. McLendon. Did you see Haft on October 8?

Mr. Connelly. Yes, sir.

Mr. McLendon. I believe that interview was confined entirely to a discussion of his personal returns, was it not?

Mr. Connelly. Yes, sir; this was all pertaining to Mr. Haft personally.

Mr. McLendon. Did you see him again on October 9? Call him?

Mr. Connelly. Yes, sir; I did.

Mr. McLendon. Did you discuss with him some matters concerning his personal returns on that date?

Mr. Connelly. Yes, sir; I did.

Mr. McLendon. Did you have any discussion with him about compelling him as an officer to deliver records in his possession concerning the Reynolds Associates?

Mr. Connelly. No, sir. He asked me if I was going to give him a summons, and I explained that we could give him a summons in the case of Mr. Reynolds, but I could not give Mr. Hauft a summons pertaining to Mr. Hauft, because he was a principal—but in Mr. Reynolds' case, he was an officer of the corporation. And he did not seem to understand why one could be and one could not.

Mr. McLendon. Did he then state to you he wanted time to employ personal counsel?

Mr. Connelly. Yes, sir; he did.

Mr. McLendon. Did you next see him on October 12 or call him?

Mr. Connelly. Yes, sir; I called him.

Mr. McLendon. What conversation did you have with him then?

Mr. Connelly. Well, we started out discussing his attorney and getting a power of attorney for his own personal tax situation.

Mr. McLendon. There was no discussion, then, of the Don Reynolds Associates records?

Mr. Connelly. No, sir; there was not.

Mr. McLendon. Did you next see him on the 14th—October 14?

Mr. Connelly. No, sir; I did not see Mr. Hauft.

Mr. McLendon. Did you see Mr. Reynolds on October 14?

Mr. Connelly. Yes, sir; I did.

Mr. McLendon. Where did you see him?

Mr. Connelly. On the street in front of the Garrett National Bank. That is in Oakland, Md., Garrett County.

Mr. McLendon. What conversation took place between you and Mr. Kyhos, I believe another special agent, on that occasion?

Mr. Connelly. Yes, sir. Mr. Kyhos was a special agent in Cumberland, Md., and myself, met Mr. Reynolds and Mrs. Reynolds and an attorney, Mr. Pagenhardt, on the street, outside of the bank. Accidentally, we were coming out of the bank and we ran into Mr. Reynolds. At this time Mr. Reynolds stated that he would not give his records to the Internal Revenue Service.

Mr. McLendon. Give whose records?

Mr. Connelly. Mr. Reynolds'.

Mr. McLendon. Personal records?

Mr. Connelly. We did not differentiate at the time, whether it was his personal records or his corporate records. He just stated he would not give his records.

Mr. McLendon. To the Internal Revenue Service.

Mr. Connelly. Yes, sir.

Mr. McLendon. Did he attach any condition to that?

Mr. Connelly. Yes, sir; he did.

Mr. McLendon. What did he say?

Mr. Connelly. He said until he had proof that Jenkins' records and L.B.J.'s returns were also examined, or until Senator Williams told him to, he would not turn over his records to us.

Mr. McLendon. He said he would not turn over his records to the Internal Revenue Service unless he had proof that Jenkins' returns and L.B.J.'s—that is the initials he used—I suppose that is President Johnson.

Mr. CONNELLY. Just L.B.J.

Mr. McLendon. Until he had assurance that both of those returns were examined?

Mr. CONNELLY. Or until Senator Williams—

Mr. McLendon. Or until Senator Williams told him to turn it over?

Mr. CONNELLY. Yes, sir.

Senator CURTIS. Did you ever ask Senator Williams?

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

Mr. McLendon. Did he repeat that statement more than once?

Mr. CONNELLY. Yes, sir; he did.

Mr. McLendon. I take it you did not get any of his records on that occasion.

Mr. CONNELLY. No, sir.

Mr. McLendon. The next day, October 15, did you see Reynolds again?

Mr. CONNELLY. Yes, sir. I accompanied Special Agent Kyhos and we went to the office of a Mr. Pagenhardt who was an attorney in Oakland, Md. And at that time Mr. Reynolds and Mrs. Reynolds came into the office, while we were there.

Mr. McLendon. Did he repeat his refusal to give any of his records to the Service?

Mr. CONNELLY. Yes, sir; he did.

Mr. McLendon. Did he also make some reference to L.B.J.?

Mr. CONNELLY. Yes, sir; he did.

Mr. McLendon. Then you got a note here that he would not say any more on the subject. Did he repeat that he would not turn over his records until Jenkins' and L.B.J.'s returns were examined?

Mr. CONNELLY. Yes, sir; he said he would demand proof that Jenkins' and L.B.J.'s returns were examined by the Internal Revenue.

Senator CURTIS. Did he say anything about Senator Williams at that time?

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

Senator CURTIS. What year is this? You keep identifying these dates.

Mr. McLendon. 1964.

Mr. CONNELLY. This date, particular date, was October 15, 1964.

Senator CURTIS. Just last fall?

Mr. CONNELLY. Yes, sir.

Senator CURTIS. After this investigation had been going on?

Mr. CONNELLY. Yes, sir.

Mr. McLendon. To get the record clear, all these interviews, beginning September 17, 1964, were in 1964?

Mr. CONNELLY. Yes, sir.

Senator CURTIS. When where you first directed to investigate his income tax?

Mr. CONNELLY. I believe it was just about the time I wrote this first memorandum—it might have been the day prior, 2 days prior.

Senator CURTIS. When was that?

Mr. CONNELLY. September 17, 1964.

Senator CURTIS. I want to ask one question. Is it your contention that Mr. Reynolds was in violation of some statute?

Mr. CONNELLY. I don't quite understand your question, Senator.

Senator CURTIS. In refusing to give the records until Senator Williams told him to, was he in violation of a statute?

Mr. CONNELLY. I don't really know, sir. I don't think I could answer that. Since the case was not assigned to me, I have no real background on what the alleged violation is, if there is any.

Senator CURTIS. No. I don't mean the violation with reference to his income reporting. I mean his statement that he would give you his records when he was advised to do so by Senator Williams—in taking that position, was he violating any law?

Mr. CONNELLY. No, sir; not to my knowledge.

Senator CURTIS. That is all.

The CHAIRMAN. It is going to be necessary that we recess at this time, because all these young men and women here from this William Randolph Hearst Foundation have a luncheon that starts at 12:30—I think each Senator in the whole Senate has a boy or a girl visiting him. So we will stand in recess until 2 o'clock, and we would like you to come back, and any other witnesses to be called this afternoon, please come back.

(Whereupon, at 12:25 p.m., the committee recessed, to reconvene at 2 p.m. the same day.)

AFTERNOON SESSION

(Members present: Senators Jordan, Cannon, and Pell.)

The CHAIRMAN. The committee will come to order, please. I would like to say for the record we do have permission to sit while the Senate is in session. You may proceed, Mr. Counsel.

Mr. McLendon. Mr. Connelly, did you see Mr. Reynolds on the 15th day of October with Mr. Kyhos, another agent?

TESTIMONY OF DONALD R. CONNELLY—Resumed

Mr. CONNELLY. Yes, sir; I did.

Mr. McLendon. Did he restate to you at that time his refusal to permit his records to be—turn his records over to the IRS?

Mr. CONNELLY. Yes, sir; he did.

Mr. McLendon. I believe on October 30 you saw him, but that was confined to discussion of his personal returns.

Mr. CONNELLY. Yes, sir. This was Mr. Hauft I saw.

Mr. McLendon. Mr. Hauft—yes. Now, November 23, did you and Agent Romanelli see him?

Mr. CONNELLY. Would you repeat that date, sir?

Mr. McLendon. I say on November 23, did you and Agent Romanelli talk to Hauft?

Mr. CONNELLY. Yes, sir; we did.

Mr. McLendon. What occurred in that conversation?

Mr. CONNELLY. On November 23, accompanied by Special Agent Frank Romanelli, we returned the records that we had previously received from Mr. Hauft, the records of Don Reynolds Associates.

Mr. McLendon. That is the records about Reynolds Associates, Inc.?

Mr. CONNELLY. Yes, sir.

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

Mr. CONNELLY. And he signed a receipt for the return of the records.

Mr. McLENDON. Does that receipt appear on the bottom of the documents already in evidence, which receipt was given to Haft?

Mr. CONNELLY. Yes, sir.

Mr. McLENDON. And at the bottom is a receipt signed by Haft, when you returned it; is that right?

Mr. CONNELLY. Yes.

Mr. McLENDON. All right. Did you ask him whether he had had any communications from Mr. Reynolds?

Mr. CONNELLY. Yes, sir. I questioned him as to Reynolds' whereabouts, or had he heard of him? He replied that Mr. Reynolds had telephoned him about a week ago.

Mr. McLENDON. Did he say from where he called him?

Mr. CONNELLY. He said he received one call that Mr. Reynolds stated he was in Europe, and then he received another call about 2 days prior to November 23, wherein Reynolds said he was in Brazil.

Mr. McLENDON. Did Haft in that same interview tell you that he, Haft, had received some word that there was some commission statements at Mr. Reynolds' office, and that he was going to try to get them to give to the IRS?

Mr. CONNELLY. Yes. Mr. Haft said that he had received some word that there were commission statements available in Mr. Reynolds' office, and that he would obtain these statements, and he would give them to the Internal Revenue Service.

Mr. McLENDON. Did he ever give them to you?

Mr. CONNELLY. Yes, sir; he did.

Mr. McLENDON. Were they original records, or some letters that he had obtained from insurance companies?

Mr. CONNELLY. On November 25 I stopped in at Mr. Haft's office, in the Vanguard Building, and he gave me some statements. I took them back to our office; I looked at them, and they were three letters, addressed to Don B. Reynolds, or Don Reynolds Associates. They were from three insurance companies. The first letter was from U.S.F. & G., and the date on it was September 30, 1964. The second letter was from the New Hampshire Insurance Co., and that letter was dated October 21, 1964. The third letter was from the Hartford Fire Insurance Co. group, and that letter was dated October 13, 1964.

Mr. McLENDON. So none of those letters could have been original documents used by Haft in preparing the tax returns?

Mr. CONNELLY. Each one of them was dated in the year 1964.

Mr. McLENDON. It couldn't have been an original document used in 1961 in preparing the tax return, could it?

Mr. CONNELLY. I don't think it could, sir.

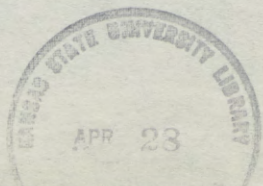
Mr. McLENDON. It couldn't be, because of the date.

Mr. CONNELLY. That is correct.

Mr. McLENDON. It would have had to be in 1961 to be usable in 1961, wouldn't it?

Mr. CONNELLY. Yes, sir.

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



Mr. McLendon. Did Haft make any statement to you in that interview to the effect that the representatives of this committee, members of the committee staff, had also talked to him and asked him to help them find Reynolds? Do you remember that?

Mr. Connelly. When I picked up the statements on November 25, sir?

Mr. McLendon. November 23, when he told you that Reynolds called him from Europe, and then called him a second time from Brazil, did Haft tell you that members of this committee's staff had talked to him about the whereabouts of Reynolds?

Mr. Connelly. No, sir; I don't believe—

Mr. McLendon. It is not in your memorandum. I am just asking you if you remember whether he had any such conversations.

Mr. Connelly. No, sir; I cannot remember.

Mr. McLendon. In that conversation on November 23, did Haft again repeat the statement he had made to you formerly, that for 1 year, which he could not identify, or did not identify, he computed approximately \$17,000 worth of income Reynolds had received—that is, Reynolds Associates—and that Reynolds told him to add another \$10,000 to it?

Mr. Connelly. Yes, sir; he did repeat that statement.

Mr. McLendon. Was he ever able to identify what year that was?

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

Mr. McLendon. Or what tax return it involved?

Mr. Connelly. No, sir.

Senator Curtis. Mr. Chairman, may I ask a question at this point?

The Chairman. Yes, indeed.

Senator Curtis. Was Mr. Reynolds present when this conversation between you and Mr. Haft took place?

Mr. Connelly. No, sir; he was not.

Senator Curtis. Well, now, Mr. Haft also prepared Bobby Baker's tax return, did he not?

Mr. Connelly. I have no knowledge he did. I have never seen Mr. Baker's returns.

Senator Curtis. As a matter of fact, he did, didn't he?

Mr. Connelly. I have heard it; yes. I don't know of my own knowledge.

Senator Curtis. So in this conversation about Reynolds, in Reynolds' absence—this conversation had originated with the individual that made Baker's return, too; is that right?

Mr. Connelly. If Mr. Haft did make out Baker's returns, yes, sir, it would have been the same person.

Senator Curtis. I think he testified before this committee he did.

Mr. Connelly. Well, then, he would be the same person that made out both returns.

Senator Curtis. I have no objection to it, but it is certainly hearsay.

Mr. McLendon. No; Mr. Haft is an officer, sir, of the taxpayer. He was secretary of the taxpaying corporation.

Senator Curtis. He also made out Bobby Baker's tax return.

Mr. McLendon. That is right. He did. But he was a perfectly competent witness to talk about the corporation tax returns.

Senator Curtis. Oh, yes.

Mr. McLendon. The point is that the corporation taxpayer was put on notice with respect to the investigation being made for the purpose of discovering fraud, and after notice he deliberately destroyed the records. Did you ever receive these records from Reynolds that were missing at the time that Haft gave you a limited list? You know the difference between the original list and the list he did give you. Did he ever supply those missing records?

Mr. CONNELLY. No, sir.

Mr. McLendon. Either Haft or Reynolds?

Mr. CONNELLY. No, sir.

Mr. McLendon. Or anybody representing Reynolds Associates?

Mr. CONNELLY. Not to my knowledge, sir.

Mr. McLendon. Did he ever make any explanation of the missing records to you?

Mr. CONNELLY. Did Haft?

Mr. McLendon. Did Haft or Reynolds, either one, ever make any explanation to you, as investigating agent, of why these records were missing?

Mr. CONNELLY. No, sir. Mr. Haft stated that he shipped some records up to Mr. Reynolds, but he gave no explanation why he shipped them up.

Mr. McLendon. Did Reynolds make any comment about that, as to whether he did receive them or not, to you?

Mr. CONNELLY. Not to me, sir.

Mr. McLendon. Not to you. So up until this day, you have never received those missing records?

Mr. CONNELLY. No, sir.

Mr. McLendon. I believe that is all.

Senator CURTIS. Did the statute of limitations run on those records?

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

Mr. CONNELLY. Yes, sir; I believe the civil statute on 1 year, on 1 fiscal year, has run.

Senator CURTIS. It has run?

Mr. CONNELLY. Yes, sir.

Senator CURTIS. Has there ever been any criminal action filed against any of these parties you have testified about?

Mr. McLendon. I don't believe he is permitted to—Mr. McAleer, you will have to answer that one. Is he permitted to answer that?

Mr. McAleer. I didn't get the question.

Senator CURTIS. Has there been any criminal action instigated against any of these parties about whom you have testified?

Mr. McAleer. Senator, they are now investigating, and I assume whatever they come up with will be considered as to whether or not there has been a violation. To my knowledge, there has been no criminal action.

Senator CURTIS. Well, now, what is the law if an individual destroys old records—not tax records, but checks, books, and correspondence, 3 years old, or older?

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

Senator CURTIS. Am I in violation of the law if I destroy my 1963 checks and correspondence?

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

Mr. McALEER. I think the factual situation would have to control. And if you knew the Government was examining something that was pertinent in those records and deliberately destroyed them, then you might have committed a crime; yes, sir.

Senator CURTIS. Well, when did you start investigation of Reynolds? (At this point, Senator Jordan entered the hearing room.)

Mr. McALEER. I am not prepared to tell you that. I don't know.

Senator CURTIS. It was after he testified in this case, wasn't it?

Mr. McALEER. I think that is correct; yes, sir.

Senator CURTIS. When do you say the records were destroyed?

Mr. McALEER. Senator, you are asking me or the agent?

Senator CURTIS. Either one of you.

Mr. McALEER. Well, let me clarify my position. In counsel's office, we would not consider the findings of the agents until they had completed an investigation and submitted their recommendations. So I am not prepared to say when they started or when they will complete their investigation. I truthfully don't know.

Senator CURTIS. Well, I will ask the other witness. When were you first instructed, or when did you first do any work on the Reynolds tax matter?

Mr. CONNELLY. On September 17, 1964.

Senator CURTIS. And up to this date, have you ever talked to Mr. Williams about these records?

Mr. CONNELLY. Senator Williams?

Senator CURTIS. Yes.

Mr. CONNELLY. No; I have not.

Senator CURTIS. That is all.

Mr. McLENDON. Let's get this statute business straight. You first were assigned the Reynolds Associates case in September 1964?

Mr. CONNELLY. I was assigned to help on the Reynolds case in September of 1964; yes, sir.

Mr. McLENDON. You were assigned as special agent to investigate, along with Bridgman?

Mr. CONNELLY. Yes, sir.

Mr. McLENDON. And the return for the year 1961 would have been filed in 1962 for the year ending 1961, would have been filed in the fall of 1961, would it not, or 1962?

Mr. CONNELLY. Yes, sir; that is correct.

Mr. McLENDON. And Reynolds and Hauft, both officers of the corporation, were put on notice you were investigating it in the Intelligence Division. You, as an agent in the Intelligence Division, were investigating it?

Mr. CONNELLY. Yes, sir.

Mr. McLENDON. And that the statute for fraud is a 6-year statute and not 3?

Mr. CONNELLY. Yes, sir; I informed Mr. Hauft about that.

Mr. McLENDON. And being a revenue agent with 15 years' or more experience he knew that anyway, or should have known it, didn't he?

Mr. CONNELLY. I don't really know what Mr. Hauft knew or what he remembered.

Mr. McLENDON. Of course, you would not. But in addition to being represented by an experienced agent in the Department, he also had counsel, did he not—Mr. Reynolds?

Mr. CONNELLY. Yes, sir; he had a lawyer.

Mr. McLendon. You talked to him once or twice yourself, did you not?

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

Senator CURTIS. You have never talked to Mr. Reynolds?

Mr. Connelly. I thought we were talking about his attorney.

Mr. McLendon. I said Reynolds.

Mr. Connelly. I didn't talk to the attorney. I have talked to Mr. Reynolds.

Mr. McLendon. You never talked to his attorney?

Mr. Connelly. No, sir.

Mr. McLendon. So there is no question about the law, is there, that if a taxpayer is told that his tax return for a given year is being investigated for the purpose of discovering whether he has committed a fraud or a crime, that your Department has 6 years after the return was filed in which to make an investigation. There is no question about that, is there?

Mr. Connelly. There is a 6-year statute on criminal charges; yes, sir.

Mr. McLendon. Well, didn't I state it correctly?

Mr. Connelly. Yes, sir.

Mr. McLendon. If he deliberately destroys the records after he is put on notice—while you are not a lawyer—I am not asking for a legal opinion—there is a statute he would be violating, isn't there?

Mr. Connelly. Yes, sir.

Mr. McLendon. Ok. That is all.

Senator CURTIS. Well, now, when was Reynolds told that he was charged with fraud, or any other criminal violation of the income tax laws?

Mr. Connelly. I have never told Mr. Reynolds that.

Senator CURTIS. Has anyone else, to your knowledge?

Mr. Connelly. To my knowledge, no, sir.

Senator CURTIS. Is an ordinary citizen supposed to keep his old checks, correspondence, for 6 years just in case some time later somebody will walk in and accuse him of fraud, and he is in violation for having not kept those?

Mr. McAleer. Senator, maybe I can help you a little bit. I think the question is a little more than he is obliged to answer. First, I think any normal citizen is obliged to keep sufficient records to verify transactions. If they become sufficiently complicated it may be that he would be required to keep them for a period of 6 years.

Senator CURTIS. Has there ever been a case where any citizen has been prosecuted for lack of records?

Mr. McAleer. I would rather answer you this way. There have been attempts to prosecute for failure to keep records. Whether they were destroyed or a deliberate attempt to not keep a record that would reveal a transaction is the real criterion.

Senator CURTIS. Attempts to prosecute?

Mr. McAleer. Yes, sir.

Senator CURTIS. But there has been no prosecution?

Mr. McAleer. There have been prosecutions in conjunction with other violations, but not independently, no, sir; not to my knowledge.

Senator CURTIS. I think not. There is a statute which requires people to keep complete records of every transaction under which you

could probably put in jail 90 percent of the people in the country, but there has never been a prosecution.

Mr. McLendon. There wouldn't be unless the Government was defrauded.

Senator CURTIS. That is not what the statute says. The statute requires every taxpayer to keep complete records. There is a criminal penalty, and it has never been used.

Mr. McLendon. That is a different statute. Mr. McAleer, there is no doubt that a taxpayer who destroys tax records, records essential to the validity of his tax return, after being put on notice after they are under investigation—is there not?

Mr. McLeer. I don't think it is quite as clear as you would state it. I think a deliberate attempt to destroy records that a taxpayer was aware that the Government was seeking would be an element to be considered as to whether or not he was attempting to hide, to deter an investigation, and this could be a crime. I am trying to keep this on an independent—

Senator CURTIS. Now, what records did Reynolds destroy?

Mr. McAleer. I am not aware that he destroyed any. There is evidence here that there were records in existence that have not been turned over to the Government.

Senator CURTIS. Do any of the three of you know of any records that Reynolds destroyed?

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

Senator CURTIS. Now, do you, Mr. Rosetti—do you know of any records which Reynolds destroyed?

Mr. Rosetti. No, sir.

Mr. McLendon. You both know of records, though, he did not produce, don't you?

Mr. Connelly. Yes, sir. There was a discrepancy between the inventory of records made originally.

Senator CURTIS. Did you make the inventory?

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

Senator CURTIS. Who did?

Mr. Connelly. Special Agent Bridgman.

Senator CURTIS. Where is he?

Mr. Connelly. In the Intelligence Division office right now, I assume.

Senator CURTIS. In whose hands were they when that inventory was made?

Mr. Connelly. They were in the possession of Mr. Hauft.

Senator CURTIS. The first inventory?

Mr. Connelly. Yes, sir.

Senator CURTIS. Well, were they not surrendered to Mr. Hauft?

Mr. Connelly. At the expiration of the summons they were given over to the Internal Revenue Service by Mr. Hauft.

Senator CURTIS. How do you know Reynolds had anything to do with their disappearance?

Mr. Connelly. I don't know that he did, sir.

Mr. McLendon. We know from his testimony, Senator.

Senator CURTIS. How much time has been spent on Reynolds' tax investigation?

Mr. CONNELLY. I was assigned on approximately September 17, 1964, to assist in the investigation. I could not tell you how much time. I can tell you the starting date.

Senator CURTIS. Do you know how much time has been spent on investigating Baker's taxes?

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

Senator CURTIS. Has any time been spent?

Mr. CONNELLY. Yes, sir; some time has been spent.

Senator CURTIS. That is all.

The CHAIRMAN. Senator Cannon?

Senator CANNON. Mr. Connelly, do I understand that you commenced—your assignment commenced September 17?

Mr. CONNELLY. I think it was a day prior to that, Senator.

Senator CANNON. September 16?

Mr. CONNELLY. It must have been about that date.

Senator CANNON. Now, was it September 1, 1964, when it first came to the IRS attention that there had been a discrepancy in the amount of stated moneys here, between \$73,000 and \$109,000?

Mr. CONNELLY. I don't believe I could answer. I don't know when the Internal Revenue Service as such—

Senator CANNON. May I ask counsel whether he knows when the IRS first had knowledge of any discrepancy in payment? Was that when Senator Williams disclosed the so-called check on September 1, 1964?

Mr. McALEER. I am advised that that is correct; yes, sir.

Senator CANNON. So that within—shortly over 2 weeks thereafter, Mr. Connelly was assigned to this investigation, to assist?

Mr. CONNELLY. Yes, sir.

Senator CANNON. Has the investigation been concluded now?

Mr. CONNELLY. No, sir.

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

The CHAIRMAN. Senator Cooper?

Senator COOPER. I have no questions.

The CHAIRMAN. That is all.

Senator CURTIS. Could I ask Mr. Rosetti one question?

The CHAIRMAN. Yes, indeed.

Senator CURTIS. Did you get all the records and books and checks that you sought from Bobby Baker?

Mr. ROSETTI. No, sir. I believe he testified—he took the same position before us that he took here before the Committee, sir.

Senator CURTIS. So he didn't produce any?

Mr. ROSETTI. That is correct.

Mr. McLENDON. He took the fifth amendment, in other words.

Mr. ROSETTI. He did not come in. His counsel came in with a power of attorney.

Mr. McLENDON. All right. Now, Mr. Rosetti, how long had you known Hauff before the investigation began which resulted from disclosures made by Senator Williams on September 1, 1964?

Mr. ROSETTI. As I testified previously, the first time I met him was November 9, 1963, at that meeting in Mr. Fitzgerald's office.

Mr. McLENDON. Did you learn later that he had had many years' experience in the Internal Revenue Service?

Mr. ROSETTI. I don't know how many years, but I knew he worked in the Internal Revenue Service.

Mr. McLENDON. I have a memorandum here dated July 9, 1964, signed by you. Do you happen to have a copy of that?

Mr. ROSETTI. Yes, sir; I do.

Mr. McLENDON. On that date did you talk to Milton Hauft after Hauft had talked to another agent named Taylor?

Mr. ROSETTI. That is correct, sir.

Mr. McLENDON. What conversation did you have with Hauft on that date—July 9, 1964?

Mr. ROSETTI. Well, at that time Revenue Agent Taylor, who was cooperating with me in the investigation of Bobby Baker, had in his possession the tax returns of Don Reynolds Associates for the fiscal year ending June 1961. And this was in July 1964. And the civil statute would be running right shortly. Mr. Taylor then went ahead and sent out what we call a consent, fixing the period of limitations—in other words, to extend the statute for no greater than 1-year period.

Mr. McLENDON. That would be signed by the taxpayer?

Mr. ROSETTI. Yes; if he agreed to consent to extending the statute, sir. And at that time Mr. Hauft told Mr. Taylor that the Internal Revenue Service had audited the taxpayer's returns for 1960, and the revenue agent told him at that time he did not know of any such audit. I did discuss this matter with Hauft and related to him, as I previously testified here, that the only records I have got of Don Reynolds were those as a witness in the *Bobby Baker* case; that I had never seen any original records of Don Reynolds nor had I performed any type of audit of Don Reynolds Associates for that year. I stated further that maybe he might be mixed up; that maybe he turned the records over to the Senate Rules Committee, but he did not turn the records over to me. I did not request them.

Mr. McLENDON. All right.

Mr. ROSETTI. One other point. At that time Hauft stated that he would have Don Reynolds sign the consent.

Mr. McLENDON. Did he ever sign it?

Mr. ROSETTI. Not to my knowledge; no, sir; he did not.

Mr. McLENDON. Did you ever receive it?

Mr. ROSETTI. No, sir.

Mr. McLENDON. So as early as July 9, Mr. Hauft, an officer of that corporation, was put on notice that you were investigating the corporation's returns, and that the corporation was being asked to sign a waiver.

Mr. ROSETTI. Well, sir; he was not put on notice that we were investigating the returns. He was put on notice that we had his return in our possession, and we might have returns—to make a determination. But, of course, we had the statute problem here, and we wanted a consent so we would have time to properly evaluate the returns.

Mr. McLENDON. That is the reason a consent agreement was being submitted to him.

Mr. ROSETTI. That's right.

Mr. McLENDON. That's all.

The CHAIRMAN. That is all, sir.

Mr. McLENDON. Mr. Morris. Earl Morris.

The CHAIRMAN. We will have to take a short recess so we can go and vote. We will be back just as quick as we can.

(Whereupon a short recess was taken.)

The CHAIRMAN. The committee will please come to order. Mr. Morris, did you hear my opening statement read?

Mr. MORRIS. Yes, sir.

The CHAIRMAN. You have not been sworn?

Mr. MORRIS. No, sir.

The CHAIRMAN. Will you stand 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 will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. MORRIS. Yes, sir.

The CHAIRMAN. Thank you. Have a seat.

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

TESTIMONY OF EARL MORRIS; ACCOMPANIED BY CHARLES W. PRETTYMAN, ATTORNEY

Mr. MORRIS. Earl Morris, 13504 Sherwood Forest Terrace, Silver Spring, Md.

Mr. McLENDON. You have your counsel with you?

Mr. MORRIS. Yes, sir.

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

Mr. PRETTYMAN. I am Charles W. Prettyman, attorney, Rockville, Md.

Mr. McLENDON. Mr. Morris, in 1960 were you an officer in the Citizens Building & Loan Association of Silver Spring?

Mr. MORRIS. Yes, sir.

Mr. McLENDON. What office did you occupy?

Mr. MORRIS. I believe at the time I was treasurer.

Mr. McLENDON. How long had you been employed with the company?

Mr. MORRIS. At that time?

Mr. McLENDON. Yes, sir.

Mr. MORRIS. About 10 years.

Mr. McLENDON. You are now vice president of the company?

Mr. MORRIS. Assistant vice president.

Mr. McLENDON. Were you familiar in 1960 with the rules and practices of the building and loan association with respect to deposits and withdrawals?

Mr. MORRIS. Yes, sir.

Mr. McLENDON. State whether or not your association followed the customary practice of issuing a passbook to each depositor.

Mr. MORRIS. Yes, sir.

Mr. McLENDON. Do you happen to have a copy of the passbook with you?

Mr. MORRIS. No, sir; I do not. I believe my ledger will verify it.

Mr. McLENDON. I don't think so, not for the purposes I have in mind. I will let you have mine here for a moment. Would you look at the book that I have just handed you, and state whether or not

that is a copy of the passbook that was used by your building and loan association and issued to every depositor?

Mr. MORRIS. Yes, sir; it is.

Mr. McLENDON. Was that in effect in October 1960?

Mr. MORRIS. Yes, sir.

Mr. McLENDON. Does it state the rules with respect to when and how interest was paid on deposits?

Mr. MORRIS. I believe, sir, it does.

Mr. McLENDON. Does it state the rule with respect to how withdrawals are made?

Mr. MORRIS. Yes, sir.

Mr. McLENDON. Look at the back leaf there and state whether or not one of the rules was that no deposit could be withdrawn by check?

Mr. MORRIS. I did not understand that, sir.

Mr. McLENDON. I say isn't there a rule stated in the back of the book that no deposits can be withdrawn by check? In other words, a depositor cannot write a check on his account?

Mr. MORRIS. Correct, sir.

Mr. McLENDON. So if a depositor was withdrawing, he had to get your company's check on some other bank?

Mr. MORRIS. That's correct.

Mr. McLENDON. Can he get cash?

Mr. MORRIS. Yes, sir.

Mr. McLENDON. He could get either cash or a check drawn on some other bank, is that right?

Mr. MORRIS. That's right.

Mr. McLENDON. Was he required to present that passbook if he was making a withdrawal?

Mr. MORRIS. That is a general practice.

Mr. McLENDON. So that the passbook would show each deposit, would it not?

Mr. MORRIS. Yes, sir.

Mr. McLENDON. And show each withdrawal?

Mr. MORRIS. Yes, sir.

Mr. McLENDON. Would the entries in the passbook indicate which withdrawals were made in cash and which by check?

Mr. MORRIS. Not in the passbook, sir.

Mr. McLENDON. Not in the passbook?

Mr. MORRIS. No, sir.

Mr. McLENDON. You would have to go to other records to ascertain that?

Mr. MORRIS. Yes, sir.

Mr. McLENDON. Now, is the interest, if earned, credited to the account from time to time?

Mr. MORRIS. Yes, sir.

Mr. McLENDON. It is just added on to the account.

Mr. MORRIS. Yes, sir.

Mr. McLENDON. At that time, in 1960, did your building and loan association microfilm all checks that were deposited with it?

Mr. MORRIS. Yes, sir; we did.

Mr. McLendon. A check deposited in October 1960 would have been microfilmed?

Mr. Morris. Yes, sir.

Mr. McLendon. That microfilm is still in existence now?

Mr. Morris. Yes, sir.

Mr. McLendon. Do you have any knowledge that Don B. Reynolds or anybody connected with Don Reynolds Associates, Inc., ever asked for a copy of the microfilm showing the deposit of a check of \$109,000 written by McCloskey & Co.?

Mr. Morris. Now, clarify that just a little bit. I do not quite follow you.

Mr. McLendon. Well, it was a long question. Let me try it again. Did Mr. Reynolds or anybody representing Don Reynolds Associates ever ask your bank for a copy of the microfilm of the check of McCloskey & Co.?

Mr. Morris. I believe this was furnished to Mr. FitzGerald. I am not certain. I believe he asked for it.

Mr. McLendon. Do you know when?

Mr. Morris. I cannot say with certainty.

Mr. McLendon. Well, help us as much as you can.

Mr. Morris. Which check are you referring to?

Mr. McLendon. I am talking about the check that opened this account for \$109,000. The number of the account—I can give you that in a minute. The number of the account is 36092.

Mr. Morris. I am not certain if we gave this to Mr. FitzGerald. As a matter of fact, I am not certain that we gave him any of these records at this time.

Mr. McLendon. I have no way of knowing why you suggested that you might have given it to him.

Mr. Morris. Well, he was in the office a number of times and he asked for different things. I am not certain I gave it to him in this particular case.

Mr. McLendon. You do know that, shortly after September 1, 1964, when Senator Williams disclosed this transaction, or some facts about it, in the Senate, agents of the Government got a copy of it?

Mr. Morris. Yes, sir; they did.

Mr. McLendon. Was the first agent to get a copy representing the Internal Revenue Service, or don't you know?

Mr. Morris. I don't remember.

Mr. McLendon. You don't know whether it was the FBI?

Mr. Morris. No, sir. I believe we furnished both of them, but I am not certain of that, either.

Mr. McLendon. It was available to anybody that wanted it?

Mr. Morris. Yes, sir; if they subpoenaed the records, we would make it available.

Mr. McLendon. As far as the depositor was concerned, he didn't have to have a subpoena.

Mr. Morris. That's correct.

Mr. McLendon. All he had to do is ask you for it.

Mr. Morris. Yes, sir.

Mr. McLendon. And he would have been entitled to it?

Mr. Morris. Yes, sir.

Mr. McLENDON. Now, the committee does not have the passbook that was issued to Don Reynolds Associates for this deposit. As you recall, the deposit was made in the name of Don Reynolds Associates or Don B. Reynolds, was it not?

Mr. MORRIS. That's right, sir.

Mr. McLENDON. Do you know what became of the passbook?

Mr. MORRIS. I have no idea, sir.

Mr. McLENDON. Do you have any personal knowledge as to whether he had claimed to have lost it, or anything like that?

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

Mr. McLENDON. Did you handle any of the transactions in this particular account, now, where the \$109,000 was deposited—did you handle any of them?

Mr. MORRIS. Did I handle them personally?

Mr. McLENDON. Did you personally handle any?

Mr. MORRIS. No, sir.

Mr. McLENDON. Not a single one?

Mr. MORRIS. No, sir.

Mr. McLENDON. Did you have any conversations with him about it?

Mr. MORRIS. No, sir; I do not recall having any conversation about it.

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

Mr. McLENDON. That is all.

The CHAIRMAN. Senator Curtis.

Senator CURTIS. Has your institution suffered by reason of the fact that this passbook is lost or gone?

Mr. MORRIS. No, sir; they have not, sir.

Senator CURTIS. Was there anything irregular about this transaction, as far as you know?

Mr. MORRIS. No, sir. It was handled in the regular fashion that we would handle any other account, sir.

Senator CURTIS. It was upon your account that this check was drawn?

Mr. MORRIS. It was Mr. Reynolds' account; yes, sir.

Senator CURTIS. Which check are you referring to?

Mr. MORRIS. The one you are mentioning here, \$109,000—it was put in Mr. Reynolds' account.

Senator CURTIS. That is all.

Mr. McLENDON. Mr. Morris, will you identify this little pamphlet as being the bylaws governing your association in 1960? It seems to bear a date subsequent to that.

Mr. MORRIS. There were some amendments made since that date—prior to this date, sir. But this is the general bylaws we operated under during that date.

Mr. McLENDON. Were they generally applicable in 1960?

Mr. MORRIS. Yes, sir.

Mr. McLENDON. Mr. Reporter, mark the passbook and the document.

(The documents referred to are as follows:)

EXHIBIT 109

Acct. No.

Date:

SAVINGS SHARE CERTIFICATE

THIS CERTIFIES THAT

holds a savings account representing share interests in THE CITIZENS BUILDING AND LOAN ASSOCIATION OF MONTGOMERY COUNTY, INC., subject to its Charter and By Laws, the rules and regulations of the Federal Savings and Loan Insurance Corporation, and the laws of the State of Maryland. This passbook constitutes the entire agreement between the above-named association and the shareholder and the book must be presented for withdrawal or credit of dividends or for borrowing purposes. Dividends are as fixed by the Board of Directors of the corporation in accordance with the above-named laws and are accordingly subject to change from time to time.

The holder(s) of this account shall have one vote as a shareholder.

WITNESS, the authorized signature of an officer or employee of the association hereto.

THE CITIZENS BUILDING AND LOAN ASSOCIATION
OF MONTGOMERY COUNTY, INC.

Authorized Signature



Oldest and Largest Savings Institution in Montgomery County
(Incorporated under the Laws of the State of Maryland)

SILVER SPRING	KENSINGTON	ROCKVILLE	DAMASCUS	GAITHERSBURG
585-9000	949-2200	424-5700	CL 3-2000	WA 6-0800

SAVE WITH CONFIDENCE

Safety of each member's savings at Citizens is insured up to \$10,000 by the Federal Savings and Loan Insurance Corporation, a permanent instrumentality of the United States Government.

Additional safety is afforded by investing the Association's funds in prime first mortgages and United States Government bonds. All officers and employees are adequately bonded, and records are subject to annual examination by the Federal Home Loan Bank Board and audit by a private C. P. A.

For further information, please see last page of your passbook.



THIS BOOK MUST BE PRESENTED WITH EACH TRANSACTION
PLEASE ADVISE THE ASSOCIATION OF ANY CHANGE IN YOUR ADDRESS

EXHIBIT 109—Continued

IMPORTANT**ALWAYS PRESENT PASSBOOK FOR WITHDRAWALS**

1. If passbook is lost or stolen, notify the Association at once.
- ✓ 2. Checks cannot be drawn against this account.
3. On all payments on shares made on or before the 20th of any month, dividends shall be computed for the full month. If withdrawals are made between dividend dates, no dividends shall be paid on the amount withdrawn, unless the account holder shall have given 30 days' previous written notice of his intention to withdraw. (No notice is required in order to avoid loss of dividends if a withdrawal is made after the 20th day of March, June, September and December.)
4. DIVIDEND DATES are March 31, June 30, September 30 and December 31.
5. Shareholders may borrow up to 90% of the amount standing to the credit of their account in this Association.
6. You are invited to the annual shareholders' meeting on the 2nd Thursday of January each year at 7:30 P. M. in the Community Room, Citizens Savings Building, Silver Spring, Maryland.



Officers and employees at Citizens are trained to give you friendly and helpful service.
We take pleasure in offering you these services:

INSURED SAVINGS**AMERICAN EXPRESS TRAVELERS CHECKS****PAYROLL SAVINGS****MONEY ORDERS****CHRISTMAS SAVINGS CLUB****REDEMPTION AND SALE OF SERIES E BONDS****VACATION CLUB****SCHOOL THRIFT SYSTEM****SAFE DEPOSIT BOXES****COMMUNITY ROOM****DRIVE-IN WINDOW****HOME LOANS****NIGHT DEPOSITORY****CONSTRUCTION LOANS****SAVE-BY-MAIL****HOME IMPROVEMENT LOANS**

EXHIBIT 109—Continued



MAIN OFFICE - 8485 FENTON ST., SILVER SPRING, MD.

Branches Throughout Montgomery County

8485 Fenton St. SILVER SPRING, MD.	Conn. & Farragut Aves. KENSINGTON, MD.	12 South Perry St. ROCKVILLE, MD.
205 North Frederick Ave. GAITHERSBURG, MD.	9801 Main St. DAMASCUS, MD.	

MAIL ADDRESS

No.

EXHIBIT 110

AMENDED BYLAWS OF CITIZENS BUILDING & LOAN ASSOCIATION

Main office: 8485 Fenton Street, Silver Spring, Md., Juniper 5-9000

KENSINGTON
ROCKVILLE

GAITHERSBURG
DAMASCUS

As amended at shareholders' meeting, April 11, 1963

ARTICLE I

Title

Section 1. This Association shall be known as The Citizens Building and Loan Association of Montgomery County, Inc. Its duration shall be perpetual.

ARTICLE II

Officers and Directors

Section 1. The Board of Directors of this Association shall consist of not more than fifteen members, all of whom shall be stockholders, who shall be elected at the annual meeting to serve one year or until their successors are elected and qualified. The number of Directors elected shall be determined by the Board of Directors prior to each annual meeting. At least three-fourths of the total number of directors shall be residents of Montgomery County.

Section 2. The Board of Directors shall elect a president, one or more vice-presidents, a secretary, a treasurer, and an attorney. They may also elect a chairman of the Board and one or more vice-chairmen and an assistant attorney, and such other officers and employees from time to time as deemed advisable. The officers of the President, Vice-President, Secretary, or Treasurer, may not be combined.

Section 3. A majority of the members of the Board of Directors shall constitute a quorum.

Section 4. Any vacancy in either the Officers or Board of Directors may be filled by the Board at any regular meeting.

Section 5. Any officer or director may be removed from office for cause by a majority of the Board of Directors at any regular meeting. No officer or director shall vote on any charge against himself, nor upon any matter in which he is directly or indirectly financially interested.

Section 6. A reasonable attendance fee may be paid to the Directors for the meetings attended, to be determined by the Directors.

ARTICLE III

Compensation of Officers and Employees

Section 1. The Board of Directors shall fix the compensation of the officers and employees.

ARTICLE IV

Chairman

Section 1. The Chairman of the Board will preside over all the meetings of the shareholders, the Board of Directors and the Executive Committee.

Vice-Chairman

Section 2. There may be one or more vice-chairmen who will perform the duties of the Chairman in his absence.

President

Section 3. The President will be the administrative officer of the Association under the direction of the Board of Directors. He will preside over all meetings in the absence of the Chairman or Vice-Chairman and will perform such other duties as usually pertain to his office.

Vice-President

Section 4. There will be one or more Vice-Presidents, who according to seniority, if there be more than one, will perform the duties of the President in his absence and such other duties as may be directed by the Board.

Secretary

Section 5. It will be the duty of the Secretary, or in his absence an Assistant Secretary, to be present at all meetings of the Association and of the Board of Directors, to keep a complete record of all proceedings and to perform such other duties as may be appropriate to his office or as directed by the Board.

Treasurer

Section 6. The Treasurer will perform the duties that usually pertain to his office and shall keep such records, books and accounts as may be designated by the Board.

Attorney

Section 7. The Attorney, or Assistant Attorney, will attend all meetings of the members, stockholders and directors. He will cause to be made an examination of the title to the properties offered as security for loans as the Board of Directors may require and submit a written report thereon. He will represent the Association in all legal proceedings; be the legal adviser of the Association and render such other services as the Board of Directors may require.

Executive Committee

Section 8. The Executive Committee shall be composed of not more than six members of the Board to be named by the Board of Directors. This Committee shall meet as frequently as may be necessary, shall have full power to act for the Board of Directors on all matters pertaining to mortgage loans, and shall have such other responsibility for action as shall be specifically delegated by the Board of Directors. The Executive Committee may name an independent appraiser or appraisers whenever it deems the same necessary or advisable.

Appraisal Committee

Section 9. The President shall appoint, from members of the Board of Directors, an Appraisal Committee, subject to approval of the Board or the Executive Committee. Two members of this Committee or one member of the Committee with at least one independent appraiser shall inspect all property offered as security and shall report in writing to the Board or the Executive Committee their appraisement, together with other information as may be deemed necessary. The members of this Committee shall have the right to sit with the Executive Committee to present their findings for consideration.

Bonds

Section 10. All officers and employees who will have charge or possession of money, securities or property of the Association will, before entering upon their duties, give bond with an authorized surety company or companies. The cost of such bond will be borne by the Association.

Tenure of Office

Section 11. All officers and members of standing committees will serve until their successors will have been chosen and qualified. Officers will be elected for a term of one year at the annual meeting of the Board of Directors.

Persons Authorized To Sign for the Association

Section 12. All certificates of stock, contracts, deeds, releases, and other instruments of writing will be signed on behalf of the Association by the President or a Vice-President and the Secretary or an Assistant Secretary and record thereof will be kept on file in one of the offices of the Association.

Meetings of Directors

Section 13. Regular meetings of the Board of Directors will be at the Association's principal office on the second Thursday of each month at such time as the Board of Directors may determine.

Special meetings may be called by the President or a Vice-President, or Chairman in the President's absence, or by not less than five Directors, whenever the business of the Association may require, written notice of such meeting and the nature of the business to be transacted to be given each Director at least twenty-four hours before the time of such meeting.

Depositories and Disbursements

Section 14. All funds will be under the control of the Board of Directors who will cause the same to be deposited in the name of the Association with its designated depository or depositories. Such funds may be withdrawn by two individual officers, namely the President or a Vice-President and the Treasurer or an assistant treasurer, or by such other officers or employees as the Board will designate in substitution for either of these.

Subscriptions to Stock

Section 15. Subscriptions to stock of the Association may be made upon such terms and conditions as the Board of Directors may prescribe.

Section 16. There shall be one class of stock which shall be issued as Savings Share Accounts and upon which payments may be made at the option of the holder. In addition, there may be established Christmas and Vacation Club funds to be held and carried without dividends; provided, however, that such accounts shall be withdrawn within twenty-four months from the date of issuance.

Transfers and Membership

Section 17. All transfers of stock and payments thereon shall be in writing properly signed and shall not be valid as against the Association until the transfers shall be duly entered upon its books and the surrender of the certificate and pass book, and all stock and payments thereon shall be subject to first lien thereon in favor of the Association by any indebtedness due it from such members.

Section 18. Stock shall be evidenced by pass books carried and paid as therein named whether or not owners shall be minors or of full legal age and forms therefor shall be such as the Directors may prescribe including accounts held by the entireties. All shareholders shall be members of the Association and shall share equally in earnings and assets as hereinafter mentioned (except for bonus payments under a bonus plan) pro rata to be paid in value, plus credited dividends. No membership, admission, repurchase, withdrawal of any other such fees shall be charged for the privilege of becoming, remaining, or ceasing to be a member, except as provided in Section 22.

General Withdrawal Rules

Section 19. Members whose stock or credits are not pledged to this Association may, as a general rule, upon written application, withdraw all or any part of their stock credits at any time without previous notice; but, to protect the interests of members and avoid sacrifice of securities, notice of withdrawal may at any time be required, and the right to dividends on stock credits will cease from the date of filing of any application to withdraw; provided, such withdrawal shall not be delayed more than 30 days from the date of notice except that the Directors may waive this requirement by appropriate action. All persons withdrawing shall be entitled to receive the amounts of all credits at the time of the application to withdraw, unless any such member's share of the Association's loss is in excess of the reserve fund. The required notices to withdraw shall be filed in the order in which they are received and paid from the regular receipts of the Association in the order in which they are received and filed, as fast as twenty-five per centum of the regular receipts of the Association shall pay the same; but the Board of Directors may, in its discretion, use all the regular receipts of the Association to pay withdrawals.

Section 20. The Association shall not issue, sell, negotiate, or advertise for sale either to members or the public, any type of investment security other than free share accounts, "Christmas" and/or "Vacation Club" funds in account with it. The Association shall not agree to pay, on any free share account, a rate or amount in dividends or other distributions, which is fixed. This section shall not be construed, however, to exclude the power of an association to borrow money from banks, or other similar borrowings.

Earnings

Section 21. The earnings of the Association shall be determined for each quarter of the year as of the last day of March, June, September, and December. Out of such earnings there shall be deducted and applied as follows:

First: All expenses, whether paid or not, and interest due by the Association upon its outstanding obligations.

Second: Such dividends as the Board of Directors may decide, to be computed as elsewhere provided in these By-Laws.

Third: Credits shall be made annually to the Federal Insurance Reserve as is required by the rules and regulations for insurance of accounts.

Fourth: The residue of said earnings shall be credited to Undivided Profits, Surplus, or Federal Insurance Reserve as determined by the Board of Directors.

Dividends and Withdrawals

Section 22. Dividends declared by the Board of Directors at the regular meeting of the Board in March, June, September, and December of each year shall be apportioned among the members according to the amount to their credit at the end of the current three months' period, including amounts accumulated during such periods in proportion to the time such investments shall have been held by the Association. However, a member withdrawing his investment in whole or in part shall lose his right to dividends upon the amounts so withdrawn for the three months' period within which such withdrawal takes place unless he shall have given written notice 30 days in advance of the date of withdrawal, except in the case of withdrawals after the 20th day of March, June, September, and December, when no notice shall be necessary; unless such notice shall be waived by the Board of Directors.

Section 23. Earnings shall be computed on all payments made from the first to the 20th day of each month; or on or before the 20th of each month. On all payments made after the 20th day of the month, earnings shall be computed from the first of the following month.

Section 24. Payments made in advance shall be entitled to earnings the same as regular payments, and all advance payments must be exhausted before the shares on which they are applied shall be considered delinquent for voting purposes as hereinafter provided.

Security

Section 25. All loans made by this Association shall be secured by pledge of pass book, stock, or certificates of deposit in this Association on which ten per centum more money than the sum loaned shall have been paid which shall be known as temporary loans, or by first mortgage on real estate approved by the Board of Directors or by the Executive Committee, which shall be known as real estate loans; or on such other security as may be approved by the Board.

Temporary Loans

Section 26. Temporary loans may be made at any time and upon such terms and conditions as the Board of Directors may prescribe.

Real Estate Loans

Section 27. Loans may be made on a mortgage after receiving a written application signed by the borrower or his agent containing such information as the Board of Directors may prescribe. Such application shall be considered by the Appraisal Committee, which shall report on the security offered. The Board of Directors or the Executive Committee shall consider the loan. After the loan is approved, the Attorney shall examine the title and when found satisfactory shall prepare and record the necessary papers. Real estate loans shall be first liens on the property and shall be limited to eighty per centum of the appraised value upon such conditions as the Board of Directors may determine. However, loans may be approved in a higher ratio of loan to appraisal when insured or guaranteed by the United States Government, an instrumentality thereof, or by any insuring organization approved by the Association's Board of Directors. When money is loaned for the purpose of erecting improvements, it shall be placed to the credit of the borrower and shall be disbursed as the improvements progress, in such installments as the Board of Directors or Executive Committee may determine. Before the borrower shall be entitled to the final installment, he shall give security against liens as may be required and shall cause the contractors and sub-contractors to waive and release in writing all right to take liens against the property. The right is reserved for the Association to retain the amount of any claims or potential liens from the balance due the borrower until such claims or liens shall be fully paid or cancelled. Further, no work shall have been done or materials provided toward the erection of such improvements before the mortgage to the Association shall have been executed and recorded.

Payments on Loans

Section 28. Loans may be made payable in fixed annual or semi-annual payments, which shall be known as straight loans, or in stated weekly or monthly payments, which shall be known as installment loans.

a. For each real estate loan made by the Association, stock equivalent in par value to the amount of the loan shall be issued to the borrower, who shall thereafter become a member of the Association, such stock to be held by the Association as a pledge for the loan until redeemed by payment.

b. Members taking straight or installment loans shall not participate in regular earnings of the Association.

c. Payments on installment loans shall continue for such number of months as will be required for such monthly payments to retire the loan, unless he shall have paid the loan in full prior to the expiration of said period of time. And such member may make larger payments or pay his loan in full at any time subject to such requirements as the Board may direct, provided that, where a premium is charged, monthly payments thereon shall continue only for such number of months as shall be stipulated in the mortgage or bond.

d. The Board of Directors are further authorized to promulgate from time to time such other schedules of payments for such number of months as it may deem expedient for the best interests of this Association.

e. Upon redemption of the loan, such pledged stock shall again become the property of the Association for cancellation and re-issue as hereinafter provided, unless the member desires to purchase the same, which he may do by payment of the par value thereof in cash or in monthly installments as hereinbefore provided.

Insurance

Section 29. The Board of Directors shall require all borrowers to cause the buildings or property given or pledged as security to be insured with such companies and agents as it may designate for the benefit of the Association against loss by fire and windstorm and such other risks as the Board may require in an amount which it shall name, and to keep the same insured during the continuance of the loans, and the policy or policies of insurance, properly endorsed to this Association, shall be deposited with the Association. Upon failure of any borrower so to insure and keep insured such property, the Board of Directors may cause such property to be insured at the expense of the borrower and charge the same to his account.

Taxes

Section 30. If any property given or pledged to the Association as security for a loan shall be in default for non-payment of taxes or special assessments or shall be sold therefore, the Board of Directors may instruct the officers to pay such taxes or special assessments or to redeem such property therefrom and charge the amount of same to the account of the borrower.

Interest on Advances

Section 31. All sums advanced as provided in sections thirty and thirty-one shall bear the same rate of interest as the principal debt and the mortgage given or pledged to secure the loan shall also cover taxes, special assessments, and insurance paid by the Association, together with interest thereon, as herein provided.

Foreclosures

Section 32. If any borrower shall permit any payment required by his obligation to remain due and unpaid for the period of one month, the entire amount of the loan shall thereupon become due and payable, and the Board of Directors may order such mortgage foreclosed.

Expense of Loans

Section 33. The cost of viewing the property by the Appraisal Committee, examination of title, and preparation and recording of the mortgage for a loan on real estate, shall be fixed by the Board of Directors and shall be paid by the borrower, together with any other expense incident to the loan, including a survey when necessary.

Investments

Section 34. The funds of the Association may be invested as provided by law, but no expense of the Association, either of organization or of operation, shall be paid out of the capital of the Association.

Re-issue of Stock

Section 35. All shares of stock withdrawn and redeemed and all shares paid up, the money thereon withdrawn, and all shares on which loans have been taken and cancelled or paid up shall revert to and become the property of the Association and may be re-issued by Board of Directors.

Statement

Section 36. Each member shall be entitled to receive an annual statement showing the condition of the Association.

Life Insurance

Section 37. The Board of Directors may require as additional security for any loan life insurance on the life of the borrower or other person. The policy of insurance shall be assigned to the Association and, in case of death, the proceeds shall be applied to the payment of the loan.

ARTICLE V

Annual Meetings

Section 1. The Annual Meeting of the Association shall be held at its principal offices in Silver Spring, Maryland, or at such other place in Montgomery County, Maryland, as may be designated in the notice, said meeting to be held on the second Thursday of January at such time as may be designated in the notice.

Section 2. Directors shall be elected at the annual meeting. Each savings member of the Association shall be entitled to one vote for each share or fraction thereof paid in. Each borrowing member shall be entitled to one vote. No member shall be entitled to vote more than one hundred shares.

Section 3. Annual meetings of the Board of Directors shall be held immediately after the annual meeting of the stockholders.

Section 4. Proxies may be executed by the members and be entitled to vote upon verification of the signature and number of shares eligible to vote and shall be good until revoked in writing.

Qualifications for Directors

Section 5. Any member owning not less than five shares of paid-up stock or who shall not be delinquent more than 60 days in payment on his subscription for a like number of running shares of stock, shall be eligible as a Director, subject to the condition that not less than three-fourths of the Board shall be residents of Montgomery County, Maryland. If at any election, more than one-fourth of the persons holding or elected to the office of Director be non-residents of said county, the necessary number of non-resident persons receiving the lowest number of votes shall be eliminated, and the resident person or persons receiving the next highest vote shall be declared elected or a new ballot be spread as may be necessary.

ARTICLE VI

Termination of Insurance

Section 1. In the event that this Association contemplates taking action to terminate the insurance of share accumulations by the Federal Savings and Loan Insurance Corporation, the regulations of such corporation as they exist shall be adhered to.

ARTICLE VII

Retirement Plan

Section 1. The Board of Directors is authorized to enter into an agreement with the Employees to establish a Retirement Plan.

Section 2. The Association agrees to pay to the Trustees of the Retirement Plan, at each pay period, an amount not less than two and one-half (2½) per centum of the regular gross compensation of each eligible Employee, not to exceed the contribution of the Employee. The Association's contribution shall be determined semiannually at the Regular meeting of the Board of Directors in May and November. They shall determine the Association's contribution for the succeeding six-month period.

ARTICLE VIII

Amendments

Section 1. These By-Laws may be amended at any meeting of the stockholders by vote of not less than two-thirds of the shares present and entitled to vote, upon recommendation of not less than two-thirds of the Board of Directors after twenty days' written notice of the proposed amendments given to each member entitled to vote or mailed to his last known address, as the same shall appear upon the books and records of this Association.

CERTIFICATE

I hereby certify that these By-Laws were duly adopted at a special legal meeting of the members of The Citizens Building and Loan Association of Montgomery County, held in its offices on April 11, 1963.

JOHN F. HEUTER II, *Secretary.*

Senator CANNON. Mr. Morris, in the committee's exhibit 21, which was dated November 20, 1963, Mr. Reynolds swore to an affidavit that he stated contained all transactions between himself and Robert G. Baker. There is no indication in that exhibit; no reference to this \$109,000 check. Was that \$109,000 on deposit in your bank on that date?

Mr. MORRIS. What date?

Senator CANNON. November 20, 1963.

Mr. MORRIS. This was deposited October 18, so it would be in 1960.

Senator CANNON. October 18, 1960.

Mr. MORRIS. Yes, sir.

Senator CANNON. So it had been deposited sometime before this affidavit.

Mr. MORRIS. Yes, sir.

Senator CANNON. Do your records show whether or not anyone attempted to get a copy of this check, or your microfilm of it, prior to September 1, 1964?

Mr. MORRIS. Well, I have nothing to verify that; no, sir.

Senator CANNON. Your records would not necessarily show. Is that it?

Mr. MORRIS. No, sir.

Senator CANNON. You do not know of your own knowledge whether anyone did or did not try to get a copy of it prior to that time?

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

Senator CANNON. Nothing further, Mr. Chairman.

The CHAIRMAN. Senator Cooper?

Senator COOPER. No questions.

The CHAIRMAN. Thank you. You are excused.

Mr. McLENDON. Mr. Brinsfield.

The CHAIRMAN. Mr. Brinsfield, did you hear the opening statement this morning?

Mr. BRINSFIELD. Yes.

The CHAIRMAN. You have not been sworn?

Mr. BRINSFIELD. No; I have not.

The CHAIRMAN. Will you remain standing? Place your left hand on the Bible and raise your right hand. Do you solemnly swear that the testimony you will give will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. BRINSFIELD. I do.

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

TESTIMONY OF KENNETH BRINSFIELD

Mr. BRINSFIELD. Kenneth Brinsfield, 6705 Gude Avenue, Takoma Park, Md.

Mr. McLENDON. In the fall of 1960, Mr. Brinsfield, what position did you occupy with the Suburban Trust Co.?

Mr. BRINSFIELD. In the fall of 1960?

Mr. McLENDON. Yes, sir.

Mr. BRINSFIELD. I was a teller.

Mr. McLENDON. Teller?

Mr. BRINSFIELD. Yes, sir.

Mr. McLendon. What are the duties of a teller?

Mr. Brinsfield. Well, you take deposits, cash checks, sell Treasury checks, money orders, travelers' checks.

Mr. McLendon. You cash checks?

Mr. Brinsfield. Yes.

Mr. McLendon. Receive deposits?

Mr. Brinsfield. Yes, sir.

Mr. McLendon. Do you sometimes transact other business for the customer such as selling travelers' checks and things of that kind?

Mr. Brinsfield. Yes, sir.

Mr. McLendon. Did you in 1960 have a record that was kept on a machine in your cage—your teller's cage?

Mr. Brinsfield. Yes, sir.

Mr. McLendon. Describe the machine to the committee and what it does.

Mr. Brinsfield. Well, it records your deposits—records your transactions for the day, most of them. It would record your transactions for the day.

Mr. McLendon. All of them for the day?

Mr. Brinsfield. Anything that would go in the machine.

Mr. McLendon. Beg pardon?

Mr. Brinsfield. Anything that you would put in the machine. Of course, it would not record what was deposited. It would record the amount of the deposit.

Mr. McLendon. Would it also record the amount of withdrawal?

Mr. Brinsfield. Yes.

Mr. McLendon. Did this machine have a number for each teller?

Mr. Brinsfield. Yes, sir.

Mr. McLendon. What was your teller number on the 14th day of April 1961?

Mr. Brinsfield. S2.

Mr. McLendon. S2. Was it the custom for the tellers to sign the tape that comes out of the machine at the end of the day?

Mr. Brinsfield. Yes, sir.

Mr. McLendon. Do you find a copy of the machine tape dated April 14, 1961, bearing your signature?

Mr. Brinsfield. No; I do not have one.

Mr. McLendon. It is in the list?

Mr. Brinsfield. No; it is not.

Mr. McLendon. Do you have it now?

Mr. Brinsfield. Yes.

Mr. McLendon. Is that your signature on it?

Mr. Brinsfield. Yes, sir.

Mr. McLendon. The number used there would indicate that your cage is S2?

Mr. Brinsfield. Yes, sir.

(The document referred to is as follows:)

Mr. McLendon. Do you find on there, on that day, an item S2 followed by the figures 021D, \$5,000—

Mr. Brinsfield. No.

Mr. McLendon. I mean \$3,500?

Mr. Brinsfield. Yes, sir.

Mr. McLendon. Do you find that?

Mr. Brinsfield. Yes, sir.

Mr. McLendon. What is the 021D?

Mr. Brinsfield. That would be the transaction number.

Mr. McLendon. What does the "D" mean?

Mr. Brinsfield. Deposit.

Mr. McLendon. So that tape indicates that in that account on that day \$3,500 was deposited?

Mr. Brinsfield. Yes, sir.

Mr. McLendon. Can you tell whether it was by check?

Mr. Brinsfield. Well, it is possible. It was not cash.

Mr. McLendon. It was not cash?

Mr. Brinsfield. No.

Mr. McLendon. If it had been cash, how would it have been recorded?

Mr. Brinsfield. Well, there would have been a notation.

Mr. McLendon. Sir?

Mr. Brinsfield. There would have been a notation as to how much—whether it was all cash or part cash by a "cash in."

Mr. McLendon. Well, now, the next entry is still the same teller number, S2, followed by 021, CO. What does the "CO" mean?

Mr. Brinsfield. Cash paid out.

Mr. McLendon. Cash paid out. Well, do you mean, then, that the \$3,500 was a deposit which you cannot tell whether it was made by check or in cash?

Mr. Brinsfield. It was probably a check.

Mr. McLendon. Probably a check. If it had been cash there would be something else to indicate it; is that the point?

Mr. Brinsfield. Yes, sir.

Mr. McLendon. So not having any other symbol on it, you conclude that that was cash—I mean check?

Mr. Brinsfield. Yes, sir.

Mr. McLendon. Look at the exhibit that is marked "Exhibit 121," being a copy of a check from Citizens Building & Loan Association, drawn on your bank, Suburban Trust Co. Do you find that?

Mr. Brinsfield. Yes, sir.

Mr. McLendon. It is in the amount of \$5,000, is it not?

Mr. Brinsfield. Yes, sir.

Mr. McLendon. And it is stamped as having been paid on April 14, 1961?

Mr. Brinsfield. Yes, sir.

Mr. McLendon. That is the same date of the tape that you have just been testifying about?

Mr. Brinsfield. Yes, sir.

Mr. McLendon. And that check was drawn on your bank and is stamped as having been paid on the 14th?

Mr. Brinsfield. Yes, sir.

Mr. McLendon. Now, on that same date, the 14th, look at exhibit 112. Before you do that, the check I have referred to of \$5,000 was payable to Don B. Reynolds, was it not?

Mr. Brinsfield. Beg pardon?

Mr. McLendon. I say the check for \$5,000 which was cashed on April 14 was payable to Don B. Reynolds, was it not?

Mr. Brinsfield. Yes, sir.

Mr. McLendon. Now, look at exhibit 112. Is that deposit slip made in the account of Don B. Reynolds, Suburban Trust Co., in the amount of \$1,500?

Mr. Brinsfield. \$3,500.

Mr. McLendon. I mean \$3,500.

Mr. Brinsfield. Yes, sir.

Mr. McLendon. Was that deposit made in your bank that day?

Mr. Brinsfield. Yes, sir.

Mr. McLendon. Can you tell whether it was made in cash or by check?

Mr. Brinsfield. Well, it is listed as a check.

Mr. McLendon. Listed as a check. Now, on the same day you paid out \$1,500 from your window, did you not?

Mr. Brinsfield. Yes, sir.

Mr. McLendon. And \$1,500 and this \$3,500 would add up to the \$5,000, would it not?

Mr. Brinsfield. It could; yes, sir.

Mr. McLendon. \$5,000.

Mr. Brinsfield. It would add up to \$5,000; yes, sir.

Mr. McLendon. Do you have any personal recollection of this particular transaction?

Mr. Brinsfield. No; I do not.

Mr. McLendon. You do not. Now, look at that deposit slip marked "Exhibit 112" and state whether or not there is a stamp across the end of it which bears your same teller number, S2?

Mr. Brinsfield. Yes, sir.

Mr. McLendon. Followed by the same number on the tape of 021?

Mr. Brinsfield. Yes, sir.

Mr. McLendon. And followed by the letter D.

Mr. Brinsfield. Yes, sir.

(The document referred to is as follows:)

EXHIBIT 112

APR 14 1921 11:52 AM S2 021 D \$5,000.00

CURRENCY		DOLLARS	CENTS
COIN			
DEPOSIT			
CASH			
CHECKS			
SEPARATES			
TOTAL DEPOSIT		3500	00

REGULAR CHECKING ACCOUNT
DEPOSIT IN THE
SUBURBAN TRUST COMPANY
DEPT. HAS MAINTENANCE AND AVAILABLE TO
Subject to conditions as printed on the reverse
side of this ticket

TO THE CREDIT OF
DON B. REYNOLDS
13122 VENETIAN B
ACCOUNT NUMBER 4915478

Mr. McLendon. Your identification as teller and the identification of the transaction are exactly the same as appeared on your tape?

Mr. Brinsfield. Yes, sir.

Mr. McLendon. That would indicate it was a part of the same transaction.

Mr. Brinsfield. Yes; it would.

Mr. McLendon. And the \$1,500 that was paid out in cash, there was no other source for that to come from, except the \$5,000 check, was there, as far as you know?

Mr. Brinsfield. As far as I know.

Mr. McLendon. Mr. Brinsfield, will you look at the first check which is marked "Exhibit 114" and dated August 10, 1960. Do you have that?

Mr. Brinsfield. Yes.

Mr. McLendon. That check bears a stamp as having been paid, and it also has a stamp on it, a vertical stamp that runs up and down across the check. You see that?

Mr. Brinsfield. Yes, sir.

Mr. McLendon. It bears the date August 11, S2, which would be your teller number, would it not?

Mr. Brinsfield. Yes; it would.

Mr. McLendon. What are the letters following that?

Mr. Brinsfield. I beg pardon.

Mr. McLendon. What are the letters following the S2?

Mr. Brinsfield. 046, CK.

Mr. McLendon. What does CK mean?

Mr. Brinsfield. Stamp for check cashed.

Mr. McLendon. Check cashed?

Mr. Brinsfield. Yes.

Mr. McLendon. Was the amount of this check \$2,500?

Mr. Brinsfield. Yes, sir.

Mr. McLendon. Does the fact that it bears that stamp up and down, the vertical stamp, indicate it was paid in cash?

Mr. Brinsfield. Yes, sir.

Mr. McLendon. Whenever you cash a check there, you use that vertical stamp on it?

Mr. Brinsfield. Yes, sir.

Mr. McLendon. If you did not cash it, if it was put in deposit, you would not put the vertical stamp on it?

Mr. Brinsfield. No, sir.

Mr. McLendon. So this particular check was cashed at your bank by the holder of the check, apparently, Don Reynolds?

Mr. Brinsfield. Apparently.

Mr. McLendon. If this particular check, the \$2,500 check, dated August 10, 1960, payable to Don Reynolds drawn on your bank by the Citizens Building & Loan Association, had been presented to your bank and the proceeds used to pay a loan, a debt to the bank, would it still carry that vertical stamp?

Mr. Brinsfield. It could.

Mr. McLendon. Would it? Is that your practice?

Mr. Brinsfield. Yes—if the window is supplied with a machine, teller's machine.

Mr. McLendon. In other words, if the proceeds of that check had been used to pay a debt in your bank, it would bear this stamp, or if the money had been handed to Mr. Reynolds, the payee, it would bear the stamp.

Mr. Brinsfield. Yes, sir.

Mr. McLendon. That is all.

The Chairman. Senator Curtis?

Senator Curtis. No questions.

The Chairman. Senator Cooper?

Senator Cooper. No questions.

The Chairman. Senator Cannon?

Senator Cannon. No questions.

The Chairman. There are no other questions. Thank you very much.

Mr. McLendon. Mr. Hugler, you have testified before and identified yourself, so I won't repeat that. You are an accountant?

TESTIMONY OF EDWARD T. HUGLER

Mr. Hugler. Yes, sir.

Mr. McLendon. Employed by the General Accounting Office?

Mr. Hugler. That's right.

Mr. McLendon. You have been assigned to work for this committee?

Mr. Hugler. That's right.

Mr. McLendon. Were you assigned the task of examining the records of the Citizens Building & Loan Association of Silver Spring, in which Reynolds has testified that he deposited a check from the McCloskey Co. in the amount of \$109,205.60?

Mr. Hugler. Yes; I was.

Mr. McLendon. Did you have access to all that company's records?

Mr. Hugler. Yes; I did.

Mr. McLendon. Did you make a detailed examination of the deposits and withdrawals in that particular account?

Mr. Hugler. Yes; I have.

Mr. McLendon. You have prepared here a tabulated sheet consisting of three pages which I will ask the reporter to mark as an exhibit.

(The document referred to is as follows:)

EXHIBIT 113

Consolidated schedule of banking transactions—Don B. Reynolds, Geraldine M. Reynolds, and Don Reynolds Associates, Inc.—Items \$1,000 or more, period Mar. 1, 1960—June 30, 1961

Date	Deposits	Item No.	Withdrawals	Bank	Description
Mar. 7, 1960	\$2, 700. 00	1		Suburban Trust, personal	Proceeds of loan made from Suburban Trust.
Mar. 11, 1960		2	\$2, 500. 00	do	Check drawn to Garrett National Bank for purchase of bank stock.
Apr. 12, 1960		3	2, 500. 00	Citizens Building & Loan, account 31731	Check payable to Don Reynolds Associates, Inc., endorsed "For deposit only."
Apr. 13, 1960	2, 921. 00	4		Suburban Trust, corporate	Check for \$2,500, check for \$421.
Apr. 19, 1960	1, 200. 00	5		Suburban Trust, personal	Deposit slip shows check for \$1,200 drawn on the National Bank of Washington.
Apr. 20, 1960		6	8, 249. 18	Suburban Trust, corporate	Check payable to U.S.F. & G. Co.
May 3, 1960	1, 200. 00	7		Suburban Trust, personal	Deposit slip shows check deposited.
May 9, 1960		8	2, 000. 00	Suburban Trust, corporate	Check drawn May 1, 1960, payable to Don B. Reynolds, purpose shown as reimbursement for entertainment, auto travel, and salary.
May 10, 1960	1, 500. 00	9		do	Deposit slip shows "Loan to Corp. by D.B.R."
May 11, 1960		10	1, 178. 82	do	Check payable to Manhattan Life.
May 31, 1960		11	25, 000. 00	Citizens Building & Loan, account 31731	Check payable to Don Reynolds Associates, Inc., for deposit only.
June 1, 1960	25, 000. 00	12		Suburban Trust, corporate	Deposit of check from Citizens Building & Loan, account 31731.
Do		13	22, 556. 99	do	Check payable to U.S.F. & G. Co.
June 6, 1960		14	1, 500. 00	do	Check payable to Don B. Reynolds, purpose shown as repayment of loan.
June 16, 1960		15	1, 600. 00	Garrett National, checking	Debit memo for purchase of bank stock.
June 15, 1960		16	1, 100. 00	Suburban Trust, personal	Check payable to Garrett National Bank for purchase of bank stock.
June 17, 1960	1, 100. 00	17		Garrett National, checking	Deposit slip shows 1 item of \$1,100 deposited.
July 5, 1960		18	5, 000. 00	Citizens Building & Loan, account 31731	Check payable to Don Reynolds Associates endorsed "For deposit only, Don Reynolds Assoc., Inc."
Do	5, 080. 88	19		Suburban Trust, corporate	Deposit slip cannot be located.
July 18, 1960	1, 500. 00	20		Garrett National Bank, checking	Deposit slip shows 1 item of \$1,500 deposited.
July 20, 1960		21	1, 500. 00	Suburban Trust, corporate	Check payable to Don B. Reynolds, endorsed "For deposit only, Don B. Reynolds."
Aug. 5, 1960	5, 431. 17	22		do	Deposit includes check for \$5,342.62 from the Del Mar Co.
Aug. 10, 1960		23	2, 500. 00	Citizens Building & Loan, account 31731	Check No. 65741, payable to Don Reynolds, endorsed "Don Reynolds." Paid at Suburban Trust Aug. 11, 1960.
Do		24	2, 500. 00	do	Check No. 65742, payable to Don Reynolds, endorsed "For deposit, Don Reynolds." Deposited at Garrett National Bank Aug. 22, 1960.
Do		25	5, 000. 00	do	Check No. 65743, payable to Don Reynolds, endorsed "Don Reynolds." Paid at Suburban Trust Sept. 8, 1960.
Do	113, 395. 71	26		Citizens Building & Loan, account 34731	Check from United Brotherhood of Carpenters & Joiners of America.
Aug. 22, 1960	2, 500. 00	27		Garrett National, checking	Deposit slip shows \$2,500 deposited from Citizens Building & Loan.
Aug. 30, 1960		28	2, 210. 79	Suburban Trust, corporate	Check payable to U.S.F. & G. Co.
Sept. 8, 1960	1, 500. 00	29		Suburban Trust, personal	Deposit slip shows 1 item of \$1,500 deposited.
Sept. 21, 1960		30	1, 000. 00	do	Check payable to Internal Revenue Service.
Sept. 21, 1960		31	2, 836. 00	Suburban Trust, corporate	Check payable to A. H. Baker & Co., Inc.
Sept. 23, 1960		32	2, 525. 00	Citizens Building & Loan, account 24545	To close account—proceeds deposited to savings account at Garrett National Bank on Oct. 15, 1960.
Sept. 26, 1960		33	40, 000. 00	Citizens Building & Loan, account 31731	To close account—deposited to Citizens Building & Loan, account 34731, Sept. 26, 1960.

Do.	40,000.00		Citizens Building & Loan, account 34731.		Transferred from Citizens Building & Loan, account 31731.
Do.			do.		Check payable to Don B. Reynolds, endorsed "Don B. Reynolds," deposited Suburban Trust corporate account.
Do.	103,395.71		Suburban Trust, corporate.		Deposit from Citizens Building & Loan, account 34731.
Sept. 27, 1960	2,500.00		Garrett National, checking.		Treasurer's check from Suburban Trust dated Sept. 8, 1960.
Sept. 28, 1960			Suburban Trust, corporate.		Check payable to New Hampshire Insurance Group.
Sept. 30, 1960			do.		Check payable to U.S.F. & G. Co.
Oct. 15, 1960	1,601.70		Garrett National, checking.		Deposit of 4 checks totaling \$1,601.70, balance of \$300 taken in cash.
Do.	2,255.00		Garrett National, savings.		Deposit of \$2,325, withdrawn from Citizens Building & Loan, account 24545, on Sept. 26, 1960.
Oct. 18, 1960	109,205.60		Citizens Building & Loan, account 36092.		Check from McCloskey to open account 36092.
Nov. 2, 1960			Suburban Trust, corporate.		Check payable to U.S.F. & G. Co.
Nov. 9, 1960			Citizens Building & Loan, account 34731.		Check payable to Suburban Trust, credit Don B. Reynolds. Deposited Nov. 9, 1960.
Do.	79,385.63		Citizens Building & Loan, account 36092.		Do.
Do.			Suburban Trust, corporate.		Deposit includes checks for \$50,000 and \$29,205.60 from Citizens Building & Loan, accounts 34731 and 36092.
Do.			do.		Check No. 1322 payable to Don B. Reynolds, endorsed "Don B. Reynolds."
Do.			Suburban Trust, personal.		Paid Nov. 9, 1960; \$5,800 deposited to Suburban Trust personal account Nov. 9, 1960.
Nov. 16, 1960	6,073.73		do.		Deposit slip shows check for \$273.73 and \$5,800 from the \$10,800 check drawn on the corporate account, \$5,000 taken in cash.
Do.			Suburban Trust, corporate.		Check dated Oct. 15, 1960 payable to Robert G. Baker.
Nov. 18, 1960			do.		Check payable to Don B. Reynolds, endorsed "Pay to order of Alfred S. Novak."
Dec. 1, 1960			do.		Check No. 1325 payable to Robert G. Baker.
Dec. 6, 1960			do.		Check payable to Hutchinson Rivinus & Co.
Do.			Garrett National Bank, savings.		Check payable to U.S.F. & G. Co.
Do.			Garrett National Bank, checking.		Transferred to Garrett National Bank checking account.
Do.	2,500.00		Citizens Building & Loan, account 36092.		Check payable to Garrett National Bank, purchase of bank stock.
Dec. 8, 1960			do.		Check payable to Don Reynolds, endorsed "For deposit only, Don Reynolds Assoc., Inc. Deposited Suburban Trust Dec. 12, 1960.
Do.			do.		Check No. 67640 payable to Don Reynolds, endorsed "Don Reynolds." Paid Dec. 12, 1960 at Suburban Trust.
Dec. 12, 1960	2,000.00		Suburban Trust, personal.		Deposit slip shows 1 item of \$2,000 deposited.
Do.	5,000.00		Suburban Trust, corporate.		Deposit of check dated Dec. 8, 1960 from Citizens Building & Loan, account 36092.
Dec. 21, 1960			do.		Check No. 1352, dated Dec. 15, 1960, payable to Robert G. Baker.
Jan. 23, 1961			do.		Check payable to U.S.F. & G.
Jan. 24, 1961			do.		Check No. 1370, dated Jan. 4, 1961, payable to William N. McLeod.
Feb. 1, 1961	1,025.00		do.		Deposit slip shows check from "Pease."
Feb. 2, 1961	25,000.00		do.		Check payable to Livingston Gerhart.
Mar. 2, 1961			Suburban Trust, personal.		Proceeds of loan from Suburban Trust.
Do.			Citizens Building & Loan, account 36092.		Certified check payable to Don B. Reynolds, endorsed "Pay to the order of James F. Fitzgerald."
Do.			do.		Check payable to Don B. Reynolds, endorsed "Pay to the order of James F. Fitzgerald."
Do.			do.		Check payable to Don B. Reynolds, endorsed "Pay to order of Don Reynolds Assoc., Inc."

EXHIBIT 113—Continued

Consolidated schedule of banking transactions—Don B. Reynolds, Geraldine M. Reynolds, and Don Reynolds Associates, Inc.—Items \$1,000 or more, period Mar. 1, 1960–June 30, 1961

Date	Deposits	Item No.	Withdrawals	Bank	Description
Mar. 3, 1961	\$5,289.78	70		Suburban Trust, corporate	Deposit slip cannot be located.
Mar. 6, 1961		71	\$1,000.00	Suburban Trust, personal	Check payable to Alfred S. Novak.
Mar. 8, 1961		72	1,825.65	Suburban Trust, corporate	Check payable to U.S.F. & G.
Mar. 10, 1961		73	1,500.00	do	Check No. 1420, dated Mar. 4, 1961, payable to Robert G. Baker.
Mar. 20, 1961	2,000.00	74		Garrett National Bank, checking	Check from Alfred S. Novak, builder.
Mar. 23, 1961	1,350.00	75		Citizens Bank of Maryland	Deposit consisted of \$50 in currency and check for \$1,300.00 from Alfred S. Novak.
Mar. 28, 1961		76	1,000.00	Suburban Trust, personal	Check payable to Richard M. Wilson.
Apr. 4, 1961		77	1,000.00	Suburban Trust, corporate	Check payable to Don Reynolds, dated Dec. 28, 1960, endorsed "To the order of Capital Cadillac Co.,"
Apr. 7, 1961	2,120.50	78		do	Check from United Brotherhood of Carpenters & Joiners of America.
Apr. 12, 1961		79	1,070.97	Suburban Trust, personal	Check payable to Cullers Half Acre.
Apr. 12, 1961		80	5,000.00	Citizens Building & Loan, account 36092	Check payable to Don B. Reynolds, endorsed "To the order of Capitol Cadillac Co.,"
Do		81	5,000.00	do	Check No. 69876 payable to Don B. Reynolds, endorsed "Don B. Reynolds."
Apr. 13, 1961		82		Suburban Trust, corporate	Check paid at Suburban Trust Apr. 14, 1961.
Apr. 14, 1961		83	1,802.48	Suburban Trust, personal	Check payable to U.S.F. & G. Co.
Apr. 18, 1961	3,500.00	84		do	Deposit slip shows 1 item of \$3,500.00 deposited.
May 2, 1961		85	2,051.21	Suburban Trust, corporate	Check payable to District Director of Internal Revenue.
May 2, 1961	1,354.29	86		do	Deposit consisted of 3 checks totaling \$1,354.29.
May 5, 1961		87	1,805.00	Suburban Trust, personal	Check payable to U.S.F. & G. Co.
May 15, 1961	10,000.00	88		do	Proceeds of loan from Suburban Trust Co.
Do		89	10,000.00	Citizens Building & Loan, account 36092	Check payable to Don B. Reynolds, endorsed "For deposit to the account of the Harry Switzer Co.,"
May 17, 1961	12,496.94	90		Suburban Trust, personal	Proceeds of loan from Suburban Trust Co."
May 19, 1961		91	2,500.00	do	Check payable to the Harry Switzer Co.
May 22, 1961		92	5,057.57	do	Do
May 23, 1961		93	3,230.00	Suburban Trust, corporate	Check payable to Ferris & Co.
May 26, 1961	2,333.25	94		Suburban Trust, personal	Deposit slip shows A. H. Baker Co., returned premium.
May 31, 1961	2,000.00	95		do	Proceeds of loan from Suburban Trust Co.
June 1, 1961		96	1,852.10	do	Check payable to Alfred S. Novak.
June 5, 1961		97	2,000.00	Citizens Building & Loan, account 36092	Check payable to National Bank of Maryland (now Citizens Bank of Maryland) credit Don B. Reynolds.
Do		98		Citizens Bank of Maryland	Deposit of check from Citizens Building & Loan.
Do	2,000.00	99		Citizens Building & Loan, account 36092	Check payable to Ferris & Co.
Do		100	7,997.25	do	Check payable to Don Reynolds Associates, Inc., endorsed "For deposit only."
June 6, 1961		101	5,044.00	Suburban Trust, corporate	Deposit includes \$5,000 check from Citizens Building & Loan.
June 8, 1961		102	4,870.41	do	Check payable to the Del Mar Co. (subsidiary of U.S.F. & G.).
June 29, 1961		103	1,420.65	Citizens Bank of Maryland	No payee indicated; check endorsed "Stephan R. Pagenhardt, attorney."

Mr. McLendon. Referring to that exhibit, Mr. Hugler, I notice you numbered the items, deposits and withdrawals, beginning with the first one as No. 1, and then you have numbered them consecutively to the last one, which is No. 103.

Mr. Hugler. That's correct.

Mr. McLendon. What period of time does this tabulation cover?

Mr. Hugler. This is a consolidated tabulation or schedule of the different bank accounts that Don B. Reynolds used, nine bank accounts, and it is for the period March 1, 1960, through June 30, 1961. This lists chronologically all deposits and all withdrawals of \$1,000 or more during that period.

Mr. McLendon. Why was that period selected?

Mr. Hugler. This period encompasses the period in which Mr. Reynolds has stated that he paid Bobby Baker \$25,000 in cash in five increments.

Mr. McLendon. Did you have a conference with him and his lawyer on Monday prior to the time that he testified on December 1?

Mr. Hugler. Yes; I did. I believe that date was November 30, 1964.

Mr. McLendon. Where did the conference take place?

Mr. Hugler. In Mr. Reynolds' counsel's office—Mr. James Fitzgerald.

Mr. McLendon. Here in the city?

Mr. Hugler. In Silver Spring, Md.

Mr. McLendon. At that time did you have a tabulation substantially the same as this one that you have now?

Mr. Hugler. Yes, although not quite as complete at that time as this one now is.

Mr. McLendon. Will you tell the committee over what period of time Reynolds in the presence of his attorney said to you that this \$25,000 was paid out?

Mr. Hugler. He said it was from the spring of 1960 until approximately April 1961.

Mr. McLendon. Is that the reason that you used this period?

Mr. Hugler. Yes; it is.

Mr. McLendon. Did he go over with you all of the items of deposit and withdrawal on a sheet similar to this, and try to identify the withdrawals which he claimed were used to pay Baker?

Mr. Hugler. Yes; he did. At that time he was reasonably sure that two of those payments were represented by, on my schedule, item No. 58, \$5,000, and item No. 81, \$5,000.

Mr. McLendon. What is the last one?

Mr. Hugler. Item No. 81, for \$5,000.

Mr. McLendon. What about the others? What did he say about the others?

Mr. Hugler. Major, at that time we did not have the early period of the schedule as it now exists completely compiled, and Mr. Reynolds therefore did not have an opportunity to go over the first few months of this particular schedule. His only comments were on the two items I have designated.

Mr. McLendon. Did he identify any other items as representing cash withdrawn by him from this Citizens Building & Loan and paid to Baker?

Mr. HUGLER. Not any items on this schedule. He did say, however, that one of his five payments of \$5,000 was obtained by cashing two checks from Congressman McMillan, one for \$2,000 and one for \$3,000, and that he gave the proceeds of these checks to Baker.

Mr. McLENDON. Now, the \$2,000 check referred to—is that the same check that Mr. Thayer has testified that Reynolds gave him, and that he cashed?

Mr. HUGLER. Yes; it is.

Mr. McLENDON. What about the \$3,000? Did he have any information about the McMillan check for \$3,000?

Mr. HUGLER. I know that both of these checks in the amount of \$2,000 and \$3,000 were dated in April 1961. Mr. Reynolds, when he last testified here, recalled, when you reminded him, that the \$2,000 check had been given to Mr. Thayer to pay off a real estate transaction, and Mr. Reynolds told the committee that he replaced that \$2,000 by, during the same time, which would be April 1961, withdrawing \$2,000 in cash from one of his accounts, combining it with the proceeds of the \$3,000 check and giving the \$5,000 to Baker.

Mr. McLENDON. Have you examined the records to ascertain whether there is any evidence that he did withdraw \$2,000?

Mr. HUGLER. Yes; I have. And I found—

Mr. McLENDON. What did you find?

Mr. HUGLER. I found no such withdrawal.

Mr. McLENDON. No such withdrawal in any of the accounts?

Mr. HUGLER. No, sir.

Mr. McLENDON. By the way, how many accounts did he have?

Mr. HUGLER. Nine bank accounts.

Mr. McLENDON. Nine bank accounts. Did you examine them all?

Mr. HUGLER. Yes, sir.

Mr. McLENDON. Had access to all the records?

Mr. HUGLER. Completely.

Mr. McLENDON. Under subpoena?

Mr. HUGLER. Yes, sir.

Mr. McLENDON. Without identifying the particular agency, have you had the benefit of examination by other Government agencies?

Mr. HUGLER. Yes; we have had the fullest cooperation of other Federal agencies.

Mr. McLENDON. All right.

Senator CURTIS. Who are you talking about that had nine bank accounts?

Mr. HUGLER. Mr. Reynolds, Senator.

Senator CURTIS. How many bank accounts did Mr. Baker have, the subject of this investigation?

Mr. HUGLER. I cannot recall exactly, but I would say 15 would be a good guess.

Mr. McLENDON. Now, Mr. Hugler, will you take the check which has been marked "Exhibit 114," dated August 10, 1960, for \$2,500, drawn by the Citizens Building and Loan Association on the Suburban Bank & Trust Co. and payable to Don Reynolds? This is the check Mr. Brinsfield has testified was paid in cash and as proof of that he points to a stamp that is entered vertically on the check. In your examination of the records of Suburban Trust Co., did you

ascertain that that kind of stamp was used when a check was paid in cash?

Mr. HUGLER. Yes; that is right.

(The check referred to is as follows:)

EXHIBIT 114

CITIZENS
BUILDING AND LOAN
Association

Founded 1929
SILVER SPRING, MD. August 10, 1960 No. 65741

PAY TO THE ORDER OF ☒ Don Reynolds \$ 2,500.00

James S. Brown
AUTHORIZED SIGNATURE

Charles L. Brown
AUTHORIZED SIGNATURE

11731 to SUBURBAN TRUST COMPANY
SILVER SPRING OFFICE
SILVER SPRING MD.

AUG 11 1960

AUG 11 1960

Mr. McLendon. Can you inform the committee as to anything else that has any bearing upon disposition of the proceeds from that check?

Mr. HUGLER. Yes, I can, Major.

Mr. McLendon. Will you go ahead?

Mr. HUGLER. However, I believe a little background statement is necessary here.

Mr. McLendon. All right; go ahead.

Mr. HUGLER. I made a detailed analysis of these nine bank accounts, the results of which are shown on the schedule. I was endeavoring to pick out those items that could have been cashed as Mr. Reynolds said he cashed them. This becomes a process of elimination. For most of these items I could satisfactorily account for the disposition of both deposits and withdrawals. I came down to a total of five items which appeared to me at the time as being the only ones that could have been cashed, could conceivably have been cashed, and used by Mr. Reynolds in payments to Baker as he said. And

it is these five withdrawals that we are now going to talk about, the first of which is the check dated August 10, 1960, in the amount of \$5,000.

Mr. McLendon. \$2,500, isn't it?

Mr. Hugler. I beg your pardon—\$2,500.

Mr. McLendon. Let me interrupt to ask one question I failed to ask you. Did Mr. Reynolds tell you that all the withdrawals which were used to pay Baker were in amounts of either \$2,500 or \$5,000?

Mr. Hugler. Yes.

Mr. McLendon. Go ahead, now, with exhibit 114.

Mr. Hugler. This particular check, check No. 65741, is item No. 23 on my schedule. This check is made out to Don Reynolds. It is endorsed by Don Reynolds. And it was paid by the Suburban Trust Co., on August 11, 1960. On this same date, August 11, 1960, there was only one other significant transaction in Mr. Reynolds' account at this bank, and that was the repayment of a loan in the exact amount of \$2,500.

Mr. McLendon. Is that shown on exhibit 115?

Mr. Hugler. Yes; it is

(The document referred to is as follows:)

Mr. McLendon. Will you explain to the committee this exhibit 115? In the first place, it is a copy of a bank record?

Mr. Hugler. This is a copy of Don B. Reynolds' liability ledger at the Suburban Trust Co. At August 11, 1960, Mr. Reynolds had an outstanding loan of \$2,548.66. Noted on this liability ledger card is a rebate—\$16.35. This rebate is granted because the loan was paid back prior to its due date. On that same day, there was a debit memo issued, which is exhibit 116, for \$32.31.

(The document referred to is as follows:)

EXHIBIT 116

SUBURBAN TRUST COMPANY		8-11-60	(18)
HYATTSVILLE, MD.			
WE CHARGE YOUR ACCOUNT AS PER ITEMS BELOW. PLEASE SEE THAT THE AMOUNT IS DEDUCTED ON YOUR BOOKS SO THAT OUR ACCOUNTS MAY AGREE			
Interest Due on Secured Loan - Due 8-22-60			
APPROVED BY <i>[Signature]</i>		AMOUNT OF CHARGE	32.31
CHARGE Don B. Reynolds # 49 1547 8			
13122 Venetian Road			
Silver Spring, Md.			

Mr. Hugler. When we subtract from the outstanding balance of \$2,548.66, the \$16.35 rebate and the \$32.31 debit memorandum, the balance due on that date was \$2,500.

Mr. McLendon. Exactly the same amount as the check?

Mr. Hugler. Yes, sir.

Mr. McLendon. They were the only transactions you could find that occurred on that date?

Mr. Hugler. The only significant transactions.

Mr. McLendon. Any other comment about that particular item?

Mr. Hugler. No, sir.

Mr. McLendon. All right. All that money stayed in the same bank on which the check was drawn?

Mr. Hugler. Yes. That is indicated by the fact that the check is made out to Reynolds, it is endorsed by Reynolds. The only bank stamp it bears is Suburban Trust. This whole transaction remained within Suburban Trust Co.

Mr. McLendon. No other endorsements on the check?

Mr. Hugler. No, sir.

Mr. McLendon. Now, go to the next check, which is August 10, 1960, in the amount of \$5,000.

(The check referred to is as follows:)

EXHIBIT 117

CITIZENS
BUILDING AND LOAN
Association

Founded 1929
SILVER SPRING, MD. AUGUST 10, 1960 No. 65743

PAY TO THE ORDER OF ☒ Don Reynolds \$ 5,000.00

SEP 8 1960

James H. Reynolds
AUTHORIZED SIGNATURE

31731 to SUBURBAN TRUST COMPANY
SILVER SPRING OFFICE
SILVER SPRING, MD.

100-701
26 0080 0

SEP 8 1960

Don Reynolds

Senator COOPER. That is item 25?

Mr. HUGLER. This will be item No. 25, Senator. It is check 65743, dated August 10, 1960, in the amount of \$5,000.

Mr. McLENDON. That is drawn by the Citizens Building & Loan on the Suburban Trust Co., and payable to Don Reynolds?

Mr. HUGLER. Yes, sir. And this check also is endorsed by Don Reynolds and Don Reynolds only. This check was paid on September 8, 1960, by Suburban Trust. It bears no other bank stamps and therefore indicates that whole transaction was consummated at Suburban Trust Co. On this same day, September 8, there was \$1,500 deposited to Mr. Reynolds' account at Suburban Trust.

Mr. McLENDON. What number is that on your big sheet?

Mr. HUGLER. That is item No. 29.

Mr. McLENDON. All right.

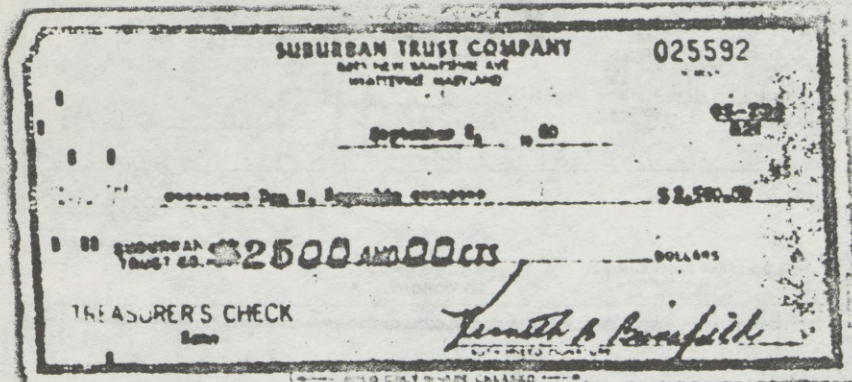
Mr. HUGLER. On that same date, September 8, 1960, Mr. Reynolds bought a treasurer's check for \$2,500 payable to himself from Suburban Trust Co.

Mr. McLendon. That is marked "Exhibit 118"?

Mr. Hugler. Yes, sir. This treasurer's check, by the way, is signed by Kenneth Brinsfield, the prior witness.

(The check referred to is as follows:)

EXHIBIT 118



Mr. Hugler. This particular treasurer's check was deposited on September 27, 1960, to Mr. Reynolds' account at the Garrett National Bank in Oakland County. This is item No. 37 on my schedule.

Mr. McLendon. Would that account for the full amount of the check?

Mr. Hugler. That would account for \$4,000 of the \$5,000 check.

Mr. McLendon. Could you trace the remaining thousand dollars?

Mr. Hugler. No, sir. I must presume that it was taken in cash, because there are no indications in any of Mr. Reynolds' bank records accounting for the proceeds.

Mr. McLendon. It accounts for all of it except \$1,000?

Mr. Hugler. Yes, sir.

Mr. McLendon. All right. Take the third check.

Mr. Hugler. The third check is check No. 67640. This will be item No. 58 on my schedule. This check is similar to the others. It is in the amount of \$5,000 payable to Mr. Don Reynolds endorsed by Don Reynolds and Don Reynolds alone. It bears no bank stamp other than Suburban Trust, indicating that the whole transaction was consummated at Suburban Trust Co.

Senator Cooper. What item is that?

Mr. Hugler. No. 58, Senator.

(The check referred to is as follows:)

EXHIBIT 119

CITIZENS
BUILDING AND LOAN
Association
Founded 1929
SILVER SPRING, MD. December 8, 1960 No. 67640

PAY TO THE ORDER OF ☒ Mr. Don Reynolds

The sum of \$5000 and 00 cts \$ 5,000.00

36092 to SUBURBAN TRUST COMPANY
SILVER SPRING OFFICE
SILVER SPRING, MD. 26 0080 0

Charles P. Ferreira
AUTHORIZED SIGNATURE

Wey Reynolds

DEC 12 1960

Mr. HUGLER. On that same date, at Suburban Trust, Mr. Reynolds deposited \$2,000 to his account.

(The deposit slip for this transaction is as follows:)

EXHIBIT 120

DEC 12 1960 11 52 113 D 47350.00

CURRENCY

ONE HUNDRED DOLLARS	
TOTAL DEPOSIT	2000

REGULAR CHECK ACCOUNT

SUBURBAN TRUST COMPANY

TO THE CREDIT OF

ACCOUNT NUMBER 57 1007

Mr. HUGLER. This check is dated April 12, 1961, in the amount of \$5,000 payable to Don B. Reynolds, endorsed by Don B. Reynolds, and Don B. Reynolds alone. The bank stamp shows that this check was paid by the Suburban Trust Co. on April 14, 1961. It bears no other bank stamp, again indicating that this entire transaction was consummated at Suburban Trust Co. This, incidentally, is the check Mr. Brinsfield testified about, and on that same day, as he testified, the records show that Mr. Reynolds deposited \$3,500 in Suburban Trust. I have no knowledge as to what happened to the remaining \$1,500.

Mr. McLENDON. Well, if the item of \$1,500 shown on Mr. Brinsfield's machine tape was paid to him in cash, that would account for the whole \$5,000.

Mr. HUGLER. Yes, sir; and for all of these four checks that we have discussed, I presume that the difference between the face value of the check and the amount that we can account for as having been deposited, or to have paid off a loan, or to have paid a treasurer's check, was in cash.

Mr. McLENDON. All right.

Mr. HUGLER. The fifth and last item will be item No. 47 on my schedule. This check differs from the other four in that this is a check written by Don Reynolds to himself, drawn on his Suburban Trust Co. account.

Mr. McLENDON. In other words, this check is not drawn on the Citizens Building & Loan nor is it a check of the Citizens Building & Loan.

Mr. HUGLER. That is correct. This check is a Suburban Trust Co. check.

Mr. McLENDON. All right.

Mr. HUGLER. This check is in the amount of \$10,800, made out to Reynolds and endorsed by Reynolds.

(The check referred to is as follows:)

EXHIBIT 122

DON REYNOLDS ASSOCIATES, INC.
8485 FARMERS ROAD
SILVER SPRING, MARYLAND
GENERAL INSURANCE

SILVER SPRING, MD. *Nov 9 1960* 19 *60* No. **1322**

SUBURBAN TRUST COMPANY
SILVER SPRING, MD.

PAID

65-234
521
00

Don Reynolds

TO THE ORDER OF *Don Reynolds*

Ten Thousand Eight Hundred \$10,800.00 DOLLARS

THIS CHECK IS IN FULL SETTLEMENT OF ACCOUNT AS SHOWN BY DEBIT.
ACCEPTANCE BY ENDORSEMENT CONSTITUTES RECEIPT.

SUBURBAN TRUST COMPANY
HYATTSVILLE
MARYLAND

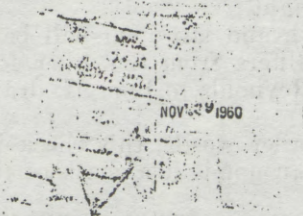
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DON REYNOLDS ASSOCIATES, INC.

Don Reynolds

W. J. Reynolds Co.



Mr. HUGLER. I found from examination of the account that on the same day, November 9, 1960, Mr. Reynolds made a deposit to his personal account at Suburban Trust Co. in the amount of \$6,073.73. A close examination of this deposit slip shows that there were two items comprising this total deposit.

Mr. McLendon. I am sorry. I did not hear the first of that. What was that?

Mr. HUGLER. A close review or study of this particular deposit slip, dated November 9, 1960, shows that the total deposit is comprised of two items. One is an item for \$273.73 and the second an item for \$5,800. To the left of this item for \$5,800 there is a mathematical computation—" \$10,800—STC," Suburban Trust Co. Under the \$10,800 is \$5,000—I beg your pardon—the word "Less \$5,000," an arrow pointing over to the remainder, \$5,800.

(The deposit referred to is as follows:)

EXHIBIT 123

REG-60-⁰⁵₁₀₁ 82 095 2446073.73

REGULAR CHECKING ACCOUNT
 DEPOSIT IN THE
SUBURBAN TRUST COMPANY
Bank now members of the FDIC
 Subject to conditions as printed on the reverse
 side of this ticket

ENDORSE ALL CHECKS
 WRITE NUMBER OF DATE ON WHICH CHECKS ARE CASHED

ACCOUNT NUMBER	DATE	DEBIT	CREDIT	BALANCE
4415478		BILLS		
		SILVER		
		CHECKS ON		
		LAST BALANCE		
			273 73	
			5800 00	
		TOTAL	6073 73	

TO THE CREDIT OF
 12113. NEWARK
 13122 INDIAN AP

Mr. HUGLER. It is strongly indicated that this \$10,800 check was taken to the Suburban Trust Co., \$5,800 of it deposited, and the balance probably taken in cash.

(At this point Senator Cannon left the hearing room.)

Mr. McLENDON. The total amount of cash that would have been left after the disposition of these checks—can you summarize that for us?

Mr. HUGLER. Yes, sir.

Mr. McLENDON. The first check—is all of that accounted for, or any part not accounted for?

Mr. HUGLER. The total cash that could have been realized on these five checks is \$10,500. From the first check, the entire proceeds appear to have gone to pay off a \$2,500 loan. On the second check, it appears as though there was a \$1,000 cash residue.

Mr. McLENDON. \$1,000?

Mr. HUGLER. Yes, sir.

Mr. McLENDON. All right.

Mr. HUGLER. On the third check, there appears to have been a \$3,000 cash residue; on the fourth check, a \$1,500 cash residue; on the fifth check, a \$5,000 cash residue.

Mr. McLENDON. That adds up to \$10,500.

Mr. HUGLER. Yes, sir.

Senator COOPER. Can I ask a question here? Refer to item 23, a check drawn on August 10, 1960.

Mr. HUGLER. Yes, sir.

Senator COOPER. I thought you said that you had determined that was cash.

Mr. HUGLER. Senator—

Senator COOPER. There are two checks of \$2,500.

Mr. HUGLER. Yes, sir.

Senator COOPER. I thought you said one had gone for payment of a note and the other was cash?

Mr. HUGLER. No; there are two checks there. I have testified about item No. 23 for \$2,500. I have not testified about the next \$2,500 check, which would be item 24.

Senator COOPER. Item 23 you determined was for payment of a note?

Mr. HUGLER. Yes, sir.

Senator COOPER. Do you intend to testify about item 24, \$2,500?

Mr. HUGLER. Senator Cooper, item 24 is a check for \$2,500 dated August 10, 1960. This check was endorsed by Mr. Reynolds for deposit, Don Reynolds. This check was deposited at the Garrett National Bank in Don Reynolds' account on August 22, 1960.

Mr. McLENDON. The total check?

Mr. HUGLER. Yes, sir.

Mr. McLENDON. Mr. Hugler, have you been able to find any other withdrawals from Citizens Building & Loan Association paid to Reynolds or upon his order in cash?

Mr. HUGLER. No, sir.

Mr. McLENDON. In all the other eight bank accounts, have you examined each one of them and are you able to testify to any cash transaction or cash withdrawal that would have been available to Reynolds as cash during this period of time?

Mr. HUGLER. No, sir; only these five checks.

Mr. McLendon. Only the ones you have testified about?

Mr. Hugler. Yes, sir.

Mr. McLendon. Did you ever see Reynolds' passbook for this building and loan account?

Mr. Hugler. No, sir.

Mr. McLendon. Has he ever showed it to you?

Mr. Hugler. No, sir.

Mr. McLendon. Ever offered it to you?

Mr. Hugler. No, sir.

Mr. McLendon. Did you ascertain from examination of the building and loan accounts whether or not this account was credited with interest?

Mr. Hugler. Yes; it was.

Mr. McLendon. Tell the committee what you found out about that.

Mr. Hugler. You are referring, Major, to the particular account at Citizens Building & Loan wherein the \$109,000—

Mr. McLendon. Exactly.

Mr. Hugler. The bank records show that this particular account earned interest on that deposit of \$109,000 as follows: December 31, 1960—

The CHAIRMAN. Wait a minute. When was that deposited?

Mr. Hugler. That was in the fall of 1960.

Mr. McLendon. The deposit was made October 18, Senator, 1960.

The CHAIRMAN. October 18?

Mr. McLendon. 1960. That is the \$109,205.60. That is what you are talking about now.

Mr. Hugler. Yes, sir.

Mr. McLendon. Go ahead. The first payment of interest was earned when?

Mr. Hugler. The first payment of interest was credited on December 31, 1960, for \$466.47; March 28, 1961, \$68.88; March 31, 1961, \$600; June 28, 1961, \$63.33; June 30, 1961, \$358.84; September 28, 1961, \$39.99; September 30, 1961, \$100.01. That is a total of \$1,697.02.

Mr. McLendon. Repeat the total again.

Mr. Hugler. \$1,697.02.

Mr. McLendon. Did you have access to the original copy of the income tax return filed by Don Reynolds Associates under the Executive order issued by the President permitting the committee to inspect the records?

Mr. Hugler. Yes, sir; I did.

Mr. McLendon. I believe it has been stated here before that under the order we are not permitted to take out any of the records, but can copy them; is that right?

Mr. Hugler. Yes; that is correct.

Mr. McLendon. And you have to do that in longhand?

Mr. Hugler. Yes, sir.

Mr. McLendon. Did you examine the records of Don Reynolds Associates for the fiscal year ending July 1961 to ascertain whether he reported any interest?

Mr. Hugler. This interest would be reportable on his personal return, Major, not the corporate return. But the answer to your question is yes, I did.

Mr. McLendon. Let's analyze that a minute. The account was deposited—Don Reynolds Associates, Inc., or Don B. Reynolds—wasn't that the way the account read?

Mr. Hugler. Yes; that's correct.

Mr. McLendon. Are you saying that he did report this particular interest on his personal tax return?

Mr. Hugler. Yes, sir.

Mr. McLendon. This exact amount?

Mr. Hugler. No. If you will notice, the first interest payment that I mentioned was on December 31, 1960, in the amount of \$466.47.

Mr. McLendon. Yes, sir.

Mr. Hugler. Mr. Reynolds, on his personal return for the year 1960, reported that precise amount as income for 1960. However, the balance of the interest payments that I have enumerated were in 1961.

Mr. McLendon. On his return for the year 1961?

Mr. Hugler. Yes.

Mr. McLendon. Although some of them are earned in 1960?

Mr. Hugler. Major, the first thing that I talked about was made in December 1960 for \$466.47.

Mr. McLendon. That's right.

Mr. Hugler. Mr. Reynolds did report this amount on his 1960 personal return.

Mr. McLendon. All right. That would be a calendar year, I assume.

Mr. Hugler. Yes; that's right. The balance of the payments that are mentioned were made in 1961 and therefore would be reportable for his personal return in 1961.

Mr. McLendon. Did he report them?

Mr. Hugler. He reported all of them except the one payment made on September 28, 1961, in the amount of \$39.99.

Mr. McLendon. What about the income interest on other accounts? Did he report any of that?

Mr. Hugler. Not at this particular bank.

Mr. McLendon. Did he earn interest on other accounts?

Mr. Hugler. Yes; he did.

Mr. McLendon. How much?

Mr. Hugler. In account 34731 at Citizens Building & Loan Association, the account in the name of Don B. Reynolds or Mrs. Geraldine M. Reynolds, there was interest earned of \$756 on September 30, 1960.

Mr. McLendon. Was any part of that reported in his personal income return?

Mr. Hugler. No, sir. There was another account at this same building and loan, account No. 31731, that earned interest of approximately \$1,300, a little more than \$1,300, in 1960.

Mr. McLendon. Any of that reported in his personal income tax return?

Mr. Hugler. No, sir.

Mr. McLendon. Are they the only accounts that you found in which he earned interest or was credited with interest?

Mr. Hugler. No. He had a savings account at the Garrett National Bank on which interest was earned and reported.

Mr. McLendon. And reported?

Mr. Hugler. Yes, sir.

Mr. McLendon. You are sure that, as far as the records are concerned, he did report all the interest on this particular account in which the \$109,000 was deposited on his personal return except the item of \$39.99?

Mr. Hugler. That's correct.

Mr. McLendon. Mr. Hugler, is there any other comment you want to make about the examination of these records that you have not told us about?

Mr. Hugler. I do not believe so, Major.

Mr. McLendon. I want to direct your attention to the records you have already testified in part about—I don't want to go over the same ground again. I want to ask you if at any time you ever came in possession, either directly or indirectly, through anyone else, the original records that Haft told you he had and from which he prepared Reynolds Associates' income tax return for the year ending in June 1961?

Mr. Hugler. No, sir.

Mr. McLendon. Did you ask him for it?

Mr. Hugler. Yes, sir; I did.

Mr. McLendon. Did you have a conversation with him on one occasion, in my presence, about these records?

Mr. Hugler. Just a moment, please, Major. Yes; I did.

Mr. McLendon. What explanation did he make on that particular occasion as to the disposition of the original records that he said that he used in making up Don Reynolds Associates, Inc., tax return?

Senator Curtis. Who is "he"?

Mr. McLendon. Haft. To refresh your recollection, do you recall that he used an expression similar to this—that he was in the middle with respect to these documents, he was not comfortable having them in his possession, and that he called Reynolds and told him that the 3-year statute had run and he wanted to know what to do with them? I am not trying to repeat his exact language.

Mr. Hugler. I was trying to find this here. I had something out of order. I have now found it.

Mr. McLendon. All right.

Mr. Hugler. Yes. Mr. Haft told us at that time that he did not like the idea of being in the middle with respect to Reynolds' income tax problems and that he would therefore prefer to turn over all the corporation's records to Reynolds. He thereupon selected certain records, sent them by parcel post to Reynolds in Oakland, Md.

Mr. McLendon. Did he tell you whether he had ever had them back in his possession after that?

Mr. Hugler. No; he never did.

Mr. McLendon. I assume that you must have talked to him a number of times, did you not?

Mr. Hugler. Yes, sir; I did.

Mr. McLendon. Mr. Hugler, did you find any evidence in these nine bank accounts that any money was withdrawn by Reynolds or Don Reynolds Associates payable to Bobby Baker?

Mr. Hugler. Yes, sir. All of the checks from Reynolds to Baker which have previously been entered into evidence are accounted for in this schedule. There were no more than were previously entered; they are the same checks.

Mr. McLENDON. Let's identify those. You refer to the checks enumerated in the affidavit that Reynolds originally gave IRS about which one of the IRS people testified this morning?

Mr. HUGLER. Yes; and which were subsequently entered into evidence before this committee.

Mr. McLENDON. When Reynolds testified before the committee?

Mr. HUGLER. Yes, sir.

Mr. McLENDON. They are the checks you are talking about?

Mr. HUGLER. Yes, sir.

Mr. McLENDON. You are able to account for each one of those?

Mr. HUGLER. Yes, sir.

Mr. McLENDON. Any others?

Mr. HUGLER. No, sir; there were not.

Mr. McLENDON. None other. I suppose you did find the two checks payable to McLeod, did you not?

Mr. HUGLER. I found the one check payable to McLeod, the one for a thousand dollars. I limited this review to items of \$1,000 or more. Now, Major, I have seen this check. I did come across it in my examination.

Mr. McLENDON. You know it was issued?

Mr. HUGLER. Yes.

Mr. McLENDON. And it was made to McLeod?

Mr. HUGLER. Yes, sir; and I did not list it on this schedule.

Mr. McLENDON. Because it was less than a thousand dollars?

Mr. HUGLER. Yes.

Mr. McLENDON. Is there any other item in all of these nine bank accounts that can be identified as a payment of money to Baker?

Mr. HUGLER. No, sir; not to the best of my knowledge.

Mr. McLENDON. You have examined them carefully for that purpose, among others?

Mr. HUGLER. Yes, sir.

Mr. McLENDON. When you had your interview with Reynolds and his counsel, will you tell the committee whether you furnished them with all the information that you had assembled at that time? What I am getting at is did you withhold any information from them, or did you frankly discuss the problem?

Mr. HUGLER. It was frankly discussed, and Mr. Reynolds and I jointly examined the schedule as I had it completed at that time.

Mr. McLENDON. You are sure that he did not suggest any other source from which he had gotten \$25,000 or any part of it?

Mr. HUGLER. That is correct.

Mr. McLENDON. That is all.

The CHAIRMAN. Senator Curtis?

Senator CURTIS. No questions.

The CHAIRMAN. Senator Cooper?

Senator COOPER. I think you said that, as a result of your examination of these records, you were able to determine that Mr. Reynolds had withdrawn \$10,500 in cash.

Mr. HUGLER. It would appear that way.

(At this point Senator Hayden left the hearing room.)

Senator COOPER. You made that statement. Now, according to your schedule item 42 represents the check from McCloskey to Reynolds, \$109,205.60.

Mr. HUGLER. Yes, Senator.

Senator COOPER. Now, what is the total of the checks paid to Mr. Baker after that date?

Mr. HUGLER. I do not have any list of those, Senator. I can go through the schedule and see.

Senator COOPER. I have listed them as you have gone along.

Mr. HUGLER. I beg your pardon?

Senator COOPER. I will ask you to look at the schedule and see if any checks were made payable to Baker before October 18, 1960, the date of the deposit of the McCloskey check.

Mr. HUGLER. Did you say before, Senator?

Senator COOPER. Yes.

Mr. HUGLER. No, sir; I see no payments to Baker prior to October 18.

Senator COOPER. Refer to item 49.

Mr. HUGLER. Yes, sir.

Senator COOPER. Will you state what item 49 represents?

Mr. HUGLER. This was a check payable to Robert G. Baker. This check was dated October 15, 1960, and was paid at Suburban Trust on November 16, 1960.

Senator COOPER. How did Reynolds explain that item?

Mr. HUGLER. Senator, I did not ask Mr. Reynolds about this particular item. This had been covered in testimony before the committee. I believe the testimony clearly brings out that Reynolds gave Baker this check on October 15, 1960. It would appear from the record that Mr. Baker held this check and did not cash it for approximately 1 month.

Senator COOPER. Isn't that the same item that Mr. Reynolds claimed that he had paid Baker in connection with the McCloskey deal?

Mr. HUGLER. I believe it is, Senator.

Senator COOPER. That is \$4,000?

Mr. HUGLER. Yes, sir. That is the same \$4,000 check.

Senator COOPER. Now, item 51, will you state for the record what it represents?

Mr. HUGLER. This is check No. 1325, drawn by Don B. Reynolds on his corporate account at Suburban Trust, payable to Robert G. Baker.

Senator COOPER. Did Mr. Reynolds make any explanation to you?

Mr. HUGLER. None other than the one he has made before this committee. This is one of the checks that has been previously entered as evidence.

Senator COOPER. Then will you look at item 61?

Mr. HUGLER. The same explanation—this would bear the same explanation, Senator. This is a check payable to Robert G. Baker, drawn by Don B. Reynolds in the amount of \$1,000 on the Don Reynolds Associates account, Suburban Trust Co., payable to Robert G. Baker, previously entered as an exhibit.

Senator COOPER. Now, would you look at item 73, and state what it represents?

Mr. HUGLER. This is check No. 1420 dated March 4, 1960, in the amount of \$1,500 drawn by Don B. Reynolds on the Don Reynolds Associates account, Suburban Trust Co., payable to Robert G. Baker. This check has previously been entered as an exhibit.

Senator COOPER. What is the total of the four checks, 49, 51, 61, and 73?

Mr. HUGLER. \$7,500.

Senator COOPER. What did Mr. Reynolds say about the checks that had been given him by Mr. McMillan, and I think you said that he claimed that he paid those checks to Mr. Baker; is that correct?

Mr. HUGLER. He initially told me that he cashed these two checks in the aggregate of \$5,000, and paid the proceeds to Baker as one of his \$5,000 payments to Baker. Subsequently he testified, Senator, before the committee, that he was in error on the \$2,000 check; that he had given that to a Mr. Thayer, an attorney in Oakland County, to pay off a real estate transaction, and that to replace this \$2,000 he drew a \$2,000 check around the same time, April 1961, cashed it, combined it with the proceeds of the other check of McMillan for \$3,000, and gave this \$5,000 to Baker.

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

Senator COOPER. Now, did your examination determine whether or not these statements were true, based on evidence other than the statement of the witness who said that he had been paid \$2,000 upon a real estate loan? You did not go into Congressman McMillan's accounts?

Mr. HUGLER. No, sir, but I have seen copies of the two checks drawn by Congressman McMillan for \$2,000 and \$3,000.

Senator COOPER. What was the total?

Mr. HUGLER. \$5,000.

Senator COOPER. Was it payable to Mr. Reynolds?

Mr. HUGLER. Yes, sir.

Senator COOPER. Could you determine from your examination of Mr. Reynolds' records whether those checks went into any of his accounts?

Mr. HUGLER. The \$2,000 check we know was given—was endorsed by Mr. Reynolds over to Mr. Thayer, the attorney, who in turn endorsed it and deposited it to his own account, to Thayer's account. The second check for \$3,000 did not enter any of Mr. Baker's bank accounts.

Senator COOPER. If Reynolds' statement is true, then, it could be possible that check represented an additional \$3,000 in cash.

Mr. HUGLER. This could be, Senator.

Senator COOPER. You don't know where the money went after he got it?

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

Senator COOPER. So if it were true, it is possible that Reynolds had \$13,500 in cash rather than \$10,500 in cash?

Mr. HUGLER. This could be, Senator.

Senator COOPER. You have accounted for \$7,500 that had been paid directly to Mr. Baker—the four checks?

Mr. HUGLER. Yes. Senator, Mr. Reynolds has testified that he was excluding these four checks totaling \$7,500 from the \$25,000 he is alleging that he paid Baker. He has specifically excluded these.

Senator COOPER. I know his testimony. But we are looking at all matters.

Mr. HUGLER. Yes, sir.

Senator CURTIS. Mr. Chairman?

The CHAIRMAN. Yes, sir.

Senator CURTIS. You referred to payment of notes—drawing cash to pay notes.

Mr. HUGLER. Yes, sir.

Senator CURTIS. Those were notes signed by Mr. Reynolds?

Mr. HUGLER. I spoke of one note for \$2,500. This was a loan by Suburban Trust Co. to Don Reynolds; yes, sir.

Senator CURTIS. And how did he take the proceeds of the loan?

Mr. HUGLER. This loan was originally made on March 7, 1960, and the proceeds were deposited to Mr. Reynolds' personal account, Suburban Trust Co.; that is item No. 1 on my schedule.

Senator CURTIS. Have you traced the proceeds of all these loans in the nine bank accounts?

Mr. HUGLER. Senator, I think the answer is yes. I want to qualify it by saying he did not have loans from all of the banks; he only had loans from two of the banks.

Senator CURTIS. Were any of those proceeds taken in cash?

Mr. HUGLER. There is no evidence of that.

Senator CURTIS. Is there any evidence that they would not be?

Mr. HUGLER. There was a loan from Suburban Trust on March 23, 1960, in the amount of \$3,548.66 that was not deposited to any of Mr. Reynolds' accounts.

Senator CURTIS. A loan of how much?

Mr. HUGLER. \$3,548.66.

Senator CURTIS. What was the date of that?

Mr. HUGLER. May 23, 1960.

Mr. McLendon. I thought you said March.

Mr. HUGLER. If I did, I was in error. It was May.

Senator CURTIS. Now, were there any other loans that the proceeds were not deposited?

Mr. HUGLER. No, sir.

Senator CURTIS. In any of the banks?

Mr. HUGLER. No, sir.

Senator CURTIS. Now, did he make a number of loans during this period?

Mr. HUGLER. No; he did not.

Senator CURTIS. Did he make several?

Mr. HUGLER. He made a few.

Senator CURTIS. And these loans were made while he was having funds of his own drawing interest?

Mr. HUGLER. Some of them would have been, Senator.

Senator CURTIS. Have you examined all other transactions to ascertain whether or not he would have an opportunity to secure cash?

Mr. HUGLER. Yes, sir, I have.

Senator CURTIS. All of his insurance accounts?

Mr. HUGLER. Mr. Reynolds only had one large insurance account, and that was U.S.F. & G. Co. in Baltimore. I have examined that thoroughly.

Senator CURTIS. I mean have you run a balance on his insurance business? Suppose someone paid an insurance premium of \$1,500 in cash and he chose to use his own check in remittance and used the cash. Have you made a check as to that?

Mr. HUGLER. No, sir.

Senator CURTIS. Well, it is true that anyone operating a business can withdraw cash from it without any difficulty—without going through the banks?

Mr. HUGLER. Well, it is true, Senator, that an individual can receive a cash payment and not deposit it. He could certainly disburse it, but once he put it in the bank it would be accountable.

Senator CURTIS. He could receive a check from some customer for insurance and send that check to the bank and cash it, and still properly credit it to the client, and make remittance to the company or even to his own account with his own check, could he not?

Mr. HUGLER. I suppose this would be possible.

Senator CURTIS. Yes. The search that is made is not any conclusive proof that a certain amount of cash did not pass through Mr. Reynolds' hands, is it?

Mr. HUGLER. This would be conceivable.

Senator CURTIS. That is all.

The CHAIRMAN. Mr. Hugler, I would like to ask you two or three questions. We are trying to account for \$35,000, approximately \$35,000, that was an overpayment by McCloskey in this investigation we are working on right now; is that correct?

Mr. HUGLER. Yes, sir.

The CHAIRMAN. I believe that Mr. Reynolds stated in his testimony that he kept \$10,000 of that.

Mr. HUGLER. Yes, sir.

The CHAIRMAN. And that he paid Bobby \$25,000—part to be kept himself, and the rest of it to be passed on for political purposes. Now, according to the information I have here—and I think this is correct—this \$109,205.60 check he got from McCloskey Co. was deposited in the Citizens Building & Loan Association on October 18, 1960.

Mr. HUGLER. That's correct.

The CHAIRMAN. Well, now, it would not seem very reasonable to me that Mr. Reynolds would be paying out money on a bond that he has not sold prior to the time he sold the bond. In other words, I do not see where this amount of money that you testified to here that was drawn out of his account prior to October 18, 1960, has got much to do with this \$25,000, because he did not get that money until he got it from McCloskey, so he says, and he passed \$25,000 of that one. Can you tell me how much money you can account for that he drew out of his accounts after October 18, 1960? In other words, what I am trying to say is he would hardly have been paying Mr. Baker or anybody else the money out of something he didn't have, because, in the first place, he didn't know McCloskey was going to get the contract until he got it, and he would not have sold the bond because he had not got the contract, so he had to get this money from this bond which he did sell and deposited \$109,000. How much did he draw out that you can account for after October 18, 1960?

Mr. HUGLER. As I testified, the cash, the maximum cash residue that could have been realized from the five checks that I testified to was \$10,500.

The CHAIRMAN. After October 18?

Mr. HUGLER. Of this amount.

The CHAIRMAN. Is that after October 18, 1960?

Mr. HUGLER. Of this amount, \$9,500 was withdrawn after that date.

The CHAIRMAN. \$9,000?

Mr. HUGLER. \$9,500.

The CHAIRMAN. \$9,500. That is all you can account for that he withdrew after he deposited that \$109,000 check on October 18?

Mr. HUGLER. That is correct.

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

The CHAIRMAN. I think that satisfies my curiosity on that section of it. Senator Cannon?

Senator CANNON. Mr. Hugler, do I understand that all items shown on this sheet, on which you have testified, payable to Bobby Baker, were accounted for in that affidavit by Mr. Reynolds?

Mr. HUGLER. I believe so. I know that all of the items that Mr. Reynolds has testified to previously as payments to Mr. Baker, for which he received notes, were not included in his allegation concerning this \$25,000. He, in his testimony, has separated them.

The CHAIRMAN. May I ask a question at that point? Were not all those transactions by check to Mr. Baker?

Mr. HUGLER. Yes, sir.

The CHAIRMAN. We have checks—photostatic copies of those checks?

Mr. HUGLER. Yes, sir.

The CHAIRMAN. So that there is no question about that part of it?

Mr. HUGLER. That is right.

Senator CANNON. Those are the same items that are on this exhibit, now, that you are testifying from?

Mr. HUGLER. Exactly.

Senator CANNON. That indicate payments to Bobby Baker?

Mr. HUGLER. That is right.

Senator CANNON. What you are saying is that other than those, so far as you can find here, there was only the sum of \$9,500 in cash that you have not been able to account for that Mr. Reynolds has withdrawn from October 18, 1960, up to June 29, 1961; is that correct?

Mr. HUGLER. Yes; that is correct.

Senator CANNON. And if you use the period prior to the date of receipt of the \$109,000 payment on October—deposited October 18, 1961, if you went back as far as March 7, 1960, then you are saying that Mr. Reynolds received an additional amount of how much money that you cannot account for?

Mr. HUGLER. \$9,500.

Senator CANNON. I am talking now about the period of March 7, 1960, up to October 18, 1960.

Mr. HUGLER. If I understand your question correctly, Senator, the answer would be "\$1,000."

Senator CANNON. \$1,000. So that the total amount that you are unable to account for from March 7, 1960, up to June 29, 1961, is \$10,500.

Mr. HUGLER. That is correct.

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

Senator CURTIS. Mr. Chairman, does Mr. Baker deny getting the cash?

Mr. HUGLER. I don't know, Senator. I haven't had the opportunity to ask him.

Senator CURTIS. You have not interviewed him?

Mr. HUGLER. No, sir.

Mr. McLendon. He refused to be interviewed, Senator.

Senator CURTIS. OK.

The CHAIRMAN. Senator Cooper?

Senator COOPER. No. I have no more questions.

The CHAIRMAN. Thank you, Mr. Hugler.

Senator CURTIS. One question. What are items 67 and 68 on this?

Mr. HUGLER. On March 2, 1961, Mr. Reynolds borrowed \$25,000 from the Suburban Trust Co. This is item 66 on the schedule. He had planned at that time to buy a half interest in a hardware store in the Woodmoor shopping section in Silver Spring. He deposited the proceeds of this loan on March 2, item 66. On that same day, he drew two checks to himself, endorsed them payable to the order of James FitzGerald, attorney. These two checks totaled \$25,000.

Senator CURTIS. What become of the proceeds of those two checks?

Mr. HUGLER. These were deposited into Mr. FitzGerald's account attorney account, to be held until the purchase of the half interest in the hardware store was consummated.

Senator CURTIS. Was it ever consummated?

Mr. HUGLER. No; it was not.

Senator CURTIS. What happened to the money?

Mr. HUGLER. Mr. FitzGerald drew a check back to Mr. Baker in the amount of \$25,000—

Mr. McLendon. You mean Reynolds.

Mr. HUGLER. Yes—I am sorry—on March 22, 1961. And this check was used to repay the loan to Suburban Trust.

Senator CURTIS. That is all.

The CHAIRMAN. Thank you very much.

The committee stands adjourned.

(Whereupon, at 4:45 p.m., the hearing was recessed, subject to the call of the Chair.)

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