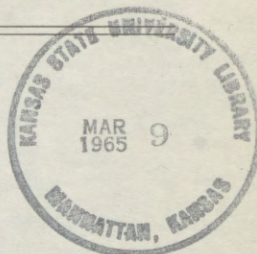


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CONSTRUCTION OF THE DISTRICT OF COLUMBIA
STADIUM, AND MATTERS RELATED THERETO

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HEARINGS
BEFORE THE
COMMITTEE ON
RULES AND ADMINISTRATION
UNITED STATES SENATE

EIGHTY-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

PART 9

FEBRUARY 4 AND 5, 1965

Testimony of Murray C. Spett, Bedford S. Wynne, Clinton
Murchison, Jr., Ernest C. Tucker, Charles F. MacGowan,
Joseph J. Strobel, Virgil C. Williams, Thomas D. Webb,
Jr., Jack M. Truskett, Robert I. Barry, Clarence J. Span-
gler, and Ralph Pittman

Printed for the use of the Committee on Rules and Administration

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1965

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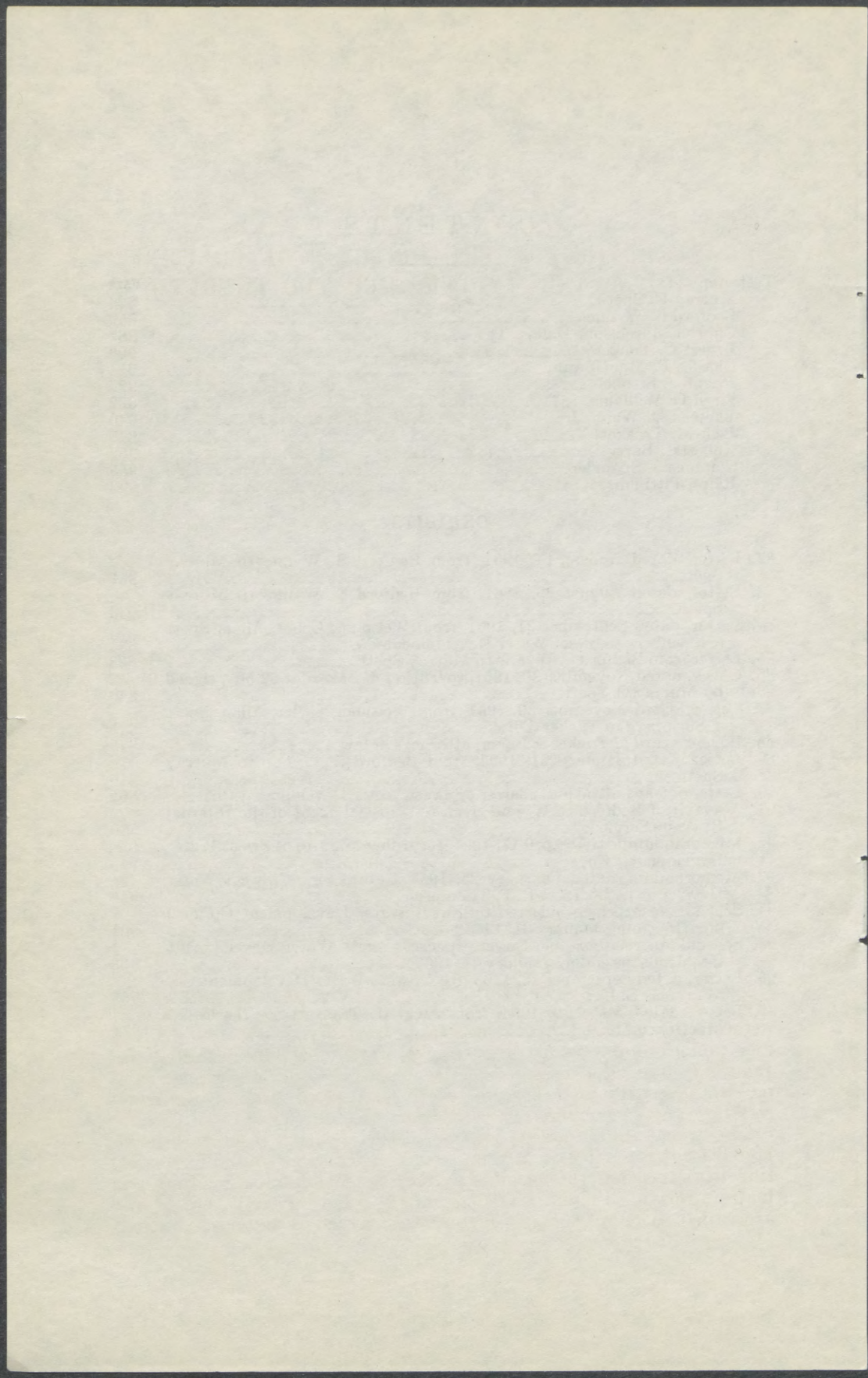
[Executive hearings of February 4 and 5, 1965, released to the public February
8, 1965.]

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

THURSDAY, FEBRUARY 4, 1965

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

The committee met, pursuant to notice at 2:45 p.m., in room 301, Old Senate Office Building, Senator B. Everett Jordan (chairman) presiding.

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

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

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

I will have to read this.

Mr. Spett, it is necessary that I read an opening statement here in order that you know your rights before this committee, and what right the committee has to have you here, sir.

A quorum being present, the committee will please come to order. This committee is acting by the action and under the authority of the rules 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, but broadens the scope of jurisdiction conferred.

The Committee on Rules and Administration has 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 or not such interest or activities have involved any violation of law or other improprieties, or have reflected unfavorably upon the integrity of the Senate or other additional rules or laws necessary or desirable for the purpose of prohibiting or restricting any such interest 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 relating thereto. The committee believes that witnesses who are called to testify possess information which is material and per-

tinient to the subject matter under investigation authorized, and will aid the committee in its fulfillment of its legislative purposes.

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

The committee will now proceed to hear the testimony of the witness present under subpoena or by request. Mr. Spett, will you please 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 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. SPETT. I do.

The CHAIRMAN. Thank you, sir. Have a seat.

TESTIMONY OF MURRAY C. SPETT

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

Mr. SPETT. Murray C. Spett, 1100 Park Avenue, New York City.

Mr. McLendon. Mr. Spett, are you a member of the law firm of Weisman, Celler, Allen, Spett & Sheinberg?

Mr. SPETT. I am.

Mr. McLendon. And have I pronounced the names correctly, sir?

Mr. SPETT. Perfectly.

Mr. McLendon. And your firm has law offices at 1501 Broadway, New York?

Mr. SPETT. It has.

Mr. McLendon. When did you have your first communication with anyone representing the Sweet Water Development Co.?

Mr. SPETT. In the early part of August 1961.

Mr. McLendon. And with what person did you have that first contact?

Mr. SPETT. Mr. Bedford S. Wynne.

Mr. McLendon. Did you know him prior to that time?

Mr. SPETT. I did not.

Mr. McLendon. Tell the committee how he identified himself to you.

Mr. SPETT. My Wynne told me on the telephone that he was recommended to us by the law firm of Tucker & Baker of Washington. That is in response to your question.

Mr. McLendon. Did he inquire as to whether your firm was available for certain legal work?

Mr. SPETT. He did.

Mr. McLendon. Tell the committee exactly what he said to you in that connection.

Mr. SPETT. In substance he said that the Sweet Water Development Co. is interested in some shopping centers with a realty firm in New York, and also would be interested in some real estate sites in and about the city of New York, whether or not we are in a position to handle such matters.

I told him that we were, that we had two attorneys who exclusively devoted their time to real estate work. He asked me upon what terms we would represent them, and I asked him whether he is desirous of retaining us on a per diem basis or on an annual retainer.

He indicated a preference for an annual retainer, and he asked me how much that would be, and I told him that as a base \$10,000 subject to an escalation clause depending upon the extent of the services rendered during the course of the year, and any excess services or reasonable fee thereof would be agreed upon between his firm and ourselves.

We reduced that understanding in writing. I sent him a retainer agreement which he subsequently signed and returned to us.

(At this point of the proceedings, Senator Curtis entered the committee room.)

Mr. McLendon. Did he say anything in that first conversation with you with respect to saline water projects in the New Jersey area?

Mr. Spett. He did not say anything about any desalinization process. He merely said to me that they were interested in some real estate, the purposes for which were not mentioned at that time.

Mr. McLendon. Mr. Spett, let me refresh your recollection. You were interviewed on January 27 in your office in New York by a representative of the staff of this committee, were you not?

Mr. Spett. Yes.

Mr. McLendon. And didn't you say in that telephone conversation that you were asked whether you were in a position to handle legal business connected with water saline projects in the New Jersey area?

Mr. Spett. I don't recollect whether I said anything about a desalinization project in New Jersey.

Mr. McLendon. Where did you get any information of that sort from?

Mr. Spett. I received a communication from Mr. Wynne. I furnished a photostat of that communication to counsel.

Mr. McLendon. Yes.

Mr. Spett. And in which he says:

There were numerous cities in New Jersey that indicated an interest before the last hearing of the Saline Water Board. We are getting this testimony and will forward you that as soon as possible.

Mr. McLendon. What is the date of that letter? My copy is undated.

Mr. Spett. So is mine.

Mr. McLendon. Can you tell us what date it is?

Mr. Spett. It must have been sometime in September or October of 1961.

Mr. McLendon. Returning to my question, the interview which I have before me states positively that you reported that Mr. Wynne inquired whether you could handle real estate transactions in the New York-New Jersey area in connection with a saline water project. Is it possible that you got that information from Congressman Celler?

Mr. Spett. No.

Mr. McLendon. Where did you get it?

Senator Cannon. Counsel, is that a signed statement?

Mr. Spett. No, there must be some misunderstanding on that subject, because I did not get any information at my initial conversation with Mr. Webb.

Mr. McLendon. Had you talked to Congressman Celler about this matter before Mr. Wynne called you?

Mr. Spett. No, excepting that Mr. Celler did tell me, I can't place the date whether it was before or after, that I should expect a call from some client who Tucker & Baker were recommending to us. He did not disclose the name. As a matter of fact, I don't think he knew the name.

Mr. McLendon. And the letter you referred to, which is undated, and signed by Bedford S. Wynne, there is no doubt about that being the signature, is there?

Mr. Spett. Well, I received it from him, and it is on his stationery.

Mr. McLendon. The letter said:

There were numerous sites in the New Jersey area that indicated interest before the last hearing before the Saline Water Board. We are getting that testimony and will forward that to you as soon as possible.

That sounds as if you were already acquainted with the saline water project.

Mr. Spett. No, I was not acquainted with it. This is the first and last I ever heard of any saline water project in Jersey. I never heard any more about it.

Mr. McLendon. As a result of that conversation, you did on August 14, 1961, receive a check for \$5,000 from Mr. Bedford S. Wynne, the man with whom you talked over the phone?

Mr. Spett. I did.

Mr. McLendon. And the letter I offer in evidence. Mark that exhibit, Mr. Reporter.

(The letter referred to is as follows:)

EXHIBIT 82

WYNNE, MCKENZIE, STROUD, JAFFE & TINSLEY

ATTORNEYS AND COUNSELORS

2208 SOUTHLAND CENTER

DALLAS 1, TEXAS

FORMERLY

Wynne & Wynne
1909-1950

RI 8-7211

ANGUS G. WYNNE
BEDFORD S. WYNNE
WILLIAM A. MCKENZIE
ETHAN S. STROUD
MORRIS I. JAFFE
WILLIAM H. TINSLEY
RICHARD S. WHITESELL, JR.

August 14, 1961

CLARENCE A. ABRAMSON
HENRY BAER
WARREN L. HICKS
JOHN T. KIPP
JACK W. HAWKINS
CARL W. WILSON
EDWARD W. LEBARON, JR.

Mr. Murray Spett
1501 Broadway
New York, New York

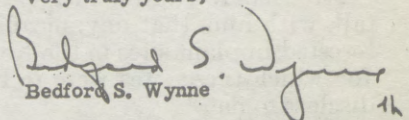
Dear Mr. Spett:

I enclose herewith Sweet Water Development Company
Check No. 107 in the amount of \$5,000.00, which covers the retainer
that we discussed over the telephone.

I will be in touch with you from time to time concerning this
matter, and if you have any questions please do not hesitate to call
me.

Thanking you in advance and with best wishes, I am

Very truly yours,


Bedford S. Wynne 1h

BSW/1h

Enclosure

Mr. McLendon. It recites he is enclosing a Sweet Water Development check No. 107 in the amount of \$5,000, which covers the retainer discussed over the telephone.

Mr. Spett. That is correct.

Mr. McLendon. He is referring to the same telephone conversation.

Mr. Spett. That is right.

Mr. McLendon. Then he says:

I will be in touch with you from time to time concerning this matter, and if you have any questions please do not hesitate to call me.

What did you understand the matter was he referred to there?

Mr. Spett. The real estate matters that he mentioned over the telephone.

Mr. McLendon. On August 29 did you receive a letter from Bedford S. Wynne in which he said:

I asked Tom Webb, one of our vice presidents in Washington, to call you concerning some papers that I will send to you in the next day or so.

Can you tell the committee what papers he had reference to, sir?

Mr. Spett. The only papers we received were from this real estate operator in New York, and that is all.

Mr. McLendon. The next paragraph of the same letter says:

When I originally talked to you—

which would be that telephone conversation you narrated——

Mr. Spett. Yes.

Mr. McLendon (continuing):

I felt that we would have considerable negotiations with a number of attorneys in New Jersey for plant sites, but due to some engineering delay we are not in a position to talk to them concerning this at the present time.

What kind of plant sites did he have reference to?

Mr. Spett. He did not specify. All he said was, in my original talk with him, that day, meaning Sweet Water, that he would be interested in plant sites in the New York-New Jersey area. The purpose for which these sites were to be acquired or planned sites he did not disclose to me.

Mr. McLendon. You mean you didn't ask him?

Mr. Spett. No, not at that stage.

Mr. McLendon. Mark that letter, Mr. Reporter.

(The letter referred to is as follows:)

EXHIBIT 83

BEDFORD S. WYNNE
2808 SOUTHLAND CENTER
DALLAS 1, TEXAS

August 29, 1961

Mr. Murray Spett
1501 Broadway
New York, New York

Dear Mr. Spett:

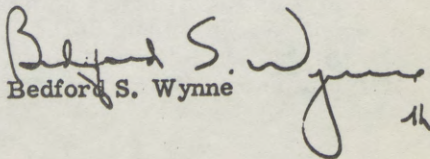
I asked Tom Webb, one of our vice presidents, in Washington, to call you concerning some papers that I will send you in the next day or so.

When I originally talked to you, I felt that we would have considerable negotiations with a number of attorneys in New Jersey for plant sites, but due to some engineering delay we are not in a position to talk to them concerning this at the present time.

I am sending you some papers on a helium Bill which has been passed in both the House and Senate and upon which we need an opinion as soon as possible. I hope to have the papers in hand tomorrow and will transmit them to you with a full letter.

With thanks and best wishes, I am

Very truly yours,


Bedford S. Wynne

BSW/lh

Mr. McLendon. Then on September 21 you prepared, did you not, a written agreement between your firm and the Sweet Water Development Co., which was signed by you and also by Bedford Wynne for the Sweet Water Development Co.; is that correct?

Mr. Spett. That is correct.

Mr. McLendon. And that agreement does not identify any specific legal services that were to be rendered?

Mr. Spett. Yes, it does.

Mr. McLendon. What does it say?

Mr. Spett (reading):

The legal services which we shall render pursuant hereto shall be limited to such advice and opinions as may from time to time be requested by any of your officers, the officers of any of your subsidiary or associated companies, or your technical counsel, only however, with reference to such matters as may be engaged in by your company, its subsidiaries or associated companies, and as involve questions or matters of New York or the U.S. law.

Those are the services that we would render, opinions—

Mr. McLendon. I understand that, but there is nothing in this agreement that says you will render service in connection with shopping centers?

Mr. Spett. That is part of the services, opinions, and we did render those opinions.

Mr. McLendon. Mr. Spett, my question is directed to this agreement.

Mr. Spett. Yes.

Mr. McLendon. Am I not correct that this agreement does not specify any particular type of services to be rendered?

Mr. Spett. You mean in what area?

Mr. McLendon. No, no, any subject matter such as shopping centers.

Mr. Spett. Just opinions and advice.

Mr. McLendon. That is right.

Mr. Spett. That is right.

Mr. McLendon. And it doesn't identify with shopping centers, sir?

Mr. Spett. No, of course not.

Mr. McLendon. Or even with saline projects?

Mr. Spett. Definitely not. It speaks for itself.

Mr. McLendon. And this letter contains a statement on the second page, this letter agreement contains a statement on the second page:

It is further agreed between us that nothing herein set forth shall require us to appear on your behalf before any agency or department of the U.S. Government.

Mr. Spett. That is correct.

Mr. McLendon. And as I understand you, you did not appear before any agency or department of the U.S. Government, sir.

Mr. Spett. Definitely not.

Mr. McLendon. Mark that one, Mr. Reporter.

(The letter referred to is as follows:)

EXHIBIT 84

LAW OFFICES
WEISMAN, CELLER, ALLAN, SPETT & SHEINBERG
1501 BROADWAY
NEW YORK 36, N. Y
—
LACKAWANNA 4-9700

September 21, 1961

Sweet Water Development Company
2808 Southland Center
Dallas 1, Texas

Attention Bedford S. Wynne, Esq.

Gentlemen:

We herewith confirm to you the terms of the retention by you of us as your New York counsel for a period of one year commencing as of September 1, 1961 through August 31, 1962.

The legal services which we shall render pursuant hereto shall be limited to such advice and opinions as may from time to time be requested by any of your officers, the officers of any of your subsidiary or associated companies, or your Texas counsel, only however, with reference to such matters as may be engaged in by your company, its subsidiaries or associated companies and as involve questions or matters of New York or United States law.

As compensation for our services you shall pay us the sum of Ten Thousand Dollars, payable Five Thousand Dollars upon the execution of this letter agreement and Five Thousand Dollars on November 15, 1961. Additionally, however, you shall reimburse us for all out-of-pocket expenses or disbursements paid or incurred by us on your behalf.

If we shall advise you that, in our opinion, the reasonable value of the legal services rendered pursuant to this arrangement has exceeded the aforesaid sum of Ten Thousand Dollars you shall pay us such additional sum as shall be mutually agreed upon between your Mr. Bedford S. Wynne and our Mr. Murray C. Spett.

2.

September 21, 1961

If we shall, at your request, render any legal services not provided for by this agreement we shall be separately paid therefor such additional reasonable fees as may be likewise mutually agreed upon by the aforesaid persons.

It is further agreed between us that nothing herein set forth will require us to ~~appear~~ on your behalf before any agency or department of the United States Government.

If this adequately and correctly sets forth our understanding, would you be good enough to sign the duplicate original hereof below the words "Agreed to" and return the same to us.

Very truly yours,

A:b

WEISMAN, CELLER, ALLAN, SPETT & SHEINBERG

Agreed to:

SWEET WATER DEVELOPMENT COMPANY

By

Redford S. Wyman

(At this point of the proceedings, Senator Jordan left the committee room.)

Mr. McLendon. The letter which is undated, to which you and I both referred, pertaining to the clause referring to numerous sites in New Jersey—will you tell the committee what sites in New Jersey were referred to in that letter?

Mr. Spett. I can't tell you because that is the last we heard on the subject.

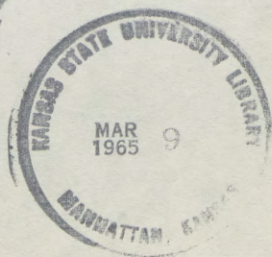
Mr. McLendon. Did he forward your testimony taken before the last hearing of the Saline Water Board?

Mr. Spett. I beg your pardon? No.

Mr. McLendon. So that in respect to the sentence which says "we are getting the testimony and we will forward to you that as soon as possible," you never received any such testimony?

Mr. Spett. Did not.

Mr. McLendon. Mark that.



(The letter referred to is as follows:)

EXHIBIT 85

WYNNE, MCKENZIE, STROUD, JAFFE & TINSLEY

ATTORNEYS AND COUNSELORS

2606 SOUTHLAND CENTER

DALLAS 1, TEXAS

ANGUS G. WYNNE
BEDFORD S. WYNNE
WILLIAM A. MCKENZIE
ETHAN B. STROUD
MORRIS I. JAFFE
WILLIAM H. TINSLEY
RICHARD S. WHITESSELL, JR.

HENRY BAER
WARREN L. HICKS
JOHN T. KIPP
JACK W. HAWKINS
CARL W. WILSON
NEIL O'BRIEN
EDWARD W. LEBARON, JR.

FORMERLY

Wynne & Wynne
1909-1960

RI 8-72H

Mr. Murray Spett
1501 Broadway
New York, New York

Dear Mr. Spett:

As I wrote you last week and as Tom Webb mentioned to you over the telephone, we are interested in attempting to secure a contract from the Government for the extraction and storage of helium. It is our understanding that a law was passed in 1960 authorizing the Government to enter into certain contracts. The Government recently entered into a contract with the Helex Company, a copy of which is enclosed. This called for a plant to be constructed in Kansas for the extraction and storage of helium.

We are desirous of trying to work out a plant in the Panhandle of Texas for the extraction and storage of helium. We would like to secure a brief opinion on the wording of the Act as passed by Congress and what steps we must follow in order to be eligible to bid or negotiate a contract with the Government. We should have more data on this in the near future but wanted to get this contract in your hands so that you might familiarize yourself with the enactment as passed in Congress last year.

We hope to have our water conversion project under way in the near future. It looks like we are some 78% complete now, and the pilot plant should be in full operation in the near future.

There were numerous cities in New Jersey that indicated an interest before the last hearing of the Saline Water Board. We are getting that testimony and will forward you that as soon as possible.

If there are any questions, please do not hesitate to call me.

With best wishes.

Yours very truly,

Bedford S. Wynne
Bedford S. Wynne

BSW/lh

Mr. McLendon. On November 30, 1961, did you write a letter to Tucker & Baker of Washington, and enclose your firm's check for \$2,500?

Mr. Spett. I did.

Mr. McLendon. Do you have a copy of the check there before you?

Mr. Spett. I furnished that to your counsel.

Mr. McLendon. A copy with the letter. Mark the check and the letter.

(The check and letter referred to are as follows:)

EXHIBIT 86

1947 No. 65040

STERLING NATIONAL BANK & TRUST COMPANY
OF NEW YORK
BROADWAY AT 56TH STREET

PAY TO THE ORDER OF Tucker & Baker

THE SUM OF 2500.00 DOLLARS

WEISMAN, SELLER, ALLAN, SPETT & SHEINBERG

Mary Spett

1-777
260

\$2500.00

1501 BROADWAY

WEISMAN, SELLER, ALLAN, SPETT & SHEINBERG

DEPOSIT

Tucker and Baker

1947

1501 BROADWAY

WEISMAN, SELLER, ALLAN, SPETT & SHEINBERG

1-777
260

\$2500.00

1501 BROADWAY

WEISMAN, SELLER, ALLAN, SPETT & SHEINBERG

EXHIBIT 87

November 30, 1961

Tucker & Baker, Esqs.
2000 P Street, N. W.
Washington 6, D. C.

Re: Sweet Water Development Company

Gentlemen:-

Enclosed you will find our check to your order
in the sum of \$2500.00 representing your forwarding
fee in the above captioned matter.

Yours very truly,

WEISMAN, CELLER, ALLAN, SPETT & SHEINBERG

MCS:S
Enclosure

Mr. McLendon. The check is for \$2,500, is it not?

Mr. Spett. Yes, it is.

Mr. McLendon. Payable to Tucker & Baker?

Mr. Spett. It is.

Mr. McLendon. Where did you get the information from that you were supposed to pay Tucker & Baker any part of your fee, sir?

Mr. Spett. I did not get any information from anyone. This was a voluntary remittance which we made as a referral fee to the attorneys who referred the client to us. Tucker & Baker didn't expect it. Tucker & Baker did not ask for it. It was done at my own volition.

Mr. McLendon. The only way you knew Tucker & Baker then was what Mr. Wynne told you?

Mr. Spett. Mr. Wynne and also Mr. Celler told me that Tucker & Baker were referring a client, and when Mr. Wynne called me, he said he was recommended by Tucker & Baker.

Mr. McLendon. Do you have any communication by telephone or otherwise with either Tucker or Baker?

Mr. Spett. The only communication I have is a card of Tucker & Baker, a legal card.

Mr. McLendon. Where did you get that?

Mr. Spett. I got that from Mr. Celler.

Mr. McLendon. Do you have that with you?

Mr. Spett. Yes. It is attached to this folder. I will tear it off.

Mr. McLendon. Mark that, Mr. Reporter.

(The card referred to is as follows:)

EXHIBIT 88

TELEPHONE
COLUMBIA 5-7003

ERNEST C. TUCKER

TUCKER & BAKER
ATTORNEYS AT LAW

SUITE 605, HEADQUARTERS BLDG.
2000 P ST., N. W. AT DUPONT CIRCLE
WASHINGTON 6, D. C.

Mr. McLendon. Did you receive that card with the letter from Congressman Celler?

Mr. Spett. With what, sir?

Mr. McLendon. Did you receive that card that you have just identified, Tucker & Baker's professional card, did you receive that in a letter from the Congressman?

Mr. Spett. No; Mr. Celler handed it to me in our office.

Mr. McLendon. And did he not reaffirm that they were the forwarding attorneys?

Mr. Spett. He did.

Mr. McLendon. And you kept that in your file until this business was finished, and then you mailed this check to Tucker & Baker?

Mr. Spett. That is right.

Mr. McLendon. You never communicated with them otherwise, sir?

Mr. Spett. Never did.

Mr. McLendon. I believe either before or after you were interviewed in New York by representatives of this committee's staff, you did receive written authority from Bedford Wynne to discuss the Sweet Water Development work with the Senate committee?

Mr. Spett. May I state in response to that question that when I received the telephone call from you on January 21, you told me that you were going to send a representative to interview me, and I mentioned to you the fact that there is a relationship between an attorney and client, and I am not privileged to divulge such information.

Mr. McLendon. That is correct.

Mr. Spett. After my talk with you, I made this appointment with Mr. Van Kirk the following Monday. I called Mr. Bedford Wynne in Dallas, Tex., and I told him that a representative of your staff would call upon me the following Monday, and I suggested and urged that he permit me to divulge the relationship between Sweet Water and us, and also procure permission to reveal the file to you, whereupon he agreed to it, and I asked him to send me a communication confirming that, which he did on the same day, and I furnished you with a photostat of that communication from Mr. Wynne to me.

Mr. McLendon. That was for the purpose of waiving the attorney-client privilege?

Mr. Spett. That is right, so that we could state to your committee all that is contained in our file, and furnish you with all the documents which we voluntarily did.

Mr. McLendon. Mark that.

(The letter referred to is as follows:)

EXHIBIT 89

WYNNE, JAFFE & TINSLEY

ATTORNEYS AND COUNSELORS

2202 SOUTHLAND CENTER

DALLAS 1, TEXAS

FORMERLY

Wynne & Wynne

RI 8-7211

ANGUS G. WYNNE
BEDFORD S. WYNNE
MORRIS I. JAFFE
WILLIAM H. TINSLEY
RICHARD S. WHITESELL, JR.
HAROLD HOFFMAN
JOHN T. KIPP
CARL W. WILSON
NEIL J. O'BRIEN
WARREN L. HICKS
THOMAS J. MORDNEY, JR.
YANDELL ROGERS, JR.
JAMES A. DONOHUE
GAYNELL C. METHVIN
JIM A. WATSON

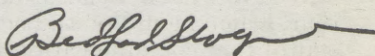
January 21, 1965

Mr. Murray Spett
1501 Broadway
New York, New York

Dear Mr. Spett:

Concerning our telephone conversation, this is to authorize you to discuss the Sweet Water Development work you did with the Senate Committee, as you requested, and to give them such information from the files as they might desire.

Very truly yours,



Bedford S. Wynne

BSW/lh

Mr. McLendon. Mr. Spett, are you acquainted with a man in Washington named Thomas G. Webb, Jr.?

Mr. Spett. I received one phone call from him.

Mr. McLendon. When was that?

Mr. Spett. Sometime in August or September of 1961.

Mr. McLendon. What was it about?

Mr. Spett. Frankly I do not recall, Major.

Mr. McLendon. Was it in connection with the Sweet Water Development project?

Mr. Spett. It probably was.

Mr. McLendon. You can't recall the subject of the call?

Mr. Spett. No; I don't. It was pertaining to our retention. Now I am guessing at the moment that he said Mr. Wynne would be in touch with me.

Mr. McLendon. One of these letters makes reference to Mr. Webb, does it not?

Mr. Spett. Yes; it does.

Mr. McLendon. The letter which is undated starts out saying:

As I wrote you last week and as Tom Webb mentioned to you over the telephone, we are interested in attempting to secure a contract from the Government for the extraction of storage helium.

Mr. Spett. That is correct.

Mr. McLendon. Was this telephone conversation to which you are now referring with Tom Webb before or after you received this letter?

Mr. Spett. The conversation was before I received this letter.

Mr. McLendon. Before you received the letter?

Mr. Spett. Yes.

Mr. McLendon. And was—what did that conversation deal with?

Mr. Spett. As I indicated, I have no clear recollection, but it must have been either in connection with the helium matter or the real estate.

Mr. McLendon. In consequence of that letter, did you do some work for Sweet Water Development Co. concerning the extraction and storage of helium?

Mr. Spett. The only service we rendered was to analyze—this act was passed the previous year, in 1961, it was relatively new—we analyzed the act, we digested it, and gave an opinion as to the procedure to be pursued, and that was the extent of our services in that connection, and I showed Mr. Van Kirk the opinion that we rendered on that subject.

(At this point of the proceedings, Senator Pell left the committee room.)

Mr. McLendon. At the time he interviewed you in your office in New York you showed him that opinion?

Mr. Spett. That is right. I showed him all the services that we rendered.

Mr. McLendon. Now do you have any other correspondence, Mr. Spett, that you have not furnished to the committee?

Mr. Spett. No. I revealed my entire file to Mr. Van Kirk, and whatever he wanted he asked me to photostat, which I did in the office, and furnished him with these copies that you have in your possession.

Mr. McLendon. You did do some work for this company in connection with a proposed shopping center; did you not?

Mr. SPETT. We did.

Mr. McLENDON. Where was that located?

Mr. SPETT. The shopping centers were located in Tucson, Ariz., under a long-term lease with Montgomery Ward. A firm in New York had the commitment on a 25-year lease, and they requested Sweet Water Development to participate with them. We analyzed the two leases, and all the underlying agreements, and sent a 19-page opinion to Sweet Water Development Co., a copy of which I showed to Mr. Van Kirk.

Mr. McLENDON. Were you ever called on to do any work in connection with real estate of any kind in the State of New Jersey?

Mr. SPETT. No; we weren't.

Mr. McLENDON. Or in New York?

Mr. SPETT. The only New York element involved was the realtor Fuss, I think I gave you a copy of that letter also.

Mr. McLENDON. F-u-s-s?

Mr. SPETT. Or Muss. You have the letter there; do you not?

Mr. McLENDON. Go ahead.

Mr. SPETT. They sent us the leaseholds which they had, and all the underlying agreements, and as I indicated, they were seeking Sweet Water to participate in that development, and we wrote this opinion, analyzing all the agreements and leases.

Mr. McLENDON. Prior to the time that Mr. Wynne first approached you on behalf of the Sweet Water Development Co. by telephone, as you have testified, what experience had your firm had with saline water development?

Mr. SPETT. Our firm in and of itself?

Mr. McLENDON. Yes.

Mr. SPETT. We represented some client who as interested in this process with the State of Israel.

Mr. McLENDON. Over what period of time did that work proceed?

Mr. SPETT. Frankly, Major, I did not handle that matter. One of the other members of the firm did. It was an agreement with reference to extracting salt water in the State of Israel, and some agreement was entered into with an inventor of a process in Israel.

Mr. McLENDON. And was the process actually put into operation in Israel?

Mr. SPETT. I don't know. We terminated our relationship with this client some years ago.

Mr. McLENDON. Isn't that the development over there that attracted a good deal of public attention and appeared in the press?

Mr. SPETT. I wouldn't know, Major.

Mr. McLENDON. Aren't you aware of the fact that this whole business of developing water from saline water has in recent years attracted a good deal of attention? You know that?

Mr. SPETT. Yes, that I know, but I don't know whether this particular project in Israel drew that attention that you speak of.

Mr. McLENDON. But it was known that your firm was interested in it, wasn't it? I mean publicly known?

Mr. SPETT. No.

Mr. McLENDON. You don't think so?

Mr. SPETT. Definitely not.

Mr. McLendon. I believe you said that you never talked to Webb in person.

Mr. Spett. No. I did speak with him once. I so testified a few minutes ago.

Mr. McLendon. By telephone?

Mr. Spett. Yes.

Mr. McLendon. But I am talking about face to face. Did you ever see him?

Mr. Spett. No, I did not.

Mr. McLendon. Did you ever visit the Department of the Interior here in Washington during the time that your retainer was in effect?

Mr. Spett. Never.

Mr. McLendon. Did you ever speak to Clint Murchison about this matter?

Mr. Spett. I don't know the gentleman outside of knowing of him.

Mr. McLendon. Did you ever speak to Mr. Robert F. Thompson of Dallas?

Mr. Spett. I don't know the gentleman.

Mr. McLendon. Who is a managing officer of the Tecon Corp.?

Mr. Spett. No, sir.

Mr. McLendon. Did you know a lawyer in Washington named Ralph Pittman?

Mr. Spett. I do not.

Mr. McLendon. Did you know the inventor of this particular process, Mr. Virgil Williams?

Mr. Spett. No, sir, never heard the name before.

Mr. McLendon. And you are sure that you had no communication with any of these people about any project or any process of development or to be developed concerning saline water?

Mr. Spett. Positive.

Mr. McLendon. Did you ever have occasion to see the charter of the Sweet Water Development Co. which was organized in Texas?

Mr. Spett. No, sir.

Mr. McLendon. Other than the telephone conversation that you had with Mr. Wynne in the beginning, when the first inquiry was made of you as to your availability as counsel, did he ever talk to you any more about it by telephone?

Mr. Spett. Yes.

(At this point of the proceedings Senator Jordan entered the committee room.)

Mr. McLendon. What occurred the next time he called you?

Mr. Spett. Well, it was in connection with—he told me that I was to get some correspondence from this real estate firm in New York, and to render an opinion as soon as possible.

Mr. McLendon. Do you have that letter with you?

Mr. Spett. No. This was a telephone conversation.

Mr. McLendon. Oh, I beg your pardon, I am sorry. Did he reduce that to writing?

Mr. Spett. No.

Mr. McLendon. Was the only correspondence when you reported to him, reported your opinion?

Mr. Spett. Yes, and in addition to the correspondence that you have just introduced in evidence.

Mr. McLendon. That was the second time he called you. Did he call you again?

Mr. Spett. I probably called him. He was a little late in paying his fees.

Mr. McLendon. That would be a good reason for calling him. Do you recall any particular conversation that took place at that time?

Mr. Spett. Just really I dunned him for the payment of the second installment of our fee.

Mr. McLendon. And you have produced all of the correspondence that you had with Mr. Webb?

Mr. Spett. I did.

Mr. McLendon. What about Robert Baker? Did you know him, sir?

Mr. Spett. No, sir.

Mr. McLendon. Did you ever meet him?

Mr. Spett. No, sir.

Mr. McLendon. Had you ever had any communications by telephone or letter or conversation prior to this incident with Mr. Celler about Bobby Baker?

Mr. Spett. No, sir.

Mr. McLendon. As I recall it, you testified that Mr. Celler merely told you that Tucker & Baker have referred the firm to Mr. Wynne or to the Sweet Water Co. in Texas.

Mr. Spett. He didn't mention any names at the time. He merely said that Tucker & Baker were referring a client to us, and he told Mr. Baker to have the client contact me.

Mr. McLendon. Did you receive any acknowledgment of this check for \$2,500 that you paid Tucker & Baker?

Mr. Spett. I did not. No, the endorsement was the acknowledgment that the firm deposited it.

Mr. McLendon. And you made no inquiry about the firm before you sent the check?

Mr. Spett. No, I didn't.

(At this point of the proceedings Senator Pell entered the committee room.)

Mr. McLendon. That is all.

Senator CURTIS. What about this helium business? Who is that for?

Mr. Spett. That was for Sweet Water Development Co.

Senator CURTIS. Does that involve a contract with the Government?

Mr. Spett. No, it did not. It was merely, as I explained to the question propounded to me by the major, we digested it. It was a new act. We digested it and explained to Sweet Water the procedure to be followed. We wrote them an opinion about it. I showed it to Mr. Van Kirk, and that was the end of our relationship or connection with the helium project.

Mr. McLendon. Yes.

Senator CURTIS. You just analyzed the act of Congress?

Mr. Spett. That is right.

Senator CURTIS. Do you know why these Texas people employed you to do that?

Mr. SPETT. Well, we do get a lot of legal matters from other attorneys, in New York and throughout the country. We have men who do research work, who brief and analyze it.

Senator CURTIS. Isn't that a helium storage development program that is handled by Government contracts?

Mr. SPETT. It is handled I assume by Government contract.

Senator CURTIS. Did you do the work on the brief?

Mr. SPETT. I personally?

Senator CURTIS. Yes.

Mr. SPETT. No.

Senator CURTIS. So you don't know whether it involved Government business or not?

Mr. SPETT. We did not. I showed Mr. Van Kirk the extent of our services, to wit, an opinion as to the analysis of the act and the procedure to be followed, period. We did not negotiate, we did not represent them in any contract with any of the departments of the Government.

Senator CURTIS. Coming back to the salinization of water, you have had the experience with reference to the inventor that had a development going on in Israel?

Mr. SPETT. No, we did not represent him. We represented a company in New York that was interested in that process in Israel.

Senator CURTIS. Did that company participate in the process in Israel?

Mr. SPETT. I have no idea. As I indicated, a couple of years ago we terminated our relationship with this company.

Senator CURTIS. You do not know whether they had any part in the program?

Mr. SPETT. No, I do not know. I don't think there has been any market as of the time that we terminated our relationship, and I heard nothing since.

Senator CURTIS. When Congressman Celler gave you the Tucker & Baker card, what did he say to you?

Mr. SPETT. I answered that question. I will repeat my answer. He merely said that this firm, Tucker & Baker, was recommending a client to us in connection primarily with real estate matters in and about the New York area, and that he told Mr. Baker to have the client communicate with me.

Senator CURTIS. Did he say anything about saline water?

Mr. SPETT. Nothing, absolutely not. We didn't know outside of generally speaking what the nature of the services were.

Senator CURTIS. I have before me what appears to be a photostat of a letter to you signed by Mr. Bedford S. Wynne, and the last part of the letter said:

We hope to have our water conversion project underway in the near future.

What was that about?

Mr. SPETT. You know as much about it as I do. That is the last we heard of it.

Senator CURTIS (reading):

It looks like we are some 78 percent complete now.

To what was he referring?

Mr. SPETT. I assume he had reference to some sites in Jersey where they probably would erect these plants, and he was interested in real estate sites. That is my assumption.

Senator CURTIS. New Jersey was ruled out by the board early in the year, was it not?

Mr. SPETT. I don't know. I never delved into it. I haven't got the least idea.

Senator CURTIS. Why would he be advising you concerning the fact that they hoped to have a water conversion project underway in the near future?

Mr. SPETT. As I indicated to you, my assumption, and it is purely an assumption, that they were interested in real estate sites where they may manufacture these conversion units.

Senator CURTIS. But it makes no reference to the real estate.

Mr. SPETT. No. In another communication they do indicate that they would be interested in some New Jersey sites.

Senator CURTIS. But they make no reference to any problems of real estate title or otherwise.

Mr. SPETT. No; not specifically.

Senator CURTIS. Or zoning or other problems.

Mr. SPETT. Well, I mean there is an acquisition of sites, there are deeds and searches and the usual procedure, contracts.

Senator CURTIS. Why were they advising you of the fact that the pilot plant should be in full operation in the near future?

Mr. SPETT. Why?

Senator CURTIS. Yes.

Mr. SPETT. I do—

Mr. McLENDON. You will have to ask Mr. Wynne about that. I know as much about that as you do.

Senator CURTIS. Did you write back and ask him to what he was referring?

Mr. SPETT. I did not.

Senator CURTIS. Then he says:

There were numerous cities in New Jersey that indicated an interest before the last hearing of the Saline Water Board. We are getting that testimony and we will forward you that as soon as possible.

Why was he sending that to you?

Mr. SPETT. As I say, my guess, and it is purely a guess, is that it was in connection with acquisition of sites in New Jersey.

Senator CURTIS. With whom did you have your conversation about the fee to be charged?

Mr. SPETT. Mr. Wynne.

Senator CURTIS. When was that?

Mr. SPETT. The beginning of August of 1961.

Senator CURTIS. And when was your conversation with Congressman Celler stating that you should anticipate the client getting in touch with you?

Mr. SPETT. Sometime in August of 1961.

Senator CURTIS. Did Mr. Wynne say anything about the Tucker-Baker firm?

Mr. SPETT. He said to me that they recommended him to us, sir.

Senator CURTIS. And did Mr. Celler say anything about it?

Mr. SPETT. I have said that. I will repeat it, that Mr. Celler gave me this card of Tucker & Baker, and told me that Mr. Baker had met him in Washington here and would refer a client to us.

Senator CURTIS. Have you ever talked to Baker or Tucker by telephone?

Mr. SPETT. No, never.

Senator CURTIS. Have you ever talked to anyone who represented them?

Mr. SPETT. Never.

Senator CURTIS. And the total fee was \$10,000?

Mr. SPETT. That is right.

Senator CURTIS. How much did you share with Tucker & Baker?

Mr. SPETT. I sent them 25 percent of the fee, \$2,500.

Senator CURTIS. Now this letter ends by saying:

If there are any questions, please do not hesitate to call me.

Even though he discussed the conversion water project underway, it was 78-percent complete, that the pilot plant would be in full operation in the near future, and he makes reference to the New Jersey sites presented before the last hearing of the Saline Water Board, and that he is sending you some testimony, you had no questions about that?

Mr. SPETT. Definitely not.

Senator CURTIS. You understood all of it?

Mr. SPETT. I did not understand until something came through. There were no questions to be asked.

Senator CURTIS. That is all.

Mr. McLENDON. May I try to get this date fixed. Referring to that letter there which is undated, do you have a copy of it before you?

Mr. SPETT. Yes, I have got it right before me, Major.

Mr. McLENDON. I notice it says:

As I wrote you last week and as Tom Webb mentioned to you over the telephone, we are interested in attempting to secure a contract from the Government for the extraction and storage of helium.

Now look at the letter dated August 29, in which he says:

I wanted Tom Webb, our vice president in Washington, to call you concerning some papers I am sending to you in the next day or so.

So doesn't the reference of the undated letter to a letter which he had written a week before pretty well fix the date of this undated letter?

Mr. SPETT. It can be.

Mr. McLENDON. Well, it is almost certain, isn't it, sir?

Mr. SPETT. Well, fairly, yes.

Mr. McLENDON. Because he did write you the week before?

Mr. SPETT. Yes.

Mr. McLENDON. On the 29th, and then in the undated letter he refers to it.

Mr. SPETT. That is right.

Mr. McLENDON. All right.

The CHAIRMAN. Senator Cannon?

Senator CANNON. Mr. Spett, is it customary in your law firm to send a forwarding fee that is forwarded from another law firm?

Mr. SPETT. All the time.

Senator CANNON. Is this 25 percent forwarding fee that you used in this case, is that the usual forwarding fee?

Mr. SPETT. It usually is a third, anywhere up to a third. As a matter of fact we sent some matters down to a Congressman in Alabama, and he sent us a forwarding fee of 50 percent.

Senator CANNON. But the usual practice among law firms is a one-third forwarding fee?

Mr. SPETT. That is right.

Senator CANNON. Did you just arbitrarily fix the 25 percent in this instance?

Mr. SPETT. That is right, because there was no prearrangement. Usually when an attorney forwards a claim to another attorney, there is a fixation of fee. We had absolutely no agreement. This was completely voluntary on my part.

Senator CANNON. Did you ever discuss this matter with anyone?

Mr. SPETT. Anyone?

Senator CANNON. The amount of the forwarder in this case.

Mr. SPETT. To whom, with whom? Among my partners?

Senator CANNON. Either with members of your firm or with members of Baker's firm.

Mr. SPETT. I never discussed it with Baker's firm. Evidently it was a surprise to him that he got it. I did mention it to some of my partners after I sent him the fee, but I had the discretion to do it myself, being one of the senior partners.

Senator CANNON. Nothing further.

The CHAIRMAN. Senator Pell?

Senator PELL. The only interest of this committee in this whole matter is whether Baker did any wrongdoing or what other errors, or errors of judgment he may have made.

As I understand it, you never spoke with Mr. Baker. The only member of your firm who spoke with Baker and understood the nuances of this arrangement would be Mr. Celler, is that correct?

Mr. SPETT. What arrangements are you talking about?

Senator PELL. Why he mentioned your name and originally referred the client to you.

Mr. SPETT. Yes, Mr. Celler met Mr. Baker, and I think in his press interview he says—he stated—

Senator PELL. I have not read the press interview, I am sorry.

Mr. SPETT (continuing). That he met Mr. Baker, and Mr. Baker asked him whether his firm was in a position to handle some real estate matters in the New York area, and he said he was.

He gave him the card and said somebody would get in touch with one of our partners, and he asked them who should this client get in touch with, and Mr. Celler told them to get in touch with Mr. Spett.

Senator PELL. I would like to direct this question to our general counsel. Why aren't we talking with Mr. Celler, who is the man in touch?

Mr. McLENDON. We have talked with him.

Senator PELL. Is there a statement from him in the record?

Mr. McLENDON. No, Senator. He was asked if he would like to testify and he said no.

Senator PELL. Shouldn't he be the man to answer the relationship with Baker and not the man who—

Mr. McLendon. Senator, that was the nature and extent of Mr. Celler's contact.

Senator PELL. Isn't it up to Mr. Celler to say that?

Mr. McLendon. I think that is up to the committee. If the committee wants to subpoena him—

Senator PELL. I don't know. I am inquiring. I am not a lawyer. You are inquiring about the relationship between one man and another man, you don't ask the other man's partner. You ask the other man, if I am not being illogical.

Mr. McLendon. I don't think you are illogical at all, but this is a situation that requires some instruction from the committee.

Senator CURTIS. Did you differentiate between another firm recommending your law firm and forwarding some business?

Mr. SPETT. To me that is the same thing.

Senator CURTIS. Now in the forwarding business, doesn't it happen sometimes at least that the forwarding lawyer reports what he has done up to date, what the problem is, and seeks the further assistance from the firm that it is being sent to?

Mr. SPETT. Well, if what you say is so, then the division of fees is different.

In other words, if the forwarding attorney rendered services he would probably get a third of the ultimate fee received by the attorney who does the bulk of the work, or even a greater sum, depending upon the division of service.

Senator CURTIS. Is the practice in your office to divide a fee with someone who merely recommends you?

Mr. SPETT. Yes, with an attorney, not a layman. We are not permitted to divide fees or give any fees to a layman. We are only permitted to do so with attorneys.

Senator CURTIS. What is your definition of a layman?

Mr. SPETT. A nonattorney.

Senator CURTIS. Did Mr. Baker ever practice law?

Mr. SPETT. There is his card. He is an attorney. He had a law firm. I don't know whether he still has it, Tucker & Baker. Do you have the card?

Mr. McLendon. Yes. The reporter has it.

Mr. SPETT. Let me see it for a moment. "Tucker & Baker, attorneys at law."

Senator CURTIS. I don't believe this committee has heard about any legal matters that were handled by Bobby Baker. He was an employee of the Senate who happened to have gone to law school and was admitted to the bar.

Mr. SPETT. I don't know whether he is prohibited from practicing law, but he did have a law office at suite 605 Headquarters Building, 2060 P Street NW., Du Pont Circle, Washington, D.C., phone number Columbus 5-7003.

Senator CURTIS. Had he been previously handling this matter?

Mr. SPETT. I have no idea, sir. I was never in touch with either Tucker or Baker. I don't know what their activities are.

Senator CURTIS. In the ordinary concept of forwarding that is usually the case, isn't it?

Mr. SPETT. Yes, from one attorney to another. Now let's limit it to that.

Senator CURTIS. Yes.

Mr. SPETT. Yes. In other words, if another client recommends a client, he cannot get any forwarding fee. It is merely amongst attorneys.

Senator CURTIS. But to forward a matter from one lawyer to another it is assumed that the first lawyer has been working on it?

Mr. SPETT. Not necessarily. If we have a matter in another State, as I indicated to you we had a matter in Alabama, I couldn't do a darned thing in New York. I forwarded it to a Congressman in Alabama and he handled it and gave us a forwarding fee.

Senator CURTIS. But you did examine into it to the extent that you knew what you were forwarding?

Mr. SPETT. I didn't get that question. I am sorry.

Senator CURTIS. But you did make some preliminary inquiry into it so you knew the type of business you were forwarding?

Mr. SPETT. That we were forwarding?

Senator CURTIS. Yes.

Mr. SPETT. Yes; oh, yes.

Senator CURTIS. So you pursued it far enough to find out that you couldn't handle it, and it would take someone licensed in Alabama?

Mr. SPETT. The client came to us, told us the problem. It involved an Alabama situation, and we immediately forwarded it to an attorney in Alabama.

Senator CURTIS. What did you send to him?

Mr. SPETT. A letter.

Senator CURTIS. Did you recite some of the facts?

Mr. SPETT. Oh, yes.

Senator CURTIS. That is my point. I think that is quite different from just recommending a lawyer.

Mr. SPETT. Well, it is not different in the relationship between the attorneys. You have got a situation where you may need the services of attorneys in two different States, and then they make an agreement suitable to all concerned as to the division of the fees. In other words, some services to be rendered in one State as well as in another.

Senator CURTIS. Yes; that is my point, part of the service is performed by the forwarder and part by the attorney that receives the forwarding. But in this Baker & Tucker performed no services; did they?

Mr. SPETT. No; they did not. They were merely the referral attorneys.

Senator CURTIS. In what you say was a referral, they didn't transmit to you any of the facts about it?

Mr. SPETT. None whatsoever. If any other attorney does the same, I will also forward him a fee. I am not soliciting any business here.

Senator CURTIS. That is all.

The CHAIRMAN. Senator Cooper?

Senator COOPER. Looking at your letter to Sweet Water Development Co., dated September 21, 1961, the second page, the second paragraph, is there any reason it was directed to your firm including that paragraph in the letter? That is the paragraph stating:

It is further agreed between us that nothing herein set forth will require us to appear on your behalf before any agency or department of the U.S. Government.

Mr. SPETT. Well, that is by virtue of the fact that Mr. Celler is a Member of Congress, and he is not permitted to appear on behalf of any client before any Government agency and receive any fees.

Senator COOPER. Is that your usual procedure?

Mr. SPETT. Yes; definitely.

Senator COOPER. As far as clients that you have?

Mr. SPETT. That is right.

Senator COOPER. Your firm received \$10,000 for its services. I am sure you have stated it, but will you state again just what services you performed for the \$10,000.

Mr. SPETT. The services performed were the analysis of the leasehold agreements and underlying contracts forwarded to us by this real estate firm in New York, rendering, I think, of a 19-page opinion analyzing it.

The leases involved a term of 25 years with a rental of \$2.3 million with four 5-year options.

Another one was the construction of a shopping center. Opinions were exhibited to counsel, and also we analyzed this Helium Act in a lengthy opinion. That was the extent of our services, and also the fact that we were available to them for a period of a year for any advice or opinions which they may require.

Senator COOPER. Of course, you would state that the amount paid was reasonable value for the services you performed?

Mr. SPETT. Oh, yes; that is right. We wouldn't take an annual retainer for less than approximately this sum.

Senator CURTIS. Has Mr. Celler ever obtained any of the business from Washington under similar circumstances?

Mr. SPETT. Not that I know of. When you say Washington, what do you mean? Congressmen do recommend him, and recommend clients to him, just as we recommend Congressmen lawyers.

Senator CURTIS. That is all.

Mr. McLENDON. I don't understand that one. You say you have got a practice that you recommend Congressmen lawyers and then Congressmen recommend you?

Mr. SPETT. No.

Senator PELL. What about poor Senators?

Mr. McLENDON. That is what you said.

Mr. SPETT. Have I slighted anybody? Well, what I meant to say was the legislators, whenever we have any matters in another State, we usually ask Mr. Celler to recommend a Congressman or a Senator lawyer in that particular State to handle it, and conversely Congressmen and Senators who have matters in New York who are not permitted to practice in New York refer matters to us.

Mr. McLENDON. How voluminous is that exchange?

Mr. SPETT. I haven't counted them, but it happens again and again, not too frequently unfortunately.

Mr. McLENDON. So then that would explain why you didn't have much curiosity when Congressman Celler called you and told you that a law firm down here was referring you to another lawyer way down in Texas?

Mr. SPETT. Absolutely no unusual curiosity.

Mr. McLENDON. There wasn't anything unusual about that?

Mr. SPETT. Nothing unusual.

Mr. McLendon. Since you voluntarily brought this up, are you willing to tell this committee what percentage of your law practice is generated in that fashion?

Mr. Spett. I wouldn't have any idea.

Mr. McLendon. It is profitable though; is it?

Mr. Spett. Sometimes it is and sometimes it isn't.

Mr. McLendon. I mean in terms of the total volume of your firm's income.

Mr. Spett. It is very small, very small.

Mr. McLendon. If it is all at the rate of \$10,000 an engagement, it would amount to a considerable amount.

Mr. Spett. If the volume is great, it would.

Senator Curtis. Does it run several a year?

Mr. Spett. Several what?

Senator Curtis. Several employments?

Mr. Spett. I wouldn't know. I don't think so. I mean I have no idea.

Senator Pell. Were there any other cases referred to you by Mr. Baker of which you are aware?

Mr. Spett. None whatsoever.

Senator Pell. This is the only one?

Mr. Spett. Yes.

Senator Pell. Were there any cases referred by any other Senator or Senate employees?

Mr. Spett. Senate employees?

Senator Pell. Yes, or Senators?

Mr. Spett. Not that I know of.

Mr. McLendon. In connection with the Senator's question, since you didn't know Baker, did Congressman Celler identify him as being secretary to the majority in the Senate?

Mr. Spett. He merely gave me this card. I didn't know Mr. Baker; believe me, gentlemen, I don't know anything about politics. It is enough that we have one Congressman in the firm. I haven't been in Washington in the last 22 years, unfortunately.

Mr. McLendon. You may be fortunate. That is all, Mr. Chairman.

The Chairman. Thank you.

Mr. McLendon. Mr. Spett, unless some members of the committee want to detain this gentleman, he is anxious to leave to go on a vacation.

Mr. Spett. I came back from Florida voluntarily.

Senator Cooper. May I ask have you ever met Mr. Baker since?

Mr. Spett. No; I have not spoken to him and have not met him. Do you want that card?

Mr. McLendon. Yes, sir; please leave it.

Mr. Spett. Thank you, gentlemen, and good day.

Mr. McLendon. We are very much obliged to you.

The Chairman. Mr. Reporter, I would like to get this on the record, that my instructions to Major McLendon were that we sent Mr. Alexander over to interview Mr. Celler. He did go over and had quite a long interview with him, at which time we instructed him to tell Mr. Celler if he would like to testify, we would be glad to have him.

We did not subpoena him. He said he did not think he could add anything to what these other people could, and that he didn't want to, but we have no reason not to, if you want to bring him in here.

Senator CURTIS. He said he wouldn't testify?

The CHAIRMAN. He didn't say he wouldn't. He just said he didn't want to.

Mr. McLENDON. He told Mr. Alexander: "I am not requesting the opportunity to testify. I don't think it is necessary."

Senator CANNON. Has this interview been reduced to writing?

Mr. McLENDON. I am not sure. The thought we had was that he had talked to the Senator over the telephone, and he talked to me over the telephone, and we felt that unless we let him know that the committee was willing to hear him, he might have some reason to complain.

The purpose of the interview was to notify him the committee would be glad to hear him if he wished to be heard. He didn't think it was necessary. I didn't follow it up by issuing a subpoena for him.

Senator CURTIS. What does he say about his contacts with Bobby Baker?

Mr. McLENDON. Senator, I can only tell you what the press reported him as saying in the press conference.

Senator CURTIS. What did he tell our representative?

Mr. McLENDON. He told him the same thing that he said in the press conference; namely, that he had a conversation with Bobby Baker in which Baker inquired if his firm in New York handled real estate law business, and he answered "Yes." He said, "Well, I have got a client down in Texas that I am going to refer to the firm."

Senator CURTIS. Did he say where this conversation took place, was it with the Tucker & Baker law firm?

Mr. McLENDON. No; it was up here in the Capitol, as I understood it. He said Baker came to see him.

(Discussion off the record.)

Mr. McLENDON. Did Congressman Celler repeat to you the same thing that I said a moment ago?

Senator COOPER. Yes. He just said that Mr. Spett was coming down here to testify today about all of the circumstances. He said he had met Bobby Baker over there one day, and when all this stuff came up, he didn't know about Bobby Baker being, as he said, a bad boy.

Bobby Baker asked him if he had a firm there that did real estate work. He said "Yes." He said, "Well, I have got a client I would like to refer to it."

I didn't push the conversation.

Senator CANNON. Rather than decide that now, why don't we hear the rest of the witnesses.

Mr. McLENDON. Call Mr. Wynne.

(Discussion off the record.)

Mr. McLENDON. Tell Mr. Wynne to come in.

Mr. Wynne, at the request of the chairman of the committee, let me read you a brief statement so you will understand why you are here and the purpose of it.

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 interest or activities have involved any violation of law or other impropriety, or have reflected unfavorably upon the integrity of the Senate, and whether additional laws, rules, or regulations are necessary or desirable for the purpose of prohibiting or restricting any such interest 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 relating 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. It will aid the committee in the fulfillment of its legislative purpose.

You are advised that each witness is entitled, under the rules of procedure adopted by the committee, to retain and be accompanied by counsel who may advise the witness of his legal rights during the course of the inquiry, but who shall not coach or answer for the witness. Should the witness not fully understand any question directed to him, he may ask for a clarification. You understand from that you have a right to have counsel if you like?

Mr. WYNNE. Yes, major; I do.

Mr. McLENDON. Will you stand up. Senator, will you administer the oath to him?

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

Mr. WYNNE. I do.

Mr. McLENDON. Mr. Wynne, state your full name and home address, please.

TESTIMONY OF BEDFORD S. WYNNE

Mr. WYNNE. Bedford S. Wynne, 6301 Drexel, Dallas, Tex.

Mr. McLENDON. Are you a practicing lawyer?

Mr. WYNNE. Yes, sir.

Mr. McLENDON. Where is your law office?

Mr. WYNNE. In Dallas, Tex.—2808 Southland Center.

Mr. McLENDON. What is the name of your law firm?

Mr. WYNNE. Wynne, Jaffe & Tinsley.

Mr. McLENDON. J-a-f-f-e?

Mr. WYNNE. J-a-f-f-e.

Mr. McLENDON. T-i-n-s-l-e-y?

Mr. WYNNE. Yes, sir.

Mr. McLENDON. In 1961 did you have anything to do with the organization of a corporation known as the Sweet Water Development Co.?

Mr. WYNNE. Yes, sir.

Mr. McLENDON. What was the origin of this corporation? Begin from the very beginning, if you please. I believe it will save time if you tell us the first conversation about it which was here in Washington.

Mr. WYNNE. I believe it was either in January or February of 1961 here in Washington.

Mr. McLENDON. Who was present?

Mr. WYNNE. To the best of my recollection, Major, there was myself, Robert F. Thompson, Tom Webb, Francis Law, and Ralph Pittman, and subsequently Dr. Virgil Williams—Virgil Williams.

Mr. McLENDON. Thompson at that time was the chief executive officer of Tecon Corp.?

Mr. WYNNE. Tecon; yes.

Mr. McLENDON. And Mr. Webb and Mr. Law were both employed by what is commonly referred to as the Murchison interests which include Tecon?

Mr. WYNNE. I believe by Tecon, right.

Mr. McLENDON. Mr. Pittman was a local lawyer here in the city of Washington?

Mr. WYNNE. Right.

Mr. McLENDON. And Mr. Williams, whom you referred to, is the inventor of a saline water process?

Mr. WYNNE. Correct.

Senator CURTIS. Would you yield right there? Is he the gentleman that had something to do with a saline water project in Israel?

Mr. WYNNE. Senator, I couldn't say. I don't know. He had some experience with it. Whether it was in Israel, I don't know. I don't believe that he was.

Senator CURTIS. How did you learn of his experience then?

Mr. WYNNE. How did I learn of him? I had known him for a number of years. He testified in a lawsuit that we had had some time previous to 1961, and subsequent to that, he went to Puerto Rico and was working on this project. To the best of my recollection, his name came up after a conversation he had—I say we—that Tom Webb had. I don't recall whether I was present at the first conversation with Mr. David Jenkins, who was the first Director of the Office of Saline Water. And when his name came up, I remembered him and contacted him at that time.

Senator CURTIS. I won't interrupt any more at this point.

(At this point of the proceedings Senator Clark left the committee room.)

Mr. McLENDON. Will you tell the committee the gist of the conversation at this informal conference to which you referred, and what informal agreement, if any, you reached?

Mr. WYNNE. The gist of the conversation was I believe that Tom Webb had talked to Mr. Jenkins at that time who was, as I say, the first Director of the Office of Saline Water. There was considerable activity going on with the desalinization processes, and it looked like there was going to be considerable activity in the future. We investigated a process that I believe was at Pennsylvania State University, and subsequent to that Mr. Williams' name came up, and we decided that we wanted to pursue it so we asked him to come in here and talk to us, which he did. Subsequent to that we formed a corporation to pursue the study of this desalinization process. We moved on from there. I think the corporation was actually formed in March of 1961.

Mr. McLENDON. Did Mr. Williams confer with you here in Washington, or did he come to Texas?

Mr. WYNNE. I thought that he had been to Dallas, but I think in retrospect that we met here in Washington for the first time.

Mr. McLENDON. Did you decide or agree upon any details of the corporation that was to be organized?

Mr. WYNNE. We did preliminarily; yes, sir.

Mr. McLendon. Did you agree on a name?

Mr. Wynne. Sweet Water Development Co. at that time.

Mr. McLendon. And how long after that conversation here did you actually procure the charter for the Sweet Water Development Co.?

Mr. Wynne. It was shortly thereafter, within a couple of weeks. I don't know the exact date that we were chartered, but I believe it was the first part of March of 1961.

Mr. McLendon. You made reference to the fact that, prior to this conference, you were informed that Mr. Webb had made some contact in the Department of the Interior about the whole saline water project?

Mr. Wynne. No.

Mr. McLendon. No?

Mr. Wynne. No, sir; I didn't say that. I said that he had been contacted, that he had had conversation with Mr. David Jenkins, who had been the first Director of the Office of Saline Water. He was not connected with the Office of Saline Water at that time.

Mr. McLendon. Oh, had been connected?

Mr. Wynne. Had been; yes, sir.

Mr. McLendon. I see. He had previously been in the Department of the Interior?

Mr. Wynne. Yes, sir.

Senator Curtis. Do you know where he was employed at the time of the conversation?

Mr. Wynne. No, sir; I do not. I believe that he was a consultant. I do not know where, but he was in Washington, and I believe a consultant.

Mr. McLendon. We have been furnished with a copy of the charter of this corporation. I would like to ask you to look at it and state whether you can identify that as the charter.

Mr. Wynne. I am sure it was, Major.

Mr. McLendon. What is the date of it?

Mr. Wynne. March 16, 1961.

(The document referred to is as follows:)

EXHIBIT 90



STATE OF TEXAS
OFFICE OF THE SECRETARY OF STATE
AUSTIN, TEXAS 78711

Crawford C. Martin
SECRETARY OF STATE

January 5

US TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE
INTELLIGENCE DIVISION
POST OFFICE BOX 1139
DALLAS, TEXAS 75221

RE: SWEET WATER DEVELOPMENT COMPANY

GENTLEMEN:

~~Thank you for your remittance of \$x~~
~~enclosed~~

~~xxx payment of \$x~~

ENCLOSED PLEASE COPY OF THE CHARTER FILE OF THE ABOVE COMPANY.

If we can be of service at any time, please advise.

Sincerely yours

CRAWFORD C. MARTIN
Secretary of State

By *Etheline Wier*
(Mrs.) Etheline Wier
Certifying Clerk

G. Mokry

APPROVED & FORWARDED TO

Long #1

JAN 6 1965

(Signed) *James M. Cooner*
Chief, Intelligence Division
Office of the District Director
Dallas, Texas

RECEIVED

JAN 6 1965

DIST. DIR. INT. REV.
INTELLIGENCE DIVISION
DALLAS

No. 37

[illegible]

NAME _____

Company Name _____

DATE: 11/10/00 TIME: 10:00 AM

REPORT OF THE BOARD OF DIRECTORS

(09) (07) (08) (06) (05) (04) (03) (02) (01)

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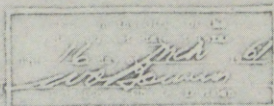
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1090 CHIT

ARTICLES OF INCORPORATION
OF
SWEDISH WATER DEVELOPMENT COMPANY



SIGNED ON BEHALF OF)
) KNOW ALL MEN BY THESE PRESENTS
COUNCIL OF DIRECTORS)

We, the undersigned, being all natural persons above the age of twenty-one (21) years, all of whom are citizens of the State of Texas, acting as incorporators of a corporation under the Texas Business Corporation Act, do hereby adopt the following Articles of Incorporation for such corporation:

ARTICLE ONE

The name of the corporation is SWEDISH WATER DEVELOPMENT COMPANY.

ARTICLE TWO

The period of its duration is perpetual.

ARTICLE THREE

The purposes for which the corporation is organized are as follows: to conduct and engage in a scientific business, including all phases relating to the application of science in the fields of engineering, physics, chemistry and geology, and in the field of economics as it relates to the production, storage, transportation and distribution of fresh or potable water, and the ascertainment and accumulation of such scientific data, and the dissemination of all information, opinions and estimates pertaining thereto; to engage in and conduct the business of research and development in any

(10), and, in particular, the right of converting salt water or saline solutions
 into fresh or potable water; (11) to carry on investigations and experiments of
 various kinds, to originate, develop, improve, record and preserve any discoveries,
 inventions, processes, formulas, and improvements in any field of research
 or development conducted by it and particularly in the field of converting
 salt water or saline solutions into fresh or potable water; to build, purchase,
 lease, acquire, own, hold, use, maintain, improve and operate laboratories,
 factories, offices, structures, plants, and works; to develop, manage, buy,
 sell, lease and deal in machinery, fixtures and apparatus for the processing
 or converting of salt water or saline solutions into fresh or potable water,
 or for water works; and to acquire, construct, manage, maintain and
 operate water works to supply municipalities, corporations and individuals
 with water or water power; to develop, manufacture, buy, sell, lease and
 deal in machinery, fixtures, apparatus, or goods of any type or nature; to
 carry on the business of consulting, advisory and management engineers
 in all or any of their branches, and also the development of industrial and
 commercial enterprises wherever situated; and to acquire, hold, use,
 sell or assign, lease, grant licenses in respect of, mortgage, or otherwise
 dispose of letters patent of the United States or any foreign country, patent
 rights, licenses and privileges, inventions, improvements and processes,
 copyrights, trademarks and trade names relating to or useful in connection
 with any business of the corporation.

ARTICLE FOUR

The aggregate number of shares which the corporation shall have authorized to issue shall not exceed (200,000) shares of Common Stock having the par value of One Dollar (\$1.00) each, and having the total par value of One Hundred Thousand Dollars (\$100,000.00).

ARTICLE FIVE

The corporation will not commence business until it has received in full the amount of its shares constituting at the value of One Thousand Dollars (\$1,000.00), consisting of money, labor, stock, or property actually received.

ARTICLE SIX

No shareholder of this corporation shall by reason of his holding shares of any class have any pre-emptive or preferential right to subscribe or subscribe to any shares of any class of this corporation, now or hereafter to be authorized, or any right, claim, demand, bond or other consideration convertible into or exchangeable for shares or warrants to purchase shares of any class, now or hereafter to be authorized, whether or not the holder of any such shares, or such rights, claim, demand, bond or consideration, would adversely affect the dividend or voting rights of such shareholder, which shall be determined, if any, as the Board of Directors, in its discretion shall deem to the end they grant and at such price as the Board of Directors in its discretion may see and the Board of Directors may issue shares of any class of this corporation, or any notes, debentures, bonds or other securities.

conclusive title or conveying, Option or Warrant, to purchase shares of any class, without offering any such shares of any class, either in whole or in part, to the existing shareholders of any class.

SECRET

[illegible]
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The composition shall accordingly may characterize, describe, or designate
or (other), character, office, or employment of the person, or any other
who may have served in the capacity of a character, office, or employment
under composition in which it shall appear of stock, or of which it be
acquired, against persons directly and indirectly interested in the same and
therein be a statement of the person or persons with any other, and
of the person which shall be contained in the same, or which is to be
made by means of being of having been stock, character, office, or employment
(which is or is a character, office, or employment in the same case, and
or character and employment of person upon the subject of the same
the person as to which it shall be referred or shall appear, and
personality to be taken for the purpose of the same, or shall be referred to
personality of other. The composition shall be referred to any other

ARTICLE III

THE DISTRICT OF COLUMBIA STADIUM SHALL BE CONSTRUCTED IN ACCORDANCE WITH THE FOLLOWING:

SECTION 1

ARTICLE III

SECTION 1.1. THE DISTRICT OF COLUMBIA STADIUM SHALL BE CONSTRUCTED IN ACCORDANCE WITH THE FOLLOWING:

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SECTION 1.2. THE DISTRICT OF COLUMBIA STADIUM SHALL BE CONSTRUCTED IN ACCORDANCE WITH THE FOLLOWING:

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SECTION 1.4. THE DISTRICT OF COLUMBIA STADIUM SHALL BE CONSTRUCTED IN ACCORDANCE WITH THE FOLLOWING:

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[Signature]
SECTION 1.5. THE DISTRICT OF COLUMBIA STADIUM SHALL BE CONSTRUCTED IN ACCORDANCE WITH THE FOLLOWING:

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SECTION 1.6. THE DISTRICT OF COLUMBIA STADIUM SHALL BE CONSTRUCTED IN ACCORDANCE WITH THE FOLLOWING:

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SECTION 1.7. THE DISTRICT OF COLUMBIA STADIUM SHALL BE CONSTRUCTED IN ACCORDANCE WITH THE FOLLOWING:

SECTION 1.8. THE DISTRICT OF COLUMBIA STADIUM SHALL BE CONSTRUCTED IN ACCORDANCE WITH THE FOLLOWING:

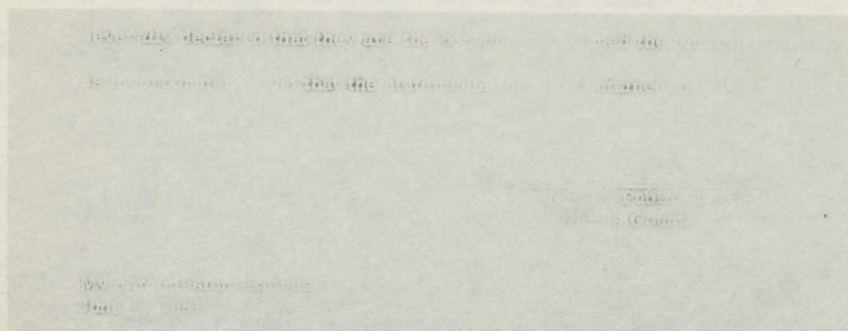
SECTION 1.9. THE DISTRICT OF COLUMBIA STADIUM SHALL BE CONSTRUCTED IN ACCORDANCE WITH THE FOLLOWING:

SECTION 1.10. THE DISTRICT OF COLUMBIA STADIUM SHALL BE CONSTRUCTED IN ACCORDANCE WITH THE FOLLOWING:

SECTION 1.11. THE DISTRICT OF COLUMBIA STADIUM SHALL BE CONSTRUCTED IN ACCORDANCE WITH THE FOLLOWING:

SECTION 1.12. THE DISTRICT OF COLUMBIA STADIUM SHALL BE CONSTRUCTED IN ACCORDANCE WITH THE FOLLOWING:

SECTION 1.13. THE DISTRICT OF COLUMBIA STADIUM SHALL BE CONSTRUCTED IN ACCORDANCE WITH THE FOLLOWING:



Mr. McLendon. Who were the incorporators?

Mr. Wynne. Richard F. Whitesell, Jr., John T. Kipp, and Edward W. LeBaron, Jr.

Mr. McLendon. Were all of them in your firm?

Mr. Wynne. Yes, sir.

Mr. McLendon. So they were just nominal applicants for the charter?

Mr. Wynne. Yes, sir.

Mr. McLendon. Is it named who are the first directors?

Mr. Wynne. The first directors named were Dr. Thomas G. Webb, Dr. Virgil Williams, and Bedford S. Wynne.

Mr. McLendon. That would be Tom Webb of Washington?

Mr. Wynne. Yes, sir.

Mr. McLendon. And the inventor, Mr. Williams, and yourself?

Mr. Wynne. Yes, sir.

Mr. McLendon. Incorporated for a capital stock of \$100,000.

Mr. Wynne. Yes, sir; 100,000 shares, \$1 a share.

Mr. McLendon. Par value of \$1.

Mr. Wynne. Yes, sir.

Mr. McLendon. Authorized to begin business at \$1,000 or \$10,000.

Mr. Wynne. When \$1,000 was either paid in labor, services, or money.

Mr. McLendon. Subsequent to the organization of the corporation, who were the first board of directors?

Mr. Wynne. I would have to get those records, which I have out there, Major, but I believe it was myself, Tom Webb, Virgil Williams, Ralph Pittman, Francis Law, and Clint Murchison, Jr.

Mr. McLendon. I think you named them all. I will read the list for the record that we have. Thomas D. Webb, Francis Law, Ralph D. Pittman, Virgil C. Williams, Bedford Wynne—that is yourself—C. W. Murchison, Jr., and Robert F. Thompson. Is that about right?

Mr. Wynne. Yes, sir. I left off Thompson.

Mr. McLendon. Later on the board was reduced to three?

Mr. Wynne. To three; right, sir.

Mr. McLendon. Who are the three?

Mr. Wynne. Robert F. Thompson, Clint Murchison, and myself.

Mr. McLendon. After you had organized the corporation did you, the corporation, enter into an arrangement for the operation of what was known as a pilot plant at St. Louis?

Mr. Wynne. Yes, sir.

Mr. McLendon. And did you use Dr. Williams' process?

Mr. Wynne. Yes, sir.

Mr. McLendon. Was that financed by the committee in any respect?

Mr. Wynne. Not in any way.

Mr. McLendon. I beg your pardon—by the Department of the Interior?

Mr. Wynne. Initially not in any manner whatsoever. Now after May of 1962 there were some modifications made on this plant which were financed by the committee. But the initial plant and the construction of it was not capitalized by the committee in any manner.

Mr. McLendon. I want to get that straight now. The money that was used—

Mr. WYNNE. Yes, sir.

Mr. McLENDON (continuing). In building the pilot plant and the operation of it up to what date in 1962?

Mr. WYNNE. I believe it was May of 1962.

Mr. McLENDON. Was private money furnished by the corporation?

Mr. WYNNE. Yes, sir. Well, it was furnished by individuals. Tacon furnished part of it and I furnished part of it.

Mr. McLENDON. Was any of that money repaid to you?

Mr. WYNNE. No, sir.

Mr. McLENDON. By the Department of the Interior?

Mr. WYNNE. No, sir. It was strictly understood that none of that money would ever be recouped.

Mr. McLENDON. Did you make any requests for reimbursement?

Mr. WYNNE. Not as such. I believe that there was an item of insurance that was put in there, but I think that that is the only item. But as far as any of the money that had been expended prior to that time, there was never any claim made for it.

Mr. McLENDON. After the corporation was formed, did you decide that you needed to employ New York counsel?

Mr. WYNNE. Yes, sir. It evolved that we did.

Mr. McLENDON. Who made that decision?

Mr. WYNNE. I guess that I probably did.

Mr. McLENDON. Let's not guess about it.

Mr. WYNNE. I made the arrangements; yes, sir.

Mr. McLENDON. You made the arrangements?

Mr. WYNNE. Yes, sir.

Mr. McLENDON. Why?

Mr. WYNNE. Well, after March of 1961, as I told you, there was certain money being put into this pilot plant, and we were looking for ways that we might find some money to finance this, and in talking to Mr. Murchison, I asked him if they had anything, and he told me of a couple of real estate deals that he was in with Winston Muss, which was a joint venture of theirs, and said if things could be worked out, that Sweet Water could participate in those. It involved some real estate in New York and some in Arizona, and at that time we determined that it would be beneficial to hire New York counsel, so we did.

Mr. McLENDON. And it was left to you to employ them?

Mr. WYNNE. Yes, sir.

Mr. McLENDON. How did you go about selecting New York counsel?

Mr. WYNNE. The best that I can remember, Major, we were discussing that, and also a helium storage progress along about the same time, which was about in August of 1961, and I am sure that it came out of the conversation that we had here in Washington with a group of people here that this firm's name was brought up, and I am sure it was recommended by somebody here in Washington. I have no independent recollection of any specific conversation, but I am sure that it happened that way.

Mr. McLENDON. Surely you would know what individual recommended this New York firm. You didn't know them, did you?

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

Mr. McLENDON. Did you ever have any business with them before?

Mr. WYNNE. No, sir. Of course, I knew of the firm name, and I looked them up in Martindale Hubbell, but we haven't done any business with them.

Mr. McLENDON. Martindale Hubbell has got thousands of lawyers in it in New York.

Mr. WYNNE. It does.

Mr. McLENDON. You wouldn't pick out that firm without some lead from some source.

Mr. WYNNE. Not whatsoever.

Mr. McLENDON. Who suggested the name of that firm?

Mr. WYNNE. I have no independent recollection, Major, but I will have to assume, if you want me to draw an assumption, that it is probably Bobby Baker.

Mr. McLENDON. Tell us the circumstances under which Bobby Baker mentioned to you the desirability of this firm.

Mr. WYNNE. I cannot tell you anything specific on the reason that he mentioned this firm. I just have to assume that it was done through him in some conversation that we had up here. As I told you, I saw him quite frequently when I was in Washington, and we discussed various things, and I imagine that this was done at that time.

Mr. McLENDON. Mr. Wynne, I don't want to be critical, but of the thousands of people that live in the District of Columbia, why would you pick out Bobby Baker?

Mr. WYNNE. There are thousands of people who live here. It just happens that I know him better than most people, and he is a friend of mine, as I told you, and had been for a number of years.

Mr. McLENDON. Then is it fair for the committee to draw the conclusion that you did ask Baker to recommend some firm in New York?

Mr. WYNNE. I wouldn't say that I asked him. I don't say that I didn't. This came out in the conversation, and I am sure that he recommended. I am not trying to dodge the answer, but I don't want you to put words in my mouth.

Mr. McLENDON. Will you tell the committee whether or not you had any communications directly with Congressman Celler?

Mr. WYNNE. I never talked to Congressman Celler in my life.

Mr. McLENDON. You knew at the time you got in touch with this firm that Congressman Celler was a member of the firm?

Mr. WYNNE. I found that out; yes, sir.

Mr. McLENDON. Before or after you called?

Mr. WYNNE. Before.

Mr. McLENDON. Before you called?

Mr. WYNNE. Yes, sir.

Mr. McLENDON. What was your purpose in employing a firm in New York? You had no business up there at that time.

Mr. WYNNE. Other than Winston Muss was in business in New York, and all of the records were in New York, and the matter that they were going to investigate which was very substantial, all of their records were in New York.

Mr. McLENDON. Are you telling the committee that at that time this Sweet Water Development Co., with a paid-in capital of only \$15,000 and authorized capital of \$100,000, was going into a business of the magnitude of this Winston Muss business?

Mr. WYNNE. Major, I don't think that you can say that this company with the \$15,000—Tecon was a partner in it, and Tecon is owned strictly by the Murchisons, and as far as whether it had \$15,000 in it

at that time or not was of little importance at that time. The money was available on anything that they wanted to go into.

Mr. McLendon. Can you produce any records, minutes, or other documents of the Sweet Water Development Co. showing that, at the time you employed this law firm in New York, the Sweet Water Developing Co. was committed to any kind of real estate transaction anywhere?

Mr. Wynne. It wasn't committed to any; no. As I told you, we were looking for things.

Mr. McLendon. But you were committed to the saline water project?

Mr. Wynne. To Virgil Williams; yes. We had given him an employment contract.

Mr. McLendon. And had you become convinced as a result of the pilot operation in St. Louis that this thing had sufficient merit to justify investing some money in it? I am talking about the Williams process?

Mr. Wynne. The process? Absolutely.

Mr. McLendon. You were all sold on the idea that it was a good process?

Mr. Wynne. We hoped that it was, and we were convinced in his ability enough that we hoped that ultimately he would have a good process.

Mr. McLendon. Didn't it go further than that, Mr. Wynne? Didn't you and others of your company confer with people in the Department of the Interior, and you found out from that that they also looked with favor upon the Williams process?

Mr. Wynne. Not at that time. The first time that we talked to the people with the Department of the Interior, they said they didn't have enough data to evaluate it at that time, and that was the reason for the construction of the pilot plant.

Mr. McLendon. But they were interested in it?

Mr. Wynne. They were interested in any process for the desalinization of salt water.

Mr. McLendon. Let's talk about this one, please. Isn't it a fact that the people in the Department of the Interior expressed an interest in the Williams process?

Mr. Wynne. Certainly they did.

Mr. McLendon. And they discussed with you the desirability of operating this pilot plant?

Mr. Wynne. Of us operating it?

Mr. McLendon. Yes; your operating it.

Mr. Wynne. Yes.

Mr. McLendon. So at the time that you got in touch with this law firm in New York, your company was committed to the saline development?

Mr. Wynne. No; we weren't committed to anything except our agreement with Williams, and the good faith that he had to have in us. We had our money in it, and we were certainly going to stay with it.

Mr. McLendon. Committed doesn't quite express it. You were so interested in pursuing the saline water development thing that you were employing counsel, were you not?

Mr. Wynne. That we were what, sir?

Mr. McLENDON. Employing counsel.

Mr. WYNNE. Not for the saline water; no.

Mr. McLENDON. Didn't you employ counsel in St. Louis, the patent experts? Didn't you employ that firm in St. Louis to get patents in foreign countries?

Mr. WYNNE. I don't know the date. We did employ a firm in St. Louis which we likewise—I don't know whether that was subsequent to 1962 or prior to 1962. We did have counsel in St. Louis that Mr. Williams had prior to the time that we became involved in it, and we did hire them to pursue our patent applications. I believe there was one modification of it.

Mr. McLENDON. Certainly everybody would regard that as a good business judgment. You wanted to protect the patent.

Mr. WYNNE. We felt it was.

Mr. McLENDON. You had at that time come to the conclusion that it had merit?

Mr. WYNNE. Yes.

Mr. McLENDON. You were encouraged to believe that the Department of the Interior thought it had merit?

Mr. WYNNE. We hoped that they would.

Mr. McLENDON. You got information from Mr. Baker that this law firm in New York was desirable. What did you tell them when you got in touch with them?

Mr. WYNNE. Told them we had a couple of—I think you might use the word "deal"—real estate prospects that we were looking at, and wanted to know if they were in a position to undertake checking into them for us. I also told them I believe in the initial conversation that we were interested in a helium bill that had just been passed by the Congress for the storage of helium, and we wanted an interpretation of that. We asked them if they would be in a position to undertake that.

Mr. McLENDON. What did you tell them about building sites in New Jersey that they were interested in?

Senator CURTIS. Before we leave the helium plan, wasn't this conversation before the helium bill was enacted?

Mr. WYNNE. This was in August of 1961. It was on August 17, 1961, that I first heard about the helium prospect. But when the actual bill was finalized, I don't recall. But this was in August of 1961.

Senator CURTIS. Isn't it true that when the conversation took place with reference to the Celler firm about the helium plant, that the helium bill hadn't been enacted?

Mr. WYNNE. I don't know when the helium bill was enacted, but there was legislation going on at that time.

Senator CURTIS. Wasn't your interest in matters that would go into the bill?

Mr. WYNNE. I beg your pardon?

Senator CURTIS. Weren't you interested in what might go into the bill?

Mr. WYNNE. None whatsoever. I didn't have any idea of anything going into the bill.

Senator CURTIS. Did you ever make a statement to anyone orally or in writing that in pursuit of legal counsel in New York about this

helium bill was during the time the helium bill was under consideration by the Congress?

Mr. WYNNE. The only statement I ever made to anyone was to the Treasury agent that interviewed me, in which I said that I felt that the Celler firm, since the legislation was in process, would probably know what was going on in the bill.

Senator CURTIS. The legislation was in process?

Mr. WYNNE. I don't know, Senator.

Senator CURTIS. But you said that.

Mr. WYNNE. That they were familiar with it.

Senator CURTIS. But you told someone in speaking of it that the legislation was in process.

Mr. WYNNE. No; I did not.

Senator CURTIS. I thought that is what you just said now.

Mr. WYNNE. No, sir. I said that they were familiar with it.

Senator CURTIS. I wish the reporter would read back what you said.

(The record was read by the reporter, as requested.)

Mr. McLENDON. Mr. Wynne, you recall making an affidavit to one of the agents of the Internal Revenue Service, do you not?

Mr. WYNNE. Yes, sir; that is the one I had reference to.

Mr. McLENDON. May I read a paragraph from it? By the way, it is written in your handwriting?

Mr. WYNNE. No, sir.

Mr. McLENDON. You signed it, anyway?

Mr. WYNNE. Yes, sir.

Mr. McLENDON (reading):

I believe the reason Weisman, Celler, Allan, Spett & Sheinberg were selected for this legal opinion—

And "this legal opinion" refers to helium?

Mr. WYNNE. Right.

Mr. McLENDON (continues reading):

was that Celler had something to do with it—

Mr. WYNNE. Right.

Mr. McLENDON (continues reading):

was that Celler had something to do with the bill when it was introduced and portions of the legislation were available in the law firm office. It seems to me that this firm had done some work for someone else along these lines.

Mr. WYNNE. That was my statement.

Mr. McLENDON. And that was a correct statement, wasn't it?

Mr. WYNNE. It was as far as I know. And it still is. This is a statement I made before I checked any records or anything else. It was my opinion that this was correct.

Mr. McLENDON. Now, Mr. Wynne, the committee has before it a letter dated August 29 signed by you. I am sure you have seen it, but to be certain you know what I am talking about, show him that letter. Did you write this letter dated August 29 marked "Exhibit 83," and signed "Bedford S. Wynne"?

Mr. WYNNE. That is not my signature, but I am sure I dictated it.

Mr. McLENDON. It shows initials or something under the signature. Would that indicate your secretary signed your name, sir?

Mr. WYNNE. Yes, sir.

Mr. McLendon. You don't repudiate the letter?

Mr. Wynne. No, sir.

Mr. McLendon. It says, does it not:

I asked Tom Webb, one of our vice presidents, in Washington, to call you concerning some papers that I will send to you in the next day or so.

When I originally talked to you, I felt that we would have considerable negotiations with a number of attorneys in New Jersey for plant sites, but due to some engineering delay we are not in a position to talk to them concerning this at the present time.

What does that have reference to?

Mr. Wynne. Well, either right at that time or slightly prior to that time there was a critical water shortage in some portions of New Jersey along the east coast, and it was our original thought when we were talking about a plant that we were thinking in relation of putting this plan either along the New Jersey coast, along the Florida coast, or along the Texas coast, somewhere where sea water was available, and likewise somewhere where there was a water shortage, that this might be utilized later on.

Mr. McLendon. So this has reference to a desalinization plant?

Mr. Wynne. Right.

Mr. McLendon. In New Jersey?

Mr. Wynne. Right.

Mr. McLendon. So why didn't you say that to the law firm when you called them, that "We are thinking about a desalinization plant in New Jersey"?

Mr. Wynne. Why didn't I say what, sir?

Mr. McLendon. Why didn't you ask the lawyers whether they could—

Mr. Wynne. They had nothing to do with the desalinization plant.

Mr. McLendon. Mr. Wynne, that is not my question. You already testified before the committee that when you called these lawyers in New York you didn't say a thing about desalinization.

Mr. Wynne. No, sir.

Mr. McLendon. You asked them only about helium and real estate.

Mr. Wynne. Right.

Mr. McLendon. Now in view of this statement in your letter, my question is, Why didn't you tell them about the desalinization?

Mr. Wynne. Because I wasn't concerned about their position as far as the desalinization is concerned.

Mr. McLendon. Why would you write this paragraph in this letter then?

Mr. Wynne. I couldn't answer that, Major. I see the paragraph there.

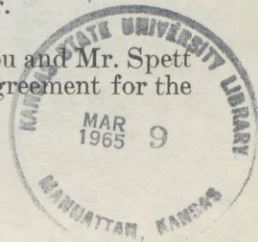
Mr. McLendon. Doesn't that paragraph explain why you had called on them to do any specific work in desalinization sites?

Mr. Wynne. None whatsoever. They had nothing to do with it. At the time that we talked to them, I could have well thought if we did go into it, that they would represent us, but that never came about.

Mr. McLendon. I understood you to say a moment ago that you can't explain why you put this paragraph in the letter.

Mr. Wynne. I can't.

Mr. McLendon. Following that on September 21 you and Mr. Spett of the New York firm entered into a formal written agreement for the employment of this firm, did you not?



Mr. WYNNE. Yes, sir.

Mr. McLENDON. Are you familiar with that?

Mr. WYNNE. No. I couldn't find a copy of that, Major. I understood that there was.

Mr. McLENDON. Show him a copy of that. Mr. Wynne, without taking time to read it out loud, I would like for you to look at it and tell this committee whether there is a word in there which indicates that you were employing this firm in New York in connection with the real estate exclusively, or helium exclusively, or both.

Mr. WYNNE. No, sir.

Mr. McLENDON. And it does not exclude the possibility that they would render service in connection with a desalinization plant?

Mr. WYNNE. Does not exclude it; no, sir.

Mr. McLENDON. And following that, the committee has a letter signed by you, or for you. It is dated, but it was written obviously a week after your letter referring to Tom Webb in which you say that you would like to have a brief opinion on the wording of the act as passed by Congress concerning the extraction and storage of helium. And then there is this paragraph near the bottom.

We hope to have our water conversion project underway in the near future. It looks like we are some 78 percent complete now, and the pilot plant should be in full operation in the near future.

What does that have reference to?

Mr. WYNNE. It had to be a pilot plant.

Mr. McLENDON. Which plant did you have 78 percent complete?

Mr. WYNNE. The one in St. Louis.

Mr. McLENDON. And why would you mention that in a letter to these lawyers?

Mr. WYNNE. I have no idea, other than I am sure that when I first talked to him, he asked what Sweet Water was, and it is a matter of explanation of what it was. And I imagine I just told him it was that much completed.

Mr. McLENDON. Mr. Wynne, doesn't it appear that the inescapable conclusion is that this paragraph was written to your lawyers to give them information?

Mr. WYNNE. Absolutely not, Major. I have been over that and said unequivocally that they have had nothing whatsoever to do with Sweet Water Development Co., as far as the desalinization plant is concerned.

Mr. McLENDON (reading):

There were numerous cities in New Jersey that indicated an interest before the last hearing of the Saline Water Board. We are getting that testimony and will forward you that as soon as possible.

Why would you forward that kind of information to these lawyers if they were not under obligation to render services?

Mr. WYNNE. If they were going to negotiate a plant site in New Jersey, then we would have forwarded them that information. But we never secured the information, and it was never forwarded to them.

Mr. McLENDON. All right. So you considered that they were under obligation to render that kind of service if you asked them to?

Mr. WYNNE. If we asked them to.

Mr. McLendon. Mr. Spett has put in evidence a letter from you authorizing him to discuss further with this committee his relations with you, as a waiver of the lawyer-client privilege. You are aware of that?

Mr. Wynne. Yes, sir, he called me and told me he had been so requested, and I gave that permission.

Mr. McLendon. You are making no point about that?

Mr. Wynne. None whatsoever.

Mr. McLendon. Do you have a copy of your affidavit to which you referred a moment ago?

Mr. Wynne. I don't have it with me, no, sir—yes, sir.

Mr. McLendon. And do I understand that you say that the paragraph beginning at the bottom of the page, giving your reason for the employment of the firm of Weisman, Celler, Allan, Spett & Sheinberg is in error?

Mr. Wynne. Partially, and partially it is correct.

Mr. McLendon. In what respect is it in error?

Mr. Wynne. The legislation was already completed at that time and had been passed by both the Senate and the House, and it happened it had been done at that time.

Mr. McLendon. Now, your affidavit states that you never paid Bobby Baker any money?

Mr. Wynne. Right.

Mr. McLendon. After you employed this firm, and it was suggested it was probably Bobby Baker recommending them, did you speak to Baker about it?

Mr. Wynne. No, sir.

Mr. McLendon. You never mentioned it?

Mr. Wynne. Nothing more, other than telling him we employed them.

Mr. McLendon. Did he tell you this firm in New York had been so generous as to send him \$2,500?

Mr. Wynne. As you can see in my affidavit, I did not know it until Mr. Spett called and told me about it.

Mr. McLendon. You mean recently.

Mr. Wynne. About a month ago, I guess—6 weeks—somewhere in there.

Mr. McLendon. I believe you were—this affidavit has not been put into evidence. I will ask you, Mr. Reporter, to number that.

(The document referred to is as follows:)

EXHIBIT 91

AFFIDAVIT

United States of America _____)
~~Alachua~~, District of ~~FLA.~~) ss

I, Bedford S. Wyman, state that:

I reside at 3601 Drexel Drive, Dallas, Texas.

I am an attorney and my office is located at 2808 Southland Center, Dallas, Texas.

I am vice president of Sweet Water Development Co., Dallas, Texas.

Special Agent J.D. Crocker has asked me the nature of the services performed for Sweetwater Development Co., by Weisman, Cellar, Allan, Spett and Sheinberg, Attorneys, New York, in connection with Sweet Water's payment of a \$10,000. legal fee to that firm in 1961.

After we organized Sweet Water Development Company, we heard the United States government was interested in helium storage plants. I believe this information was obtained by either Thomas Webb or Ralph D. Pittman, Washington, D.C., and I ~~assume the information came from Bobby Baker.~~

We wanted an opinion regarding application of the helium gas act as proposed for legislation, and I believe that Bobby Baker referred Sweet Water to Weisman, Cellar, Allan, Spett and Sheinberg. I did not have a conference with Mr. Baker on this. I believe that either Thomas Webb, Francis Law or Ralph D. Pittman conferred with Mr. Baker or had discussions with him about the legal work desired.

I believe the reason Weisman, Cellar, Allan, Spett,

and Steinberg were selected for this legal opinion was that Keller had something to do with the legislation when it was introduced; and portions of the legislation were available in the law firm's office. It seems to me that this firm had done some work for someone else along the lines.

I did not know it recently (within last 10 days) that the above mentioned law firm had paid Bobby Baker \$2,500 in connection with this legal work, but I have been told recently that he was paid that amount.

I have never paid Bobby Baker any money. I know him socially and have attended professional football games with him; I was personally introduced to him by either Thomas Webb or Robert F. Thompson.

I believe the \$10,000 legal fee also included some legal work in connection with some real estate in New York which Sweet Water Development Company was interested in buying.

Within the last two years, I personally invested in Pasantri Corporation, which was a corporation formed for purchasing land in Washington ~~area~~ ^{area} and for construction of a trailer park on said land. The trailer park was never completed and we sold the land at a loss. It is my understanding that Bobby Baker was also financially involved in this corporation.

I have read the foregoing statement consisting of 2 pages, each of which I have signed. I fully understand this statement and it is true, accurate and complete to the best of my knowledge and belief. I made the corrections shown and placed my initials opposite each.

I made this statement freely and voluntarily without any threats or rewards, or promises of reward having been made to me in return for it.

B. G. Sullivan
(Signature of affiant)

Subscribed and sworn to before me this 22nd
day of January, 1965,
at 2808 Southland Center
Dallas, Texas

J. D. Crocker
(Signature)

Special Agent
(Title)

Internal Revenue Service

(Signature of witness, if any)

Mr. McLENDON. You have a copy before you. You were not raising any questions about the genuineness of the affidavit?

Mr. WYNNE. No, sir. That is my signature, but it is not my writing.

Mr. McLENDON. It is an authorized signature?

Mr. WYNNE. Yes, sir; I signed it.

Senator CANNON. He said it was his signature.

Mr. McLENDON. An affidavit—yes, I see. It is your signature?

Mr. WYNNE. Yes, sir.

Mr. McLENDON. Did you attend any of the conferences in the Department of the Interior when you were trying to negotiate a contract with the Department on the desalinization plant at Wrightsville Beach, N.C.?

Mr. WYNNE. I attended either one or two, Major. I have no recollection as to the dates or the chronological order. But I was in attendance at the Office of Saline Water either once or twice.

Mr. McLENDON. Well, I won't go into detail about that with you. Other witnesses—

Mr. WYNNE. They know a lot more about it than I do.

Mr. McLENDON. That is all at the moment.

Senator CURTIS. Well, there is a letter here—it does not have any date on it, but it is signed Bedford S. Wynne, addressed to Murray Spett. It says, "We hope to have our water conversion project underway in the near future." Why did you tell them about that?

Mr. WYNNE. Well, that's the same question I answered for Major McLENDON. That was the same letter he had reference to that said—it must have been about a week after the one to Tom Webb. And I believe that's the same letter that I say we are about 78 percent complete, is it not?

Senator CURTIS. Yes.

Mr. WYNNE. And I would say the same answer that I gave to him—that I am sure he inquired what the nature of the business of Sweet Water was in our first conversation, and this was a matter of telling him what had happened.

Senator CURTIS. "The pilot plant should be in full operation in the near future." Where was the pilot plant?

Mr. WYNNE. St. Louis.

Senator CURTIS. Whose was it?

Mr. WYNNE. Sweet Water Development Co.

Senator CURTIS. Why did you report that to him?

Mr. WYNNE. Beg pardon?

Senator CURTIS. Why did you report that to him, if he had nothing to do with it?

Mr. WYNNE. I just answered that question, Senator. I said it was probably a matter of information—the only reason I know to put it in there.

Senator CURTIS. Of course it is a matter of information. But why would you convey that information?

Mr. WYNNE. I think I have answered that three times. I have no independent recollection of why I put it in there.

Senator CURTIS (reading):

There were numerous cities in New Jersey that indicated an interest before the last hearing of the Saline Water Board.

Why did you put that in?

Mr. WYNNE. I have been over it once. I will be glad to do it again. At the time we felt there were places in New Jersey, because of published reports in the papers, that there was a water shortage. Initially we felt that we would locate our plant somewhere in either New Jersey or Key West, Fla., somewhere near a source of salt water that likewise had a water shortage. It did not work out that way. It went to Wrightsville Beach instead.

Senator CURTIS. Well, did they or did they not have negotiations or perform any services or go into the matter with you people at all about the saline water thing?

Mr. WYNNE. Senator, I have answered that three times. I don't know how I can be any more clear. They had absolutely no negotiations, no representations, no matters of any nature whatsoever concerning the desalinization program of the Sweet Water Development Co. That is all I can say.

Senator CURTIS. Still you wrote them a letter and told them.

Mr. WYNNE. The letter is right there.

Senator CURTIS. You did not know any of them, had never seen them.

Mr. WYNNE. Never had seen them.

Senator CURTIS. Just chose to volunteer that information?

Mr. WYNNE. That's right.

Senator CURTIS. How long have you known Mr. Baker?

Mr. WYNNE. Probably since 1960, 1961.

Senator CURTIS. Ever take any trips with him?

Mr. WYNNE. No, sir.

Senator CURTIS. Had any business dealings with him?

Mr. WYNNE. No, sir.

Senator CURTIS. Were you in the Pasantic Corp.?

Mr. WYNNE. Yes, sir.

Senator CURTIS. He was in it at the beginning, was he not?

Mr. WYNNE. I honestly could not answer that. I was under the assumption that he was. Whether or not he was, I have not checked to find out.

Senator CURTIS. Did you know him socially?

Mr. WYNNE. Yes, sir.

Senator CURTIS. See him often?

Mr. WYNNE. Not often. I wasn't in Washington that much.

Senator CURTIS. Did you ever see him outside of Washington?

Mr. WYNNE. No, sir.

Senator CURTIS. Never?

Mr. WYNNE. Well, now, wait a minute. I probably did. He was in Dallas one time, and I am sure I saw him there. I am sure I have seen him outside of Washington.

Senator CURTIS. Where else besides Dallas?

Mr. WYNNE. Dallas and Las Vegas would be the only two places.

Senator CURTIS. Were you ever down on the island of Murchison's at Spanish Key?

Mr. WYNNE. I was there. I don't believe that he was there.

Senator CURTIS. Never have seen him down there?

Mr. WYNNE. I just cannot remember, Senator. I might have. I just don't have any—I know that he has been there. Whether I was there, I don't know.

Senator CURTIS. You know he has been down there?

Mr. WYNNE. Yes, sir.

Senator CURTIS. Who told you that?

Mr. WYNNE. I could not even answer you that. I met him, either Clint or Bob. I am sure he has been there.

Senator CURTIS. How much time did you spend with him in Las Vegas?

Mr. WYNNE. We were only there 2 days, and I was not with him at that time. I just happened to be there when he happened to be there.

Senator CURTIS. He was there both days?

Mr. WYNNE. I am sure that he was.

Senator CURTIS. That's all.

The CHAIRMAN. Senator Cannon.

Senator CANNON. Mr. Chairman, for the record, I think the question was raised as to whether or not the Helium Act was in process at the time this transaction took place. I would like the record to show that the Helium Act, Public Law 86-777 was approved September 13, 1960, and became effective on March 1, 1961, which was prior to the time of these negotiations, or discussions.

Mr. McLendon. What date, Senator?

Senator CANNON. Section 3 says, "The amendment made by this Act shall become effective on March 1, 1961." That is the effective date of the act. The act was approved September 13, 1960, and it is Public Law 86-777.

The CHAIRMAN. Are you through, Senator Cannon?

Senator CANNON. Just let me check. Mr. Wynne, your testimony, as I understand it, is that this law firm did not do any work for you in connection with any helium—any saline water matters.

Mr. WYNNE. None whatsoever.

Senator CANNON. They did analyze the helium bill and give you an opinion on that.

Mr. WYNNE. Yes, sir.

Senator CANNON. They did analyze real estate contracts for you and advise you concerning those contracts.

Mr. WYNNE. Yes, sir.

Senator CANNON. And you paid them the sum of \$10,000.

Mr. WYNNE. Yes, sir.

Senator CANNON. Did you state whether or not you knew whether they had made a forwarding fee to Baker or not?

Mr. WYNNE. I did not—not until I was informed by Mr. Spett some 3 or 4 weeks ago. That was the first I knew of it.

Senator CANNON. I have nothing further.

The CHAIRMAN. Senator Pell.

Senator PELL. But as a lawyer, would you not presume that it would be perfectly in order that Baker would get a referral fee?

Mr. WYNNE. Nothing unusual. We send forwarding fees all the time. If somebody sent me some business, I am glad to send it to them.

Senator PELL. This is my point—you were not surprised.

Mr. WYNNE. No. I just never considered the matter.

Senator PELL. Did you ever ask Mr. Baker for assistance with regard to the flow of legislation or the securing of Government contracts?

Mr. WYNNE. No, sir; not at all.

Senator PELL. Thank you.

Senator COOPER. Mr. Wynne, Mr. Spett, of the law firm in New York, testified that he did render your firm legal services in connection with the proposed real estate venture in New Jersey; is that correct?

Mr. WYNNE. In Arizona and New Jersey.

Senator COOPER. I thought it was New Jersey.

Mr. WYNNE. And Arizona.

Senator COOPER. After that, did your company engage in any business in connection with the proposal either in New Jersey or Arizona?

Mr. WYNNE. Senator, I believe that Winston Muss went ahead with the project in Arizona. But Sweet Water did not become connected with it. It could not be worked out as far as we were concerned. So I think Winston Muss went ahead with it. But as far as Sweet Water, we did not.

Senator COOPER. Mr. Spett also testified, and you have, too, that an opinion was rendered to your firm upon the Helium Act.

Mr. WYNNE. Yes, sir.

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

Senator COOPER. After that did your firm go forward with any business deals on the helium project?

Mr. WYNNE. Yes, sir. But we could not get enough gas committed to make it feasible. The gas had already been committed to a prior plant out there, and we could not assemble enough gas to make it feasible. So we had to drop it.

Senator CURTIS. Were Baker & Tucker your lawyers at the time that they are alleged to have forwarded the matter to this other firm?

Mr. WYNNE. Baker & Tucker were never my lawyers and never have been.

Senator CURTIS. Nor the Sweet Water Corp.?

Mr. WYNNE. No; sir.

Senator CURTIS. Now, what is your understanding as to what constitutes a forwarding fee? If someone is not employed and has no business in your office, how can they forward it?

Mr. WYNNE. I beg your pardon?

Senator CURTIS. You say that Tucker & Baker were never your lawyers, never employed by you. Now, if they had no business from you and had nothing in their office from you how could they forward it to somebody else?

Mr. WYNNE. It is not a question of forwarding? It is a question of referral. It doesn't make any difference whether they actually forwarded it—whether they refer it. If another law firm does, it is common practice that they will send part of the fee to the—on damage suits or anything else concerning legal matters.

Senator PELL. As a layman, I would like to ask a question. If a layman hears that somebody is looking for a lawyer and suggests the name of a lawyer, does he get a referral fee as a matter of custom or not?

Mr. McLendon. No.

Senator PELL. I was just curious.

The CHAIRMAN. Off the record.

(Discussion off the record.)

Mr. McLendon. Anything else of this witness?

Senator COOPER. Did Mr. Baker ever render any service to your firm in connection with the helium proposition or in connection with the desalinization project?

Mr. WYNNE. No, sir.

Mr. McLENDON. Just one question, Mr. Wynne. The committee has information that the Department of the Interior decided against the location of a desalinization plant in New Jersey as early as January 18, 1961, and decided to locate one in North Carolina. Do you have that information?

Mr. WYNNE. You are not talking about our plant. They had started plants in Wrightsville Beach, N.C., prior to the time we went in there. But we were not permitted to go to Wrightsville Beach, N.C., until way in the middle of 1962. As I told you in our interview, we were discussing Galveston, Tex. They had offered us land. We were looking at Florida. Wrightsville Beach, N.C., is not the nicest place as far as I am concerned to have a plant. It is hard to get to. So we were not committed—and no reflection on North Carolina. But we were not committed at any place until 1962 as to where we were going to place our plant.

Mr. McLENDON. Hasn't the Department decided against locating one in New Jersey?

Mr. WYNNE. No, sir; not so far as we knew.

Senator CURTIS. Do you have any plants now on desalinization of water?

Mr. WYNNE. Other than the one in Wrightsville Beach that is under construction at the present time.

Senator CURTIS. North Carolina.

Mr. WYNNE. Yes, sir; which should be in operation in a couple of weeks, we hope.

The CHAIRMAN. Just for information—off the record.

(Discussion off the record.)

The CHAIRMAN. Back on the record.

Senator CANNON. One further question. When was the latest date that this law firm performed any services for you?

Mr. WYNNE. November of 1961.

Senator CANNON. That's all.

The CHAIRMAN. Did they go through a year for you?

Mr. WYNNE. We did not ever call on them again, because these things fell through. The last we heard from them was November 1961, up until the other day when we got the phone call.

The CHAIRMAN. Thank you very much.

Mr. McLENDON. Call Mr. Murchison.

The CHAIRMAN. Mr. Murchison, I want to read you this statement. A quorum being present, the committee will please come to order. This committee is acting by direction and under the authority of Senate Resolution 367, agreed to on September 10, 1964, and Senate Resolution 212, agreed to on October 10, 1963. Senate Resolution 367 renews the powers authorized by Senate Resolution 212 and broadens the scope of jurisdiction conferred.

The Committee on Rules and Administration has now been granted the power to investigate all interests or activities of present or former Members, officers, or employees of the U.S. Senate for the purpose of determining whether such interests or activities have involved any

violation of law or other impropriety or have reflected unfavorably upon the integrity of the Senate, and whether additional laws, rules, or regulations are necessary or desirable for the purpose of prohibiting or 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 add to the committee's fulfillment of its legislative purpose. The Chair advises each witness that he is entitled under the rules of procedure adopted by the committee to retain and be accompanied by counsel, who may advise the witness of his legal rights during the course of the inquiry, but who shall not coach or answer for the witness. Should the witness not fully understand any questions directed to him, he may ask for clarification.

The committee will now proceed to hear the testimony of the witness present—Mr. Murchison. Mr. Murchison, will you please stand and take the oath. Do you solemnly swear that the evidence you are about to give before this committee in the matter now under investigation is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. MURCHISON. I do.

Mr. McLendon. Mr. Murchison, will you state your name and address for the record.

TESTIMONY OF CLINTON MURCHISON, JR., DALLAS, TEX.

Mr. MURCHISON. Clinton Murchison, Jr., 6200 Forest Lane, Dallas, Tex.

Mr. McLendon. Mr. Murchison, the committee is interested in developing facts with respect to a corporation known as Sweet Water Development Co., which is now operating a saline water plant at Wrightsville Beach, N.C., under contract with the Department of the Interior. Are you familiar with that?

Mr. MURCHISON. Very hazily. I know that there is a contract with Sweet Water—the company of which I am president owns 30 percent, I think, is the correct percentage of Sweet Water. But the actual handling of the matter was done by others, and mostly without my knowledge.

Mr. McLendon. Did you participate in the discussions which led up to the organization of the Sweet Water Development Co.?

Mr. MURCHISON. No.

Mr. McLendon. You did not?

Mr. MURCHISON. No.

Mr. McLendon. Mr. Wynne has testified that he actually procured the charter and attended a conference here in Washington. He did not identify you as being present. Were you present at the conference in Washington which preceded organization of the company?

Mr. MURCHISON. The company was formed before I ever heard of it, as a matter of fact.

Mr. McLendon. Did the Tecon Corp. have to get your personal permission to make an investment in this company?

Mr. Murchison. No.

Mr. McLendon. You mean they were authorized to make investments of this kind without consulting you?

Mr. Murchison. Yes. Although I am president of the company, for about the last 5 or 6 years I have really acted as a board chairman.

Mr. McLendon. Who is the managing executive of the Tecon Corp.?

Mr. Murchison. In this capacity it would have been handled by probably Bob Thompson—I mean this type of investment probably would have been directed by Bob Thompson. This particular one was, I know.

Mr. McLendon. Did you ever attended any conference in the Department of the Interior concerning this desalinization business?

Mr. Murchison. Once when I was up here with Tom Webb, during the period of the small—construction of the small pilot plant, I believe.

Mr. McLendon. That was out at St. Louis?

Mr. Murchison. Yes. I believe it was during that period, I met Mr. MacGowan with Tom Webb in his office at the Department of the Interior. We did not discuss our project specifically that I recall. We discussed more the general problem of desalinization, the requirement of the world for it, that type of thing.

Mr. McLendon. But at that time there was no discussion of the possibility of a contract being awarded to the Sweet Water Development Co.?

Mr. Murchison. I don't recall anything. I think—I think we had a contract at that time, a small contract. But I do not think we discussed it except in passing.

Mr. McLendon. That contract to which you refer was concerned with a pilot plant operation, was it not?

Mr. Murchison. Yes.

Mr. McLendon. You had not gotten to the point where the contract for the plant at Wrightsville Beach was under discussion?

Mr. Murchison. I don't believe so.

Mr. McLendon. What interest did the Sweet Water Development Co. have in desalinization in other States?

Mr. Murchison. I don't know.

Mr. McLendon. Specifically New Jersey. What interest did your company have in plants in New Jersey?

Mr. Murchison. I don't know.

Mr. McLendon. Do you know that they did have some interest in plants up there?

Mr. Murchison. No; I don't.

Mr. McLendon. How about Texas?

Mr. Murchison. I don't know of any activities in the field with the exception of this plant being built for the Department of the Interior.

Mr. McLendon. Were you informed and did you participate in the decision that resulted in the distribution of the capital stock of the Sweet Water Development Co.?

Mr. Murchison. No.

Mr. McLendon. Do you know now how it was distributed?

Mr. MURCHISON. I understand that Tecon owns 30 percent, that Bedford Wynne owns some, and that Tom Webb owns some, and that is the extent of my knowledge.

Mr. McLENDON. How about the inventor, Mr. Williams?

Mr. MURCHISON. I don't know.

Mr. McLENDON. How about Mr. Ralph Pittman?

Mr. MURCHISON. I understand he owns some stock, but what amount, I don't know.

Mr. McLENDON. Now, did you participate in any discussions concerning the employment of patents counsel in St. Louis?

Mr. MURCHISON. No.

Mr. McLENDON. Did you know that that was being done?

Mr. MURCHISON. No.

Mr. McLENDON. Did you participate in any discussions concerning the employment of lawyers in New York City?

Mr. MURCHISON. No.

Mr. McLENDON. Did you know that they were employed?

Mr. MURCHISON. No.

Mr. McLENDON. When did you first find out?

Mr. MURCHISON. When I read about it in the paper.

Mr. McLENDON. Recently?

Mr. MURCHISON. Yes.

Mr. McLENDON. The last few weeks?

Mr. MURCHISON. Yes.

Mr. McLENDON. Did Mr. Wynne confer with you and get your permission or your advice with respect to employment of counsel in New York?

Mr. MURCHISON. No. The matter was in his hands.

Mr. McLENDON. Did he undertake to keep you informed about the developments of this Sweet Water Co.?

Mr. MURCHISON. No.

Mr. McLENDON. Are you telling the committee that you have no knowledge whatsoever of the interest of the company in possible sites and plants for desalinization purposes to be located in New Jersey?

Mr. MURCHISON. Yes; that's correct. I would like to point out that my brother and I have quite extensive business interests of which this is a small part of one and I don't think that it is unusual—I would say that it is not unusual in the way we operate that I would not have this information because it is—it very largely has to be delegated obviously in order to be done properly.

Mr. McLENDON. Did you have any knowledge of a real estate deal in which Sweet Water Development Co. was interested involving the construction and the organization of a shopping center in Arizona?

Mr. MURCHISON. Bedford called me one day and said that the company was operating at a loss and did I have any ideas of—

Mr. McLENDON. Which company?

Mr. MURCHISON. Sweet Water. And asked me if I had any suggestion for some deal that we might go into that might make a profit so that we would not keep having to put money in it. I suggested that he call the Winston Muss Co., in which I had an interest, or in which Tecon had an interest, the Winston Muss Co., in New York. I think that he did that and that's the extent to my knowledge concerning his

real estate transactions. I don't know whether they ever made a deal. I know they didn't make a deal—I don't know.

Mr. McLendon. But the purpose of your reference to that firm was that they might have some interest in a real estate deal?

Mr. Murchison. Yes—that they might be able to joint venture some project, or some such thing.

Mr. McLendon. What about the helium development and storage? What do you know about that?

Mr. Murchison. Nothing.

Mr. McLendon. Did you ever discuss that with anybody or the suggestion that Sweet Water become interested in it?

Mr. Murchison. No; I did not hear about the helium until this matter came up and I discussed it with Bedford in the last week or so.

Mr. McLendon. Did you ever see, or did any one of the people connected with Sweet Water ever tell you about, two opinions rendered by this law firm, one dealing with the real estate project in Arizona and the other dealing with the Helium Act?

Mr. Murchison. No.

Mr. McLendon. You had no personal knowledge of any of that?

Mr. Murchison. No.

Mr. McLendon. Did you participate in the preparation of any of the bills from Sweet Water Development Co. to the Department of the Interior connected with the construction and operation of the desalinization plant at Wrightsville Beach?

Mr. Murchison. No; I know nothing about them.

Mr. McLendon. Did you have anything to do with negotiating a contract with the Department of the Interior?

Mr. Murchison. No.

Mr. McLendon. The record shows that more recently the original board of directors of seven was reduced to three, and that you are one of the three. Is that correct?

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

Mr. Murchison. You told me that last week; Tuesday, I think. That's the first I knew of that.

Mr. McLendon. You mean they reorganized the company and reduced the board of directors without telling you about it?

Mr. Murchison. They apparently did.

Mr. McLendon. You had no knowledge of it?

Mr. Murchison. No.

Mr. McLendon. But you are now a director?

Mr. Murchison. Apparently.

Mr. McLendon. You could not give the committee any information concerning the employment of this firm in New York?

Mr. Murchison. I cannot.

Mr. McLendon. You were a good, personal friend of Bobby Baker's, were you not?

Mr. Murchison. Yes; I would say I was.

Mr. McLendon. And did you not, or your businesses on other occasions, get information from him?

Mr. Murchison. I can't recall ever getting any business information from him.

Mr. McLendon. Are you surprised to know that he recommended this firm in New York?

Mr. MURCHISON. No; I am not surprised. I think it is a good firm. If he was asked for the recommendation, it would not surprise me one way or the other. I wouldn't be surprised if he hadn't recommended them to me.

Mr. McLENDON. Well, it turns out it was a right profitable conversation, because all he did was recommend them, and for that he got \$2,500. Do you know about that?

Mr. MURCHISON. I didn't know about it until Bedford told me about it. Bedford was surprised, himself.

Mr. McLENDON. You mean he was surprised that Baker got the \$2,500?

Mr. MURCHISON. He told me he was.

Mr. McLENDON. But he wasn't surprised that Baker recommended the firm, was he?

Mr. MURCHISON. No; I don't think he had any feeling one way or the other, surprise or chagrin, or anything else.

Mr. McLENDON. I see. Let me ask you about another subject. The committee has taken evidence at length concerning Hampco, a processing plant in Haiti. Are you familiar with that?

Mr. MURCHISON. I am.

Mr. McLENDON. Did you participate in the negotiations which finally resulted in the making of a contract with a man named Lopez, by which Hampco, the company you were interested in, sold meat to Lopez, and Lopez paid a finder's fee of so many cents per pound?

Mr. MURCHISON. No; I didn't participate. I was familiar with them, but I did not participate in the discussions.

Mr. McLENDON. The record shows that a man named Dancy was active in that deal. Do you know him?

Mr. MURCHISON. I know who he is. I don't believe that I have met him. I think I met him on one occasion sometime ago, about 4 years ago, 3 years ago maybe.

Mr. McLENDON. And a man named Haas?

Mr. MURCHISON. Mr. Haas is in my office in Dallas, and it is his responsibility—following our interest in this deal was his responsibility. We, incidentally, have about, I think, a 30-percent interest in this also.

Mr. McLENDON. Your interest in the meat processing plant is 30 percent?

Mr. MURCHISON. Yes. We don't own part of the company, but we are entitled to 30 percent of the profits.

Mr. McLENDON. Who owns the other part?

Mr. MURCHISON. I think the gentlemen you mentioned—I think Art Haas has a small percentage, and Allan & Co., and I think that is it.

Mr. McLENDON. Who is Allan & Co.?

Mr. MURCHISON. It is an investment firm in New York.

Senator CLARK. And Chicago.

Mr. McLENDON. Mr. Murchison, is it your testimony that this peculiar transaction was negotiated by which Law and Webb, and Tucker and Baker even now are drawing so many cents per pound for all the meat that is sold by your plant in Haiti—you know nothing about all that?

Mr. MURCHISON. I say I was familiar with it at the time. I hardly consider it peculiar.

Mr. McLENDON. Were you familiar with it to the extent that you knew that Baker was being paid monthly?

Mr. MURCHISON. No. It was my understanding at the time, my best recollection—I have obviously gone over this in my own mind and with Art Haas several times since this has come up—was that Art Haas mentioned this problem of export to Tom Webb. Webb suggested that he might be able to take care of it, and we agreed to pay, or Haas agreed that the company would pay Webb some fee—I forget what it was—I am sure that has been in evidence—if it were done, and subsequently he did negotiate it, he did it through a friend—working through a friend of Baker's, and apparently he felt because of that he should give some of the fee we agreed to give Webb to Baker. That is the best information I have been able to get.

Mr. McLENDON. This man Benitez—is he the man you are talking about?

Mr. MURCHISON. I think that is correct; yes.

Mr. McLENDON. And that scheme is still in operation; isn't it?

Mr. MURCHISON. Still in operation.

Mr. McLENDON. You still own the same percentage of the Hampco Co. that you did at that time?

Mr. MURCHISON. Yes.

Mr. McLENDON. Was this arrangement made with Baker before you found out about it, or was it made after you knew about it?

Mr. MURCHISON. I think it had already been made when I found out about it. I believe that is the case.

Mr. McLENDON. You knew at that time that he occupied a position as secretary to the majority of the Senate; didn't you?

Mr. MURCHISON. I was really referring to the deal with Webb. I don't think I knew that Baker was involved in it for quite some time—maybe a year, 6 months.

Mr. McLENDON. Did you know before he resigned this position?

Mr. MURCHISON. I did; yes.

Mr. McLENDON. Did you do anything about it to cancel the contract?

Mr. MURCHISON. No.

Mr. McLENDON. You did not?

Mr. MURCHISON. No.

Mr. McLENDON. Had you had any other business dealings in which Baker participated?

Mr. MURCHISON. None that I can recall.

Mr. McLENDON. Anywhere?

Mr. MURCHISON. Anywhere.

Mr. McLENDON. Or at any time?

Mr. MURCHISON. At any time.

Mr. McLENDON. Were you responsible, directly or indirectly, for the payment of any money to Baker at any time other than this meat thing that we discussed?

Mr. MURCHISON. No.

Mr. McLENDON. Do you have any knowledge of his being paid money by any business or business interests?

Mr. MURCHISON. No.

Mr. McLendon. None at all?

Mr. Murchison. None at all.

Mr. McLendon. How often did you visit Baker or he visit you before this meat deal was made?

Mr. Murchison. I suppose we had met each other four times.

Mr. McLendon. And where were those meetings?

Mr. Murchison. In Washington. I don't believe I met him one time—I don't relate it with reference to the meat deal—but I imagine one time in California, and probably four times, five times here in Washington.

Mr. McLendon. The California meeting was with reference to your and his visit to the Governor?

Mr. Murchison. That is correct.

Mr. McLendon. Concerning the racetrack?

Mr. Murchison. That is correct.

Mr. McLendon. And did you have a financial interest in the racetrack?

Mr. Murchison. No.

Mr. McLendon. What was your purpose in going to see the Governor, then?

Mr. Murchison. I was head of and still am head of a charity—charitable organization that benefited from the operation of this track. The land being leased—the land was leased from the State, and for that reason there were obviously political complications, or there could be political complications. There had been some erroneous statements made concerning our operation to the Governor, and I desired to straighten them out. When I met—I mentioned this to Baker one time, and he offered—he said he knew Brown, and offered to introduce me, which he did. I explained the true facts of the situation. It was a pleasant conversation. And that was the end of it.

Mr. McLendon. What was the charitable organization that had a financial interest in the racetrack?

Mr. Murchison. The firm is known as Boys, Inc. We contribute about, well, our total net profit every year, it is principally to boys clubs, and principally in the State of California. I think we have given about \$2 million since we formed—since my father and Sid Richardson formed the organization.

Mr. McLendon. Who do you mean by “we” give?

Mr. Murchison. I mean this foundation, Boys, Inc.

Mr. McLendon. I see. Did he ever visit you at your home in Florida, or anywhere else—Texas?

Mr. Murchison. He was a guest—not with me present. He was a guest of a place that I have in the Bahamas.

Mr. McLendon. When was that?

Mr. Murchison. I don't remember. Several years ago.

Mr. McLendon. It was before he resigned?

Mr. Murchison. Yes.

Mr. McLendon. Is that the only time he ever visited you?

Mr. Murchison. I think he was a guest of Tom Webb's. I am not sure.

Mr. McLendon. The two of them visited you in the Bahamas?

Mr. Murchison. No; I wasn't there. Tom took some people, one of whom was Baker and his wife.

Mr. McLendon. And you were not there with Baker at the time?

Mr. Murchison. No; I wasn't.

Mr. McLendon. Other than that, has he ever visited in your home?

Mr. Murchison. No.

Mr. McLendon. Did you ever talk to him about any of his interests in gambling?

Mr. Murchison. No; I didn't know he had any.

Mr. McLendon. You didn't?

Mr. Murchison. No.

Mr. McLendon. Did he ever introduce you to Mr. Sigelbaum?

Mr. Murchison. No.

Mr. McLendon. Mr. Levinson?

Mr. Murchison. No.

Mr. McLendon. Did he ever talk to you or consult with you about the Serv-U Corp.?

Mr. Murchison. I remember him talking about the Serv-U Corp., but it was merely in passing.

Mr. McLendon. He didn't invite you to put any money in it?

Mr. Murchison. No.

Mr. McLendon. Were you asked to put any money in by anyone else?

Mr. Murchison. No.

Mr. McLendon. All right. That is all.

Senator CURTIS. Mr. Murchison, do you or your family or your company or any of its affiliates own any property in New Orleans East? I am referring to the Michaud space installation?

Mr. Murchison. Well, the Michaud plant was owned by the GSA, or GOA—GSA, I guess it is. It was originally owned by the War Assets Administration. We bought about 5 years ago, with the Wynnes in Dallas—this is not Bedford Wynne, but another branch of the family—about 32,000 acres in New Orleans. This Michaud plant is located adjacent to that land.

Senator CURTIS. Is the Michaud plant on any of it?

Mr. Murchison. No.

Senator CURTIS. When was the Michaud plant established?

Mr. Murchison. Well, the Michaud plant was the Higgins boat plant during the war.

Senator CURTIS. When was it established as a space installation?

Mr. Murchison. About 2 years ago, I think.

Senator CURTIS. Has that enhanced the value of your property?

Mr. Murchison. Less so than we had hoped when we heard—I assume that it has.

Senator CURTIS. Have you had any partners or associates, actual or silent or otherwise, in this venture?

Mr. Murchison. No. It is owned entirely by my family and the Wynne family, and a lawyer in New Orleans.

Senator CURTIS. No former Senators, or Senate employees, have any interest in it?

Mr. Murchison. None whatsoever.

Senator CURTIS. Never have had any interest in it?

Mr. Murchison. Never.

Senator CURTIS. Did any of them have any interest in your acquiring it?

Mr. MURCHISON. No.

Senator CURTIS. Did any of them assist you in acquiring it?

Mr. MURCHISON. No.

Senator CURTIS. Who handled your negotiations with GSA?

Mr. MURCHISON. We bought the plant—I mean, we bought the land from an individual. We bought it from—it was a privately held piece of property.

Senator CURTIS. It was not GSA?

Mr. MURCHISON. No. I say the plant that was activated by NASA was owned or at least being held by the GSA. But we had no interest in that, of course.

Senator CURTIS. Who did you buy the land from?

Mr. MURCHISON. A man named De Motlisin.

Senator CURTIS. What is his first name?

Mr. MURCHISON. I think it is George. I always called him colonel.

Senator CURTIS. Where does he live?

Mr. MURCHISON. He lived in New Orleans at the time.

Senator CURTIS. Did he have any partners or associates?

Mr. MURCHISON. I don't know for sure, but his character was such that I would be surprised if he had any partners.

Senator CURTIS. Now, in your inquiring into that from him, did you have any conversations or assistance or any negotiations with any former Senators or Senate employees or their spouses?

Mr. MURCHISON. No.

Senator CURTIS. Have you or your family or your companies or the affiliates have any business dealings or negotiations with Jimmy Hoffa?

Mr. MURCHISON. None that are relevant to this hearing.

Senator CURTIS. That wasn't my question. You have had dealings with Jimmy Hoffa?

Mr. MURCHISON. Yes. I say they are hardly relevant to this hearing.

Senator CURTIS. Was Bobby Baker in on any preliminaries, introductions, discussions, contacts, or did he have any knowledge of your dealings with Jimmy Hoffa?

Mr. MURCHISON. No.

Senator CURTIS. None at all?

Mr. MURCHISON. The question of whether he had knowledge, you are going to have to look into his mind. Certainly, as far as I know, he had no knowledge. The answer to the other question is an emphatic "No."

Senator CURTIS. Whatever dealings you have had with Jimmy Hoffa have had no connection or not been carried on through any Senator, former Senator, Senate employee, or former employee?

Mr. MURCHISON. Not in any way.

Senator CURTIS. Have you or your family, companies, or any of your affiliates had any business dealings directly or indirectly with any Senators, former Senators, Senate employees, former Senate employees, or their spouses?

Mr. MURCHISON. None that I can recall.

Senator CURTIS. And none of such categories have had any interest in New Orleans East?

Mr. MURCHISON. No.

Senator CURTIS. I believe you testified as to what activities Baker performed in reference to Hampeco?

Mr. MURCHISON. Yes.

Senator CURTIS. Have you had other business dealings with Baker?

Mr. MURCHISON. No.

Senator CURTIS. Do you know Myron or Mickey Weiner?

Mr. MURCHISON. What name?

Senator CURTIS. Weiner?

Mr. MURCHISON. No; I don't think so.

Senator CURTIS. As far as you know, did you ever meet him?

Mr. MURCHISON. I don't believe I ever met him.

Senator CURTIS. As far as you know, he hasn't performed any services for any of your companies?

Mr. MURCHISON. As far as I know.

Senator CURTIS. Did you know that Bobby Baker was recommending Congressman Celler's law firm to you?

Mr. MURCHISON. No. I didn't know we were employing Congressman Celler's law firm even.

Senator CURTIS. Had you employed Baker?

Mr. MURCHISON. No.

Senator CURTIS. Did Baker recommend that firm to anybody in connection with your company?

Mr. MURCHISON. Apparently, but—apparently he recommended them to Wynne. I am a little unclear on that point myself. I haven't gone into it with Wynne.

The CHAIRMAN. But you had no knowledge of that?

Mr. MURCHISON. I have no knowledge of it one way or the other.

Senator CURTIS. Did the Sweet Water development originally contemplate having a site in New Jersey?

Mr. MURCHISON. I don't know.

Senator CURTIS. They may have?

Mr. MURCHISON. They may have.

Senator CURTIS. Did you ever hear any discussion about it?

Mr. MURCHISON. No; I didn't hear any discussions about any—I heard virtually no discussions concerning Sweet Water Development of any type.

Senator CURTIS. Did Sweet Water Development ever attempt to obtain any contracts or dealings or contacts in the desalinization program in Israel?

Mr. MURCHISON. I don't know.

Senator CURTIS. You don't know?

Mr. MURCHISON. No.

Senator CURTIS. You are not prepared to say that they did not?

Mr. MURCHISON. No.

Senator CURTIS. Did you know Mr. Williams, who had some experience in desalinization?

Mr. MURCHISON. This is the inventor?

Senator CURTIS. Yes.

Mr. MURCHISON. I never met him.

Senator CURTIS. But you knew about him?

Mr. MURCHISON. The name.

Senator CURTIS. You knew that your company had contacted him?

Mr. MURCHISON. And presumably made a deal with him.

Senator CURTIS. Did you know that he had been previously employed by the New York law firm that Mr. Celler was in?

Mr. MURCHISON. No; I didn't.

Senator CURTIS. Do you know Paul Aguirre?

Mr. MURCHISON. I have met him.

Senator CURTIS. Where did you meet him?

Mr. MURCHISON. Here in Washington.

Senator CURTIS. Who introduced you?

Mr. MURCHISON. Tom Webb.

Senator CURTIS. Do you know J. L. Atwood?

Mr. MURCHISON. I didn't get that name.

Senator CURTIS. J. L. Atwood?

Mr. MURCHISON. I don't think I have met him. That name doesn't ring a bell.

Senator CURTIS. But you knew—you do know Jose Benitez?

Mr. MURCHISON. I believe I met him. I believe he was also introduced by Tom Webb.

Senator CURTIS. Do you know Edward Bostick?

Mr. MURCHISON. Yes.

Senator CURTIS. How many times have you met him?

Mr. MURCHISON. Once or twice.

Senator CURTIS. Do you know Fred Black?

Mr. MURCHISON. I don't—

Senator CURTIS. Ever met him?

Mr. MURCHISON. I don't think so.

Senator CURTIS. Have you ever had any business dealings with Bostick?

Mr. MURCHISON. No.

Senator CURTIS. Do you know Jack Cooper?

Mr. MURCHISON. No.

Senator CURTIS. Ever met him?

Mr. MURCHISON. Not that I know of.

Senator CURTIS. Do you know Eugene Hancock?

Mr. MURCHISON. Not that I know of.

Senator CURTIS. Do you know William E. Kentor?

Mr. MURCHISON. No. This is the fellow in Hampco?

Senator CURTIS. Yes.

Mr. MURCHISON. No; I don't know him.

Senator CURTIS. Do you know Kenneth Sabella?

Mr. MURCHISON. No.

Senator CURTIS. Do you know Carole Tyler?

Mr. MURCHISON. Yes.

Senator CURTIS. Do you know Ellyn Rometsch?

Mr. MURCHISON. No.

Senator CURTIS. Do you know Edward Torres?

Mr. MURCHISON. No.

Senator CURTIS. Do you know Ernest Tucker?

Mr. MURCHISON. No.

Senator CURTIS. Of course, you do know Mr. Webb and Mr. Law?

Mr. MURCHISON. Yes.

Senator CURTIS. Have you had any business or been connected with any business which resulted in any remuneration or fee or payment to Robert Baker?

Mr. MURCHISON. With the exception of Hampco—well, with the exception of the matters we have discussed here concerning the referral fee from Celler, and with the Hampco matter; no.

Senator CURTIS. Do you know Irving Davidson?

Mr. MURCHISON. Yes.

Senator CURTIS. In what capacity do you know him?

Mr. MURCHISON. When I first met him, he represented one of the Central American countries, and we were negotiating for work or something or other in that country, and I met him, or he introduced himself at that time. That was the basis for it.

Senator CURTIS. He had something to do with Kentor?

Mr. MURCHISON. I don't know.

Senator CURTIS. Do I understand that you did not own any part of Hampco?

Mr. MURCHISON. That is right.

Senator CURTIS. Why are you entitled to 30 percent of the proceeds?

Mr. MURCHISON. We had—this Art Haas, who was in my employ, is and was in charge of renting a flour mill that we owned in Haiti, and the people who started Hampco came to us for advice in setting up the operation and getting it going—in other words, for a knowledge of local conditions in Haiti. So for that, and for our putting up our share of the money, we got 30 percent in the profits interest. We did not want to own a minority interest in this company particularly, and so we took our interest in the form of this profit participation instead.

Senator CURTIS. For helping set it up?

Mr. MURCHISON. Yes. And we invested our pro rata part.

Senator CURTIS. But you don't own it?

Mr. MURCHISON. No.

Senator CURTIS. Is your investment in the nature of a loan?

Mr. MURCHISON. Yes.

Senator CURTIS. Is it formalized as a loan, with notes?

Mr. MURCHISON. Yes; it is formalized as a loan with a note.

Senator CURTIS. You get 30 percent of the profits in perpetuity?

Mr. MURCHISON. Yes.

Senator CURTIS. Regardless of when the loan is paid?

Mr. MURCHISON. That is right. The other people lent the money, too. It wasn't just—in other words, I have forgotten how much money went into it—let's say \$300,000, we put up \$9,000 for our 30 percent, they put up the balance. But we all put it up on the same basis.

Senator CURTIS. Your family are the principal owners of the Tecon Corp.?

Mr. MURCHISON. Yes.

Senator CURTIS. You said they were in heavy construction?

Mr. MURCHISON. Yes.

Senator CURTIS. Roughly what portion of that is Government business?

Mr. MURCHISON. U.S. Government, you mean?

Senator CURTIS. Yes.

Mr. MURCHISON. It obviously varies from time to time. I would say, at this time, probably a third. That is a guess.

Senator CURTIS. Is some of it with foreign countries that have obtained their funds in this country?

Mr. MURCHISON. Well, is there a foreign country that hasn't?

Senator CURTIS. I don't know. Who are your agents or representatives or individuals who handle the negotiations of securing the Government business?

Mr. MURCHISON. All the work we have gotten with the U.S. Government has been gotten by competitive bids. We have never, to the best of my recollection—we have never negotiated any work. We have attempted to, but we have never been successful.

Senator CURTIS. You have with some of the foreign governments?

Mr. MURCHISON. No, no. We have gotten all those by competitive bids, too.

Senator CURTIS. And your recollection of your conversation with Reynolds about the District of Columbia Stadium was that he initiated it, and that you didn't have any interest in it; is that right?

Mr. MURCHISON. No. My recollection is that Webb initiated it—that Webb asked me the question, "Are you interested?" merely to confirm what he had already stated.

Senator CURTIS. And that was in Reynolds—

Mr. MURCHISON. In Reynolds' presence.

Senator CURTIS. But there was a conversation where the two of you were present—mentioning the stadium?

Mr. MURCHISON. There was a conversation.

Senator CURTIS. That is all.

The CHAIRMAN. Senator Cooper.

Senator COOPER. Mr. Murchison, you testified about your company purchasing about 32,000 acres of land near New Orleans.

Mr. MURCHISON. Yes.

Senator COOPER. Later, NASA built some space facility there?

Mr. MURCHISON. Well, they activated the Michaud plant.

(At this point Senator Curtis left the hearing room.)

Mr. MURCHISON. They didn't build on our land. We tried to negotiate with them to build part of the facility on our land but they didn't. They built it on their own land.

Senator COOPER. In any of your operations which concern the Government, did Mr. Robert Baker ever play any part, either by any kind of intervention or by giving your company any information which was helpful to it?

Mr. MURCHISON. Absolutely not.

Senator COOPER. Did you have any prior knowledge—your company have any prior knowledge—that you know of, you yourself, that NASA would build—would activate this facility before your company purchased the land?

Mr. MURCHISON. No; we purchased our land a number of years—by that 2 years, 3 years—before it was even contemplated by NASA that they would acquire this plant.

Senator COOPER. Your answer is: You had no such information?

Mr. MURCHISON. No.

Senator COOPER. When did you say you first met Mr. Baker?

Mr. MURCHISON. I think it was about 6 years ago.

Senator COOPER. Then, since that time, you have seen him four or five times—five or six times?

Mr. MURCHISON. Yes.

Senator COOPER. Were any of those meetings for the purpose of conducting any business in which your companies were concerned?

Mr. MURCHISON. No.

Senator COOPER. Either with him or with anyone else in his presence?

Mr. MURCHISON. No; no business discussions with him.

Senator COOPER. I think that is all.

Senator CANNON. Mr. Chairman—do I understand correctly on this New Orleans land—that was purchased from a private individual solely?

Mr. MURCHISON. Correct.

Senator CANNON. Not from the U.S. Government in any way, shape, or form?

Mr. MURCHISON. No; we have had no dealings with the Government before or since, concerning that land.

The CHAIRMAN. Is that down close to the old boatworks down there?

Mr. MURCHISON. The Higgins Boat Plant—that is the NASA plant now.

The CHAIRMAN. Where does this 32,000—

Mr. MURCHISON. It surrounds it. It starts right next to the Higgins plant.

The CHAIRMAN. Did you get Bourbon Street in that?

Mr. MURCHISON. We own a third of the city of New Orleans—it is all in the city limits but, unfortunately, it is the “wet” third.

The CHAIRMAN. The swampland?

Mr. MURCHISON. Yes. We got \$28,000 a couple of years ago for selling muskrat leases.

Senator CANNON. In relation to this Hampco deal, you indicated that this commission—you knew that a commission was to paid to Webb if he could find a purchaser for the products; is that right?

Mr. MURCHISON. My understanding—this happened, as I say—my information I got after the deal had been made. My recollection is that it was explained to me by Haas that Webb had said he thought he could take care of this and Haas said, “Is it all right; I told him I would do that.” I said, “Yes; that is fine.”

Senator CANNON. Is that customary in that type of business?

Mr. MURCHISON. It is particularly true—I don’t know, because it is the only time I have ever been in the packing business. But it was our desire, and Art Haas knew it, to try to make deals with Webb and with his firm where he would make money, because we paid his expenses, and we had a deal with him that, if he made money from outside sources, it would decrease the charge that he made to us.

Senator CANNON. So this actually was to your advantage, also?

Mr. MURCHISON. Yes.

Senator CANNON. And it is your understanding that that commission contract continues on indefinitely the same as your 30-percent payment?

Mr. MURCHISON. Well, the fellow that they originally negotiated with turned out wasn’t handling the thing properly and so Haas told Webb so and gave him the opportunity to negotiate another contract. I think, in a purely legal sense, we could have said, “To heck with you,

we will work it out ourselves now." But we felt an obligation. And, as I say, we were getting a credit back for it anyway.

Senator CANNON. You just changed contractors, then—

Mr. MURCHISON. Yes; we let him negotiate. I don't know whether he or Baker did it. I have no idea.

Senator CANNON. That is all, Mr. Chairman.

The CHAIRMAN. Senator Pell.

Senator PELL. There is one point here that I would like to touch upon. That is the allegation has often been made that Bob Baker used—was influenced by the positions of Senators with regard to the depletion allowance when it came to committee assignments. While strongly opposing depletion allowance myself, I found Bob always completely fair to me in this regard. I have no firsthand knowledge of this, and I tend to rather disbelieve it. But, perfectly properly, I know you would have a strong interest to retain the depletion allowance, a position on which we would naturally disagree. Did you have any discussions with Mr. Baker of more than an informational nature concerning this general problem of the depletion allowance?

Mr. MURCHISON. I have never discussed the depletion allowance with any man in the Government, connected with it in any way.

Senator PELL. I thank you very much.

Senator CLARK. Mr. Murchison, I am a little puzzled about the relationship between you and your family and Bob Baker. Here is a young man who comes up from South Carolina as a page boy, and in the course of a relatively few years he becomes the secretary to the majority of the Senate. We now find that he had rather substantial outside interests. And at some time his connections with you and your family became a matter of public interest. What I would like to have you tell me in your own way is how you came to meet him. I can see why you and your family could be of considerable use to him. But what use could he be to you?

Mr. MURCHISON. I think I can explain it very simply. Tom Webb has been in my employ for probably 8 or 9 years. Not only is he a valued employee, but he is a personal friend of mine. We play golf together and that sort of thing. Baker was a personal friend of his. When I came to Washington, it was only natural, I think, that I should meet Baker in a purely social capacity.

Senator CLARK. And any business dealings which you had were—you or your family had with Bob Baker came through his connection with Webb?

Mr. MURCHISON. Well, this only business dealing we had was this thing with Hamco, and I have explained that I didn't know about that, that Webb actually did that himself.

Senator CLARK. I am a little confused as to why Baker & Tucker should have been lawyers for Sweet Water. Here are a couple of fellows just starting out to practice law, they have no special background, no special competence.

Mr. MURCHISON. I know little more than what I have read in the paper about it, but I do not gather that they were lawyers for Sweet Water.

Senator CANNON. The record shows they were not.

Senator CLARK. My understanding is that they, in their capacity as lawyers, referred to Manny Celler's firm the real estate work for Sweet Water, and one would have supposed—and this may be an incorrect

assumption—I used to be a lawyer myself—that you would not get a forwarding fee unless you had some legal connection with the corporation whose business you turned over to another lawyer.

Senator CANNON. Mr. Webb was asked that question and answered it very fully.

Senator PELL. I brought this out, too, because as a layman here, I was struck, and rather horrified at this general practice of referrals—but I guess it is perfectly all right. And he explained it. And the point was brought up that Baker was not a lawyer—just referred it. I then asked if a layman could refer somebody and get a big fat commission, and I was told it was illegal for a poor layman to do it, but perfectly proper for a lawyer.

Senator CLARK. That is what puzzled me a little bit. I think I can dispose of this by asking Mr. Murchison if he knows whether Baker & Tucker were lawyers for Sweet Water?

Mr. MURCHISON. As I say, all I know is what I have read in the paper, and my understanding is that they were not.

Senator CLARK. And any connection—

Mr. MURCHISON. I should say and what Bedford Wynne has told me since this matter came up.

Senator CLARK. Any connection they might have had with Sweet Water did not come through you, it came through Webb?

Mr. MURCHISON. What was that question?

Senator CLARK. Baker & Tucker must have known enough about Sweet Water to be able to get a \$2,500 fee out of it. I am wondering if you knew that Baker & Tucker had any connection with Sweet Water?

Mr. MURCHISON. According to what Webb and Wynne told me, Baker never heard of Sweet Water.

Senator CLARK. Then how did he get this \$2,500 fee?

Mr. MURCHISON. He got it in the U.S. mail.

Senator CLARK. Well—let's go back and start again. Maybe you don't know anything about this.

Mr. MURCHISON. Well, I have said I don't know anything about it.

Senator CLARK. If you don't know anything about it, that is all right with me. I will drop it. To me it is a very peculiar situation. But if Mr. Murchison is just a witness here, if he cannot help us, he cannot help us. Now, Mr. Murchison, I guess—no, I won't say that—what is your relationship to the business enterprises of the Murchison family, in general terms? Do you run it, does your father run it, does your brother run it?

Mr. MURCHISON. My brother and I have a partnership. We have an organization with maybe 30 or 40 people in it that generally manage or look after our interests in a number of—in a very wide number of companies. One man might be assigned to one company, another man to another company.

Senator CLARK. So in effect you and your brother manage the investment problems of the Murchison family fortune?

Mr. MURCHISON. That is correct.

Senator CLARK. And in that connection, you knew Baker only through Webb, and with respect to Hampeco and nothing else?

Mr. MURCHISON. That is right.

Senator CLARK. And did you have any connections with Baker as a fundraiser for the Democratic Party?

Mr. MURCHISON. No.

Senator CLARK. Thank you.

The CHAIRMAN. Senator Cooper?

Senator COOPER. I think you stated that you didn't know anything about this employment of the New York firm, law firm?

Mr. MURCHISON. No.

Senator COOPER. And the fee forwarding to Baker?

Mr. MURCHISON. No; I knew nothing whatsoever about that.

Senator COOPER. Was there any reason for the employment of this firm?

Mr. MURCHISON. Apparently there was. I don't think we would have paid them \$10,000 unless they had done some work.

Senator COOPER. Did you have knowledge of the interest of the firm in the helium project?

Mr. MURCHISON. No; I wasn't aware of that.

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

Senator COOPER. Of their ventures they were looking to in New Jersey?

Mr. MURCHISON. No.

Senator COOPER. That is all.

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

We will meet at 9:30 tomorrow.

(Whereupon, at 5:40 p.m., the committee recessed to reconvene at 9:30 a.m., Friday, February 5, 1965.)

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

FRIDAY, FEBRUARY 5, 1965

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

The committee met, pursuant to recess, at 9:45 a.m., in room 301, Old Senate Office Building, Senator B. Everett Jordan (chairman) presiding.

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

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

The CHAIRMAN. The committee will please come to order. We have a quorum. We appreciate your being here, Senator Cooper. It will enable us to get a long way on this problem today. Our first witness today is Ernest Tucker.

Gentlemen, it is necessary I read this opening statement to you in order that you may know why you are here, and what rights you have before this committee, and the authority this committee has.

A quorum being present, the committee will please come to order. This committee is acting by direction and under the authority of Senate Resolution 367, agreed to on September 10, 1964, and Senate Resolution 212, agreed to on October 10, 1963. Senate Resolution 367 renews the powers authorized by Senate Resolution 212 and broadens the scope of jurisdiction conferred.

The Committee on Rules and Administration has now been granted the power to investigate all interests or activities of present or former Members, officers, or employees of the U.S. Senate for the purpose of determining whether such interests or activities have involved any violation of law or other impropriety or have reflected unfavorably upon the integrity of the Senate, and whether additional laws, rules, or regulations are necessary or desirable for the purpose of prohibiting or 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 add to the committee's fulfillment of its legislative purpose.

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

Mr. Ernest Tucker, I believe you are the first witness. Will you stand and place your hand on the Bible? Do you solemnly swear that the evidence you are about to give before this committee in the matter under investigation is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. TUCKER. I do.

The CHAIRMAN. Mr. Counsel, you may proceed.

Mr. McLendon. State your full name and address.

TESTIMONY OF ERNEST C. TUCKER

Mr. TUCKER. Ernest C. Tucker. My address is 2000 P Street NW., Washington, D.C.

Mr. McLendon. You have appeared and testified before this committee more than once prior to this date, have you not?

Mr. TUCKER. Yes; I have.

Mr. McLendon. To refresh your recollection, and to make the record intelligible, I believe you testified that prior to Robert G. Baker's resignation as secretary to the majority of the Senate, that you and he had practiced law from the same offices, and that the name of Tucker & Baker was used; is that correct?

Mr. TUCKER. Well, substantially, that is correct.

(At this point, Senators Cannon and Pell entered the hearing room.)

Mr. TUCKER. Mr. Baker and I have been associated in the same office, together with others. As far as the practice of law is concerned, in and of itself, we are independent operators in our own right. He has his business, I have my business. Other associates in the office have their own business.

Mr. McLendon. You did use the name of Tucker & Baker?

Mr. TUCKER. Yes; it did jointly appear on the door.

Mr. McLendon. And you used it on letterheads, too?

Mr. TUCKER. Yes.

Mr. McLendon. So you held yourself out as a firm of lawyers composed of Ernest C. Tucker and Robert G. Baker. To that extent, at any rate—by your letterhead and name of the door.

Mr. TUCKER. To the extent that it did appear that way; yes.

Mr. McLendon. Now, you have also testified, have you not, that it was customary for you and Baker to keep a bank account in the name of Tucker & Baker, in which you deposited money belonging to you, and you would check it out, and he would deposit money belonging to him and he would check it out?

Mr. TUCKER. That is substantially correct.

Mr. McLENDON. I won't go into a discussion of how that worked, but I have stated it correctly, have I not?

Mr. TUCKER. Substantially so; yes.

Mr. McLENDON. I show you a copy of a check which has heretofore been marked "Exhibit 86" during the examination and testimony of Mr. Spett, a lawyer from New York. I ask you to look at it and state whether you can identify that as a copy of a check which was deposited in this bank account that we have just been speaking about.

Mr. TUCKER. I couldn't say with any degree of accuracy that it was. I did not recall this check until I saw it mentioned in the public press. But I have no doubt that it was.

Mr. McLENDON. What is the endorsement on the back of it?

Mr. TUCKER. It says "Deposit Tucker & Baker," with a rubber stamp.

Mr. McLENDON. No signature?

Mr. TUCKER. No, sir.

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

Mr. TUCKER. November 30, 1961.

Mr. McLENDON. Mr. Tucker, I have a memorandum to the effect that you were interviewed about this check and that you stated that the check represented money belonging exclusively to Robert G. Baker.

Mr. TUCKER. I don't think that you have such an interview, Major. No one has ever interviewed me concerning this check. The first time that I ever recall this check was when it was mentioned in the public press the other day. I don't know who that interview came from, but if you have it, it is inaccurate.

Mr. McLENDON. Well, have you checked your bank account to see whether that deposit went into this firm account?

Mr. TUCKER. I don't happen to have the records on that bank account, Major. Mr. Baker and his counsel has those records. And the only records that I have and which I have discussed with various account, Major. Mr. Baker and his counsel has those records. And of course, this is not a part of my account.

Mr. McLENDON. You are positive it is not—it was not—the check did not represent money belonging to you?

Mr. TUCKER. That is correct.

Mr. McLENDON. You know the firm who signed that check?

Mr. TUCKER. No; I have never met any of these gentlemen in connection with this law firm, to the best of my knowledge.

Mr. McLENDON. Who did sign the check?

Mr. TUCKER. Spett. It looks to me as if his name is Spett. At least on the check it says S-p-e-t-t.

Mr. McLENDON. Was there any evidence that Mr. Spett, a member of the law firm of Weisman, Celler, Allan, Spett & Sheinberg, of New York, mailed that check to your firm, Tucker & Baker?

Mr. TUCKER. Well—

Mr. McLENDON. Do you have any information to the contrary?

Mr. TUCKER. I don't deny it either way. I just don't have any recollection of it, for the simple reason it was not part of my business.

Mr. McLENDON. But it did go into that account?

Mr. TUCKER. Oh, I don't doubt it did, Major.

Mr. McLendon. And you are testifying that you did not check it out?

Mr. TUCKER. All I am saying is that this is not a part of a business connected with me, and I don't have any information on it.

Mr. McLendon. Well, let me——

Senator CANNON. Mr. Chairman, what is the point we are trying to get at here? Is there any dispute as to whether or not they did or did not get this payment? I thought the record was abundantly clear that a forwarding fee was paid, it has been deposited, and the check is in evidence. I don't quite follow what we are trying to do.

Mr. McLendon. The point is, Senator, that the check is made to the firm, Tucker & Baker.

Senator CANNON. Does anybody dispute that?

Mr. McLendon. That is what he is disputing right now. He says the money didn't belong to the firm.

Mr. TUCKER. I am not disputing that at all, Major. I said there is no doubt in my mind that this check was deposited to the account of Tucker & Baker. But I. Ernest C. Tucker, had nothing to do with it. It was not a part of——

Mr. McLendon. That is the very point. I want you to testify under oath——

Mr. TUCKER. I just stated that.

Mr. McLendon. All right. So there is no doubt about the fact, then, that the money belonged to Baker?

Mr. TUCKER. That is correct.

Mr. McLendon. And no one else could have gotten it out of the bank account except Baker?

Mr. TUCKER. That is correct.

Mr. McLendon. Did you have any knowledge at all of employment of either Baker or Tucker & Baker by the Sweet Water Development Co.?

Mr. TUCKER. I have never heard of the Sweet Water Development Co. until it was mentioned in the public press.

Mr. McLendon. All right. That is all.

The CHAIRMAN. Senator Cannon?

Senator CANNON. I have no questions.

The CHAIRMAN. Senator Pell?

Senator PELL. No questions.

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

Senator COOPER. Mr. Tucker, is your testimony, then, that you did not receive any of the proceeds of this check?

Mr. TUCKER. That is right, Senator.

Senator COOPER. Would you know whether or not in any distribution of the firm's income, that is the firm of Tucker & Baker, you received any of the proceeds of this check?

Mr. TUCKER. No; I would not have, Senator. As you probably will recall, my previous testimony was to the effect that any funds which I put in this account I would normally personally withdraw substantially the same amount, and any funds which Mr. Baker would put in, he would likewise do the same. As a consequence, this check being made to Tucker & Baker, as I suggested, no doubt it went into that bank account, and I wouldn't dispute that at all. But I, as an independent attorney, had nothing to do with this client. I

knew nothing about the firm. I knew nothing about Sweet Water, never heard of them until it was mentioned in the public press, and received none of the proceeds from this check.

Senator COOPER. Of course, you knew Mr. Law?

Mr. TUCKER. Yes; I know Francis Law.

Senator COOPER. And Mr. Webb?

Mr. TUCKER. Yes; I know Mr. Webb.

Senator COOPER. Did either Mr. Law or Mr. Webb ever talk to you about this transaction, doing any business with Sweet Water?

Mr. TUCKER. No, sir.

Senator COOPER. Do you know Mr. Wynne?

Mr. TUCKER. Bedford Wynne?

Senator COOPER. Yes.

Mr. TUCKER. I have heard of his name in the press, but I have never met him.

Senator COOPER. Do you know Mr. Murchison?

Mr. TUCKER. I know Mr. Murchison. I don't think I have ever personally met him. I may have been at a function at which he was there. But I have never met him.

Senator COOPER. Then your statement is you knew nothing about this transaction, had nothing at all to do with it, received none of the proceeds of the check?

Mr. TUCKER. That is correct, sir.

The CHAIRMAN. Mr. Tucker, it is apparent, and I don't think you would deny, you did have a partnership law firm, Tucker & Baker. Your stationery said that, and it is on your door. How did you pay your secretaries and your rent and so forth? It was certainly joint expenses, if you used them jointly.

Mr. TUCKER. No, Senator, they were not joint expenses, for this reason. There are other associates in the office that I have no business connection with as such, other than if they may be out of the city, I might personally look after one of their cases, just during that time, and they do the same for me. Mr. Baker is a member of the South Carolina bar, and is not a member of the Washington bar, and as such he cannot actively, as other attorneys cannot, engage in the practice of law in the District of Columbia other than private business or before independent regulatory agencies and commissions. And Mr. Baker, to my knowledge, never actively engaged in the practice of law in the District of Columbia, did not hold himself out as such. But that does not mean that under the local bar regulations and so forth that he cannot engage in private business activities, and that is exactly what he did. Now, as far as paying the rent is concerned, he did not basically use the office. He did not share in payment of rent—or, for that matter, the payment of a secretary. The secretary and the rent and the other expenses are actually shared by the gentlemen who actually are presently and have in the past engaged in the practice of law in the District.

The CHAIRMAN. Well, what was the purpose of using the name of Tucker & Baker? Why did you use that? You have it painted on your door and your stationery.

Mr. TUCKER. Well, I think as I suggested, Mr. Baker actually engaged in handling his own activities as such, and he is not prohibited, at least as far as I know, by the laws in the District of Colum-

bia, the regulations of the bar, from engaging in private activities which it is quite evident that he did, of course.

The CHAIRMAN. Well, but you were partners to some extent. You were at least partners on paper.

Mr. TUCKER. We were indeed associates; yes, sir.

The CHAIRMAN. All right. Senator Pell, do you have a question?

Senator PELL. I was intrigued at your statement that Mr. Baker was not a member of the District bar, and hence could not practice law, but he could practice before regulatory agencies. Do you have any knowledge of any time that Mr. Baker did represent a case or press for a client before a regulatory agency?

Mr. TUCKER. No. By that I meant, Senator, that is basically the bar requirements. For example, an attorney who is a member of the bar in Rhode Island certainly can practice before most of the independent regulatory agencies here without actually being a member of the bar of the District of Columbia.

Senator PELL. Let me rephrase my question, then. Our whole interest here is whether Mr. Baker used his position in the Senate in an improper way for his personal profit. Do you have any knowledge of any time when he did represent somebody before a regulatory agency or did some work for a client with one of the regulatory agencies of the Government?

Mr. TUCKER. No; I have no such knowledge, Senator. I thought on a couple of other occasions, to the best of my knowledge, Mr. Baker never fully engaged in the practice of law as we attorneys generally think of it.

Senator PELL. Thank you.

Senator COOPER. You say that several others were—had offices in the same office that you hold now; is that correct?

Mr. TUCKER. Yes, sir.

Senator COOPER. Who are they?

Mr. TUCKER. You mean since I have been practicing law in the District of Columbia?

Senator COOPER. Well, say, last year.

Mr. TUCKER. Well, last year the same gentlemen are still there. Mr. Oxholm, and there was a Mr. Arens, and—that is not the same Mr. Arens that used to work on the Hill.

Senator COOPER. Go ahead. Name the others.

Mr. TUCKER. Those are the two that were there.

Senator COOPER. Then—

Mr. TUCKER. Including myself.

Senator COOPER. They come and go?

Mr. TUCKER. Yes. I have been practicing law here, Senator, for some 14 years, and over those years there have been various associates in the office, and we have never —

Senator COOPER. Have you known that Robert Baker was not admitted to practice in the District of Columbia?

Mr. TUCKER. Yes, I know he is not.

Senator COOPER. Knowing that, did you agree to have the firm name printed on your doors down there, Tucker & Baker, attorneys at law?

Mr. TUCKER. Indeed.

Senator COOPER. What?

Mr. TUCKER. Indeed so. As a matter of fact, it is not Tucker & Baker on the door. It is Tucker, Oxholm, Baker & Arens.

Senator COOPER. The same Baker, though, isn't it?

Mr. TUCKER. Yes.

Senator COOPER. Did you have stationery that you used with Baker's name on it?

Mr. TUCKER. There is stationery; yes, sir.

Senator COOPER. Did you have a card that has been referred to in the testimony?

Mr. TUCKER. Yes, sir.

Senator COOPER. Tucker & Baker, attorneys at law?

Mr. TUCKER. Yes, sir.

Senator COOPER. Isn't it correct, then, that you were holding out to others that Tucker & Baker were practicing law together, and that Baker was—could practice here in the District of Columbia?

Mr. TUCKER. I have never suggested anything to the contrary.

Senator COOPER. Well, if he couldn't practice, what was the purpose in having this association, having stationery with his name on it, having cards with his name on it, having his name on your door—if he could not practice, what was the purpose of being associated with him?

Mr. TUCKER. Well, he could practice law.

Senator COOPER. Where?

Mr. TUCKER. He could practice his own private law business activities. He could, if he so desired, practice in South Carolina. In fact, as a matter of fact, the stationery had a South Carolina office on it; Easley, S.C.

Senator COOPER. But your office is located here in Washington. The address on your card is Washington. I assume the address on your stationery was Washington.

Mr. TUCKER. And on the stationery was Easley, S.C. Mr. Baker had a law office in Easley, S.C.

Senator COOPER. Did you and Baker ever receive a check to the firm as payment for any services that were performed which were distributed or divided between you and Baker?

Mr. TUCKER. You mean addressed to Tucker & Baker and we jointly split the fee—is that the question?

Senator COOPER. Yes.

Mr. TUCKER. I don't believe I could answer that without going back and checking the records. But there would be no reason for me to say one way or the other. It is entirely possible we did. And it is entirely possible we didn't—because you must remember that I have always actively engaged in the practice of law and normally my clients make my check out to me.

Senator COOPER. You are a lawyer, and you say you have been practicing for 20 years?

Mr. TUCKER. About 14 years.

Senator COOPER. Actively engaged. And you know that this man could not practice law in the District of Columbia. Now you say you cannot remember of any time when you were jointly engaged in some case and divided the proceeds. What did you have him in your office for?

Mr. TUCKER. I said that I could not specifically recall an instance. But I certainly could check the record and furnish that information, if it were still available.

Senator COOPER. Will you answer my question? What did you have him in your law firm for, with his name on the door, with his name on the stationery, with his name on your cards?

Mr. TUCKER. He was there for the simple reason of engaging in his own basic business activities.

Senator COOPER. Why should he be in your office, then? Why was he there?

Mr. TUCKER. I don't see—I did personal work for some of his business activities, and I have known Mr. Baker for some 14 or 15 years. I see nothing unusual about that.

Senator COOPER. You represented him in his ventures?

Mr. TUCKER. Oh, yes, I represented some of his business activities. But, Senator, I think you are well aware of the fact that there are many, many lawyers practicing law in the District of Columbia who are not a member of the bar in the District of Columbia.

Senator COOPER. I am beginning to believe it, yes.

Mr. TUCKER. They don't practice the type of law that they are required to be a member of the bar in the District of Columbia.

Senator COOPER. That is all I have.

Senator CANNON. Do the rules of the District bar permit a person to advertise—not to advertise, but to establish a location and put their name on the door as attorney at law, even if they are not admitted to practice in the District?

Mr. TUCKER. As far as I know they do, Senator. I have no information to the contrary.

Senator CANNON. Does your firm name still read Baker & Tucker, or Tucker & Baker?

Mr. TUCKER. On the door it is Tucker, Oxholm, Baker & Arens.

Senator CANNON. Now, what about Oxholm and Arens? Are they members of the District of Columbia bar?

Mr. TUCKER. Yes, they are.

Senator CANNON. Do they practice actively?

Mr. TUCKER. They actively practice. As a matter of fact, Mr. Arens is no longer there. We just haven't gotten around to taking his name off the door.

Senator CANNON. What do your cards show, your personal cards?

Mr. TUCKER. Well, they show substantially what Senator Cooper had there.

Senator CANNON. They show Tucker & Baker—they don't show Arens and Oxholm?

Mr. TUCKER. No; but, again, Senator, the local bar rules are there. A person can practice before the local bar—Major McLendon, I doubt, is a member of the bar in the District of Columbia. But he is certainly a member in North Carolina. He can practice law in the District of Columbia by coming here and handling a thousand cases a month if he were so inclined. All he has to do is have a local member of the bar be there in court with him, and use a local address. This is—throughout the country this is basically—

Senator CANNON. I understand that. But what I don't understand is the fact that a man not a member of the bar can hold himself out as

apparently a member of the bar. In other words, Tucker & Baker, attorneys at law, Washington, D.C., it seems to me that is a holding out that they are members of the bar of Washington, D.C., the District of Columbia.

Mr. TUCKER. Well, frankly, I do not know whether or not the District bar has specific rules on this—as long as they do not actively engage in the local courts.

Senator CANNON. If Baker attempted to appear in the District courts, would he have to appear on the motion of some other attorney?

Mr. TUCKER. Yes.

Senator CANNON. That is all.

Mr. TUCKER. He could appear in the local courts just as long as he appeared with a local attorney in the same organization, or outside the organization, for that matter.

Mr. McLENDON. Mr. Tucker, you testified before the committee in connection with the \$5,000 check that Mickey Weiner gave Tucker & Baker; did you not?

Mr. TUCKER. Gave——

Mr. McLENDON. To Tucker & Baker.

Mr. TUCKER. Well, now, that——

Mr. McLENDON. Well, the check was written to Tucker & Baker.

Mr. TUCKER. No, it wasn't.

Mr. McLENDON. It wasn't?

Mr. TUCKER. That was the one, if you will recall, that was written to me.

Mr. McLENDON. Written to Tucker?

Mr. TUCKER. Yes, sir.

Mr. McLENDON. That is right; you are right. I am wrong.

Mr. TUCKER. And I discussed that matter with Baker, and that was Baker's associate.

Mr. McLENDON. Okay; that is all.

Senator COOPER. One more question. Do you draw any distinction between a lawyer who might appear in a court in the District of Columbia and one who would stay in his office and give advice and counsel to people who came to see him? Do you think Mr. Baker could have done that?

Mr. TUCKER. Advice and counsel without appearing in court?

Senator COOPER. Suppose Mr. Baker did not go into court, but he sat there in the office, or came to the office from time to time, and people would come to him for legal advice. Do you think he could do that? Do you think he could give legal advice?

Mr. TUCKER. Pertaining to matters in the District, I would say basically not.

Senator COOPER. Did your firm, Tucker & Baker, have any practice in the so-called forwarding of fees?

Mr. TUCKER. I have personally received forwarding fees, yes, sir, and I have given forwarding fees.

Senator COOPER. Have you and Baker received any forwarding fees?

Mr. TUCKER. I don't recall having received any other than this check here, which was actually Mr. Baker's. As far as receiving a forwarding fee for Tucker and Baker as such, I have no recollection of that, Senator. I don't recall having received one.

Senator COOPER. Don't you think you would recollect it if you received a fee from some other firm?

Mr. TUCKER. Yes. But I am being cautious, sir, as an attorney. I don't have any recollection. If the records were to be checked and I found one, I would say positively yes. But I think that you would do the same thing. I have no recollection of it. But if you were to tell me that you have some information, I would be more than happy to look at it and then say yes, I can check the records and this is true. But I cannot make a flat statement and say I didn't. But I don't have any recollection of it.

Mr. McLENDON. That is all.

The CHAIRMAN. That is all, Mr. Tucker. Who is your next witness?

Mr. McLENDON. Mr. MacGowan.

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

Mr. MacGOWAN. I do.

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

Mr. McLENDON. Mr. MacGowan, will you state your full name and address?

TESTIMONY OF CHARLES F. MacGOWAN

Mr. MacGOWAN. My name is Charles F. MacGowan. My address is 18 Park Valley Road, Silver Spring, Md.

Mr. McLENDON. Mr. MacGowan, were you Director of what is commonly referred to as the Division of Saline Water in the Department of Interior?

Mr. MacGOWAN. Yes, sir; I was Director of the Office of Saline Water from February of 1961 to January of 1965.

Mr. McLENDON. Were you the first Director?

Mr. MacGOWAN. No, sir; I was the third.

The CHAIRMAN. May I ask a question? Who was the first Director?

Mr. MacGOWAN. The first Director of record is Mr. Jenkins. During the early formative days of the OSW, there was a temporary man assigned by the name of Lineweaver. The first Director of record is David S. Jenkins.

The CHAIRMAN. Was there ever a Dr. Miller?

Mr. MacGOWAN. Yes, sir. Dr. Miller succeeded Mr. Jenkins, and I succeeded Dr. Miller.

The CHAIRMAN. I went down to see Dr. Miller a time or two, and got him into North Carolina, trying to get that plant located at Wilmington, and it was finally located there.

Mr. McLENDON. Mr. MacGowan, in the year 1961, were you occupying the position of Director?

Mr. MacGOWAN. Yes, sir.

Mr. McLENDON. Will you tell the committee your knowledge of how the first conferences were held and with whom they were held which finally resulted in a contract between the Department of Interior, or OSW, and the company known as Sweet Water Development Co.?

Mr. MACGOWAN. Yes, sir. I was told—it may have been by Mr. Strobel, or it may have been by my secretary, that a conference was arranged between representatives of the Sweet Water Corp. and that the meeting would be held on such and such a time, such and such a place. At this time, since I was relatively new, I was trying to learn all I could about the operations of the Office, and the various firms that were doing business with it or attempting to do business with it, including the acquiring by me of the technical knowledge concerning the processes that were then being developed. I attended this meeting, as I made an effort to attend most of them—at least part of the time. And present, as I recall it, were Mr. Strobel, who is here—

Mr. McLENDON. What was his position?

Mr. MACGOWAN. Mr. Strobel is the technical expert who was then the Chief of what we term the Processes Development Division.

Mr. McLENDON. Go ahead.

Mr. MACGOWAN. Dr. Gillam, who was Chief of the Basic Research Division, Mr. Allan Cywin. Mr. Cywin was Chief of the Demonstration Plant Division. And if I may digress just a minute to say that the Demonstration Plant Division is the division which would extrapolate the basic information developed by Mr. Strobel's group into large scale plants. As I recall it, present for Sweet Water were Mr. Rogers, of Texas, who served as introducer to the OSW.

Mr. McLENDON. Congressman Rogers?

Mr. MACGOWAN. Yes. Mr. Law, Mr. Williams.

Mr. McLENDON. The Williams you refer to is the inventor of this process?

Mr. MACGOWAN. Yes, sir, I should identify him more properly as Virgil Williams, who did invent this process.

Mr. McLENDON. How about R. D. Pittman?

Mr. MACGOWAN. Mr. Pittman was there.

Mr. McLENDON. Local attorney—was he there?

Mr. MACGOWAN. Yes.

Mr. McLENDON. And Mr. Rienne, Chief of the Branch of Special Projects in the OSW?

Mr. MACGOWAN. Correct, sir. He is on Mr. Strobel's staff.

Mr. McLENDON. As far as you know, this was the first time that there had been any conference between a representative of OSW and anyone purporting to represent Sweet Water?

Mr. MACGOWAN. Yes, sir.

Mr. McLENDON. What was the result of that? You needn't go into a lot of detail.

Senator CANNON. Have we fixed the time when this was?

Mr. McLENDON. I don't believe I have. Let's do that now. According to the memorandum you gave us, it is September 22, 1961. Is that about right?

Mr. MACGOWAN. I would tend to accept this date, sir. I have not—I did not participate in the preparation of the documents since I was in Vienna at that time. I think Mr. Strobel would answer to this point.

Mr. McLENDON. You think that is about the date?

Mr. MACGOWAN. Yes, sir.

Mr. McLENDON. September 22, 1961?

Mr. MACGOWAN. This was a preliminary meeting, simply to get out the fact that they were interested in working with the Government to develop what was considered a promising hydrate process. The result—

Mr. McLENDON. Did you or others associated with you decide that this hydrate method, which had been invented by a Dr. Williams, did hold promise of success?

Mr. MACGOWAN. Yes, sir. Mr. Rienne, the man you mentioned just at the end there, is the technical expert on the group of processes which we term freezing and hydrate. The proposal of Sweet Water was very carefully considered and evaluated. It was our opinion that there was insufficient data for us to properly evaluate this process, and its ultimate, and that in the interest of accelerating this program, which President Kennedy had spoken to many times, it may be wise to support Sweet Water on a cost reimbursable contract, meaning no profit, to acquire the rest of the data that we needed for evaluation.

Mr. McLENDON. Was it suggested as a result of that conference that Dr. Williams operate a pilot plant? I believe he already operated one.

Mr. MACGOWAN. It was, sir. The plant was built and operating, but the data he had collected was not satisfactory to us. Before we could make a judgment whether to do more with this process, we needed more data. The only way we could get more data at our request—and incidentally, since it was our request for the data, we felt it was proper for us to bear at least a part of the cost—and since we had requested the data, it would be necessary to run this plant and to make some modifications in the plant which would allow this data to be collected. The subsequent data was acquired.

During this time, we requested Dr. Allan Barduhn, of Syracuse University to also make an independent evaluation of the process. Dr. Barduhn did, submitted his findings to us. Predicated upon our evaluation and Dr. Barduhn's assistance, we thought that the process did indeed hold promise, and that the next phase of investigatory work should be undertaken—namely, the design and the basic engineering of a larger pilot plant. The reason for the larger pilot plant is that this will serve as a datum from which very large plants could be extrapolated.

What we were talking about—Williams had the small plant. Based upon the small plant, and to use Mr. Rienne's words—there was a potential breakthrough in the most difficult part of this process which related to the separation of the hydrates and the water. The small plant, then, was used as a model for the plant which is now about to begin operation. As a matter of fact, preliminary operations have begun.

Mr. McLENDON. At Wrightsville Beach, N.C.?

Mr. MACGOWAN. Yes, sir. The preliminary work—the preliminary operations are starting.

Mr. McLENDON. Let's get one point clear. Prior to the time that your department, OSW, negotiated the first contract, which appears to be dated May 1, 1962, did any Government funds go into the pilot operations conducted by Dr. Williams, out at St. Louis?

Mr. MACGOWAN. Not to my knowledge, sir, no, sir.

Mr. McLendon. So without going into detail now, do you have knowledge of the fact that a contract was entered into with the Sweet Water Development Co. on or about May 1, 1962?

Mr. MacGowan. Yes, sir.

Mr. McLendon. And that, I believe, provided for about \$75,000.

Mr. MacGowan. Yes, sir.

Mr. McLendon. Then after that plant in St. Louis had been operating long enough to convince you and your associates that there was merit in this particular process of Dr. Williams, the record shows that the Department entered into a second contract with him about February 21, 1964. Are you familiar with that?

Mr. MacGowan. Yes, sir; I am familiar with the second contract. There was a letter of intent in the meantime. Unfortunately, it takes almost 2 months to process a contract from its inception to the time it is finally signed.

Mr. McLendon. Under the applicable law, was your Department authorized to exercise your discretion in setting up these experiments and financing them on a cost basis?

Mr. MacGowan. Yes, sir.

Mr. McLendon. And was that judgment made by you and your associates in the Department?

Mr. MacGowan. Not alone us—if you will recall, Mr. McLendon. We had the outside evaluation by an expert in the field to support us in this.

Mr. McLendon. Was there any pressure brought to bear on you or any of your associates by Robert G. Baker in connection with this matter?

Mr. MacGowan. Never at any time, sir.

Mr. McLendon. Do your records show any connection with Baker at all by correspondence, telephone call or otherwise?

Mr. MacGowan. Not at any time, sir.

Mr. McLendon. What about the location of the plant? There is some evidence before the committee that a possible site in New Jersey—or sites in New Jersey—had been under consideration. Can you enlighten the committee on that?

Mr. MacGowan. Yes, sir. At about this time, the OSW had no property—no single place where these experiments could be carried on. We were forced to do a job here and there all over the country. Obviously there was a great deal of traveling around, and a great deal of loss of time. Partly through Senator Jordan's efforts, the State of North Carolina deeded to the Office of Saline Water a splendid seaside area comprising approximately 25 acres. At this place—by the way, the deed was awarded in a public ceremony by Governor Sanford at that time.

The land was to be used for developmental purposes, and it was decided that this would be a splendid place to locate a facility where pilot plants of various kinds can be built and operated somewhat in competition with each other, and under standard conditions of temperature, sea water, and all these variables which are very important to such a process. The plant opening was uncertain. Also, it was uncertain how quickly Mr. Williams could extrapolate designs into this 20,000-gallon-per-day plant that is now underway.

Mr. McLendon. That is the one designed to be built at Wrightsville Beach, N.C., you are talking about?

Mr. MacGowan. Yes, sir.

Mr. McLendon. Let me interrupt your chain of thought there just a minute, to get this straight. Is it correct that at this same site in North Carolina there are some 10 or 12 plants which are conducting experiments on different theories or processes?

Mr. MacGowan. Yes, sir.

Mr. McLendon. It is not limited to Sweet Water?

Mr. MacGowan. No, sir.

Mr. McLendon. It is just one of many?

Mr. MacGowan. Sweet Water is one of many, and the common conception is that a pilot plant would be erected, operated for the period for which useful data could be acquired, torn down at the end of this period, another one erected in its place. The plant is designed for this purpose.

Mr. McLendon. Now, the Sweet Water plant, I believe, has been virtually completed now, has it not?

Mr. MacGowan. It is in the early operating stages.

Mr. McLendon. Now, Mr. MacGowan, considerable publicity has been given to statements to the effect that during the progress of the Sweet Water Co., under these contracts, that it was required to render statements, bills, I call them invoices, for its expenditures. Is that correct?

Mr. MacGowan. That is correct.

Mr. McLendon. Also, some publicity has been given to statements that some of these statements were at least padded—that is my word, not anyone else's. In other words, that it contained many, many items which were not allowable under the rules and regulations applicable to this particular contract. Can you give the committee any information about that?

Mr. MacGowan. I can be helpful, sir. I did not have direct operating contact with these, but I was obviously in a position of responsibility with respect to them. The first several such bills—I think it was three—which Sweet Water submitted were not in proper form. Now, as to the allegations that they were padded, I don't know. I don't think so. I think that there would be charges—and you have experts here in the room who can get into detail on this—there were charges which would probably be not in proper form. This was brought to my attention. As director, it was within my authority to refuse to pay these until they were in proper form. This step was taken. I did refuse to pay them. Our very small auditing section, which consisted of one, and then later another man, and others have worked with Sweet Water to put these in a form that was acceptable and understandable, and to allow only charges which would be proper under the contract. As I recall it, Sweet Water did, in fact, employ an ex-Government Accounting Office auditor to assist them in this matter.

Mr. McLendon. Was that Mr. Brasfield?

Mr. MacGowan. That was the name as I recall it, sir.

Mr. McLendon. Go ahead.

Mr. MacGowan. I suspect that between Mr. Brasfield, the Army auditors and—not the Army auditors at this point, but Mr. Brasfield,

our auditors, and the assistance of the auditing section within the Department itself, these were finally put in acceptable form.

Mr. McLENDON. Now, at what stage was the Army audit section drawn into the matter?

Mr. MACGOWAN. At the conclusion of the first contract, we, as a matter of business practice, made it mandatory upon—I made it mandatory on the administrative section of the office to perform an audit of all cost-plus-fixed-fee or cost reimbursable contracts, and it was at my specific request that this audit was made.

Mr. McLENDON. Mr. Truskett is here, I believe, from that office, who had charge of the Army audit.

Mr. MACGOWAN. Yes, sir. I should explain that the Department of Interior has no outside auditing agency which could serve in this function. Therefore, it would be common practice and is common practice for us to go to the Department of Defense, which has relatively widespread auditing operations, and ask them to audit this contract or any other contract for us. We commonly use the Department of the Army, Department of the Navy, and in some cases the Department of the Air Force, for such purposes. In this case, the Department of the Army was convenient to the scene, it had a competent and large auditing staff, we asked them to do it, and if there were any costs accrued—incurred in this, the Office of Saline Water would defray that portion of the cost and reimburse the Army for it.

Mr. McLENDON. Now, Mr. MacGowan, did you, as the responsible Director of OSW, ever determine that any account or bill, either in total or part, was rendered to your office which was intentionally false?

Mr. MACGOWAN. I do not, sir. I do not know that such a false record was made.

Mr. McLENDON. Did you ever determine in your official capacity that there was any attempt on the part of Sweet Water Development Co. to defraud the Government in the manner in which it rendered its accounts?

Mr. MACGOWAN. No.

Mr. McLENDON. And you had the advice of your own auditors, plus advice of the Army auditors?

Mr. MACGOWAN. That is correct. The normal routine for this, sir, is that the bills, the vouchers would be submitted to my administrative section. If anything irregular was determined in this, they would have reported to me instantly. No such report has been made.

Mr. McLENDON. There was an adjustment made, I believe, from the amount, total amount which Sweet Water rendered the bills for, and the amount that was finally allowed.

Mr. MACGOWAN. Yes, sir. That is correct.

Mr. McLENDON. Are you familiar with what the difference was between the bill and what was allowed?

Mr. MACGOWAN. I am not familiar.

Mr. McLENDON. Other witnesses can testify on that.

Mr. MACGOWAN. I am sure they would do a much better job than I would, sir.

Mr. McLENDON. All right. Now, inasmuch as charges have been made which might be construed by the public and at least make the committee suspicious that there was something highly irregular about

these contracts and the amount of money that was paid and now being paid, I wish you, in your own way, would tell the committee any information that you have that would indicate any such thing as that existing—intentionally irregular accounting or irregular payments, or unauthorized payments to Sweet Water.

Mr. MACGOWAN. As I was director, sir, there were no unauthorized payments. I know of no intentional errors. I know there were errors of interpretation made. But Sweet Water, despite the fact that it is backed up by Tecon, is not a big business. It, I think, is essential that this point be made clear—that they do not have an array of bookkeepers and auditors on the site where these expenses were incurred. There would be errors of interpretation only, sir. I do not know and would not have tolerated any irregularities in any of the financial aspects of this program.

Mr. McLENDON. Returning to a former question that I asked you about the possibility of locating one or more of these experimental plants in New Jersey, was a determination made in your department to eliminate the possibility of sites in New Jersey?

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

Mr. MACGOWAN. I should hasten to clarify this, sir. The potential site in New Jersey was considered as a possible site to operate the small—this first pilot plant, which could be relatively easily transported to a seaside place and operated. However, for the purposes of this investigation, and Mr. Strobel can testify much more accurately to this point than I can, I recall that the pilot plant was left to be operated in St. Louis under simulated conditions of sea water. That the plant was not moved to New Jersey. I also want to make one more point, if I may volunteer, sir. There are five demonstration plants which were authorized in 1958. One of these is in Texas, one is in South Dakota, one was in California, which was later moved to Guantánamo. A third—a fourth is in Roswell, N. Mex., and the fifth plant now was decided to be built at Wrightsville Beach. Now, during the period of selection of the east coast plant site, there was a site in New Jersey considered, as were other sites down the coast. So I just want to make this clear—that we are not talking about the consideration of a Jersey site for a large plant.

Mr. McLENDON. The committee has some evidence before it that a law firm in New York was employed in connection with this matter by Sweet Water Development Co., and reference was made to the possibility of sites in New Jersey, and this occurred in August 1961. The employment of this firm occurred in August 1961, according to the evidence before the committee. With reference to that date, was there consideration then being given to the possible location of a site in New Jersey?

Mr. MACGOWAN. No, sir. I would also make the obvious remark that this is 6 months or more—7 months, perhaps, before the first OSW contract ensued with Sweet Water, and the only consideration of New Jersey was in the construction of the large plant, which presently is at Wrightsville Beach, but not in connection with Sweet Water. And there was no serious consideration. Let me—I have got to say something else, sir. The way that the site was selected was an independent board of consultants convened and met on the matter of where the plant should be located. A standard form was used whereby each city

who requested consideration was allocated points toward being a desirable site for a plant. And the final contenders were two—Wrightsville Beach, N.C., and Greenport, Long Island—not New Jersey. And any New Jersey site had fallen out long before that.

Mr. McLendon. But there was consideration being given to the possibility of a site being selected in Long Island?

Mr. MacGowan. Yes, sir—Greenport, Long Island.

Mr. McLendon. As late as August 1961?

Mr. MacGowan. I think so; yes, sir. I would have to verify this in the record. I think that is correct.

The CHAIRMAN. May I inject something in that? Mr. MacGowan, my memory may not be accurate on this, but I was interested in trying to see this plant. That is the reason I asked about Dr. Miller. My contacts were all with Dr. Miller, who as I recall was a Republican Congressman that got defeated, and got into the saline water.

Mr. MacGowan. From Nebraska.

The CHAIRMAN. From Nebraska. He was a delightful gentleman, and we got him to go into Raleigh and meet with the Governor, who at that time was Hodges, and to visit Wrightsville Beach.

Mr. MacGowan. Yes, sir.

The CHAIRMAN. Was it not true that International Nickel had sort of made a breakthrough on their own down there at one time, and were producing some fresh water from sea water, before the Government even got into it?

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

The CHAIRMAN. I think that is correct. Anyway, we were trying to get it located in there, and so was New Jersey, and everybody else.

Mr. MacGowan. Yes, sir.

The CHAIRMAN. Everybody said there was going to be some big water plants built, and if the Government is going to build them, "We want to get one here."

Mr. MacGowan. That is correct.

The CHAIRMAN. I think it was true that there were sites mentioned in New Jersey, because I recollect that Long Island and everybody that had any seawater was trying to get this plant—California, Texas, all sorts of places.

Mr. MacGowan. That is right.

The CHAIRMAN. So I think that is probably where the rumor came around that New Jersey was going to be—because they were hoping to be. And we were more or less competing with all these sites, trying to prove that Wilmington was the proper place.

Mr. MacGowan. I think that was the point that caused Secretary Seaton to confirm the North Carolina site—the fact that the land was given, that the State would improve it, and the water would be bought by Wrightsville Beach community.

The CHAIRMAN. Didn't the State also pay for pumping that up there?

Mr. MacGowan. This was the improvement.

The CHAIRMAN. They spent a lot of money doing that.

Mr. MacGowan. Yes, sir; \$200,000, approximately.

The CHAIRMAN. And there was a customer there for the first water.

Mr. MacGowan. Yes, sir. These are the points upon which the determination was made to make North Carolina the site.

The CHAIRMAN. Now, all of this work was considerably ahead of when you finally let the contract to build the plant?

Mr. MACGOWAN. Yes, sir.

The CHAIRMAN. Because I never heard of Sweet Water until this popped up here.

Mr. MACGOWAN. Correct. This is an anachronism in fact.

The CHAIRMAN. That was way back in the Eisenhower administration, and early in the administration of Mr. Kennedy—because we were terribly concerned that the new Secretary coming in and the present Secretary was going to change his mind about that site.

Mr. MACGOWAN. You may recall, Senator, that the site was selected and announced by Secretary Seaton. Secretary Udall reviewed it and confirmed it.

The CHAIRMAN. And there was some question whether he was going to confirm that site or not. That is what was worrying us.

Senator COOPER. May I ask a question? After the site had been selected, then did it become the duty of your office to find some contractor who would make these experiments?

Mr. MACGOWAN. If we are speaking of the test site, Senator—Senator COOPER. What?

Mr. MACGOWAN. If we are speaking of the test site at Wrightsville Beach, N.C., the site was selected and approved. We put steam and waste facilities, we had pumps for sea water, pumps for product water, and the answer is "Yes." These sites are made available to the contractor.

Senator COOPER. How did you go about making it available to corporations, persons who wanted to experiment at this site?

Mr. MACGOWAN. The site is clearly for the development of large-scale pilot plants, and those processes which have reached the large-scale status would be built there. This is clearly understood.

Senator COOPER. I know that. But did you make it public that you were going to invite private contractors to experiment there?

Mr. MACGOWAN. Yes, sir.

Senator COOPER. How did you make that public?

Mr. MACGOWAN. By many speeches which I have made personally inviting those possessors of new ideas to come in and try to get more new blood and new ideas into this, that could be extrapolated and used.

Senator COOPER. Prior to the contract you entered into with Sweet Water, had your office entered into contracts with other firms or persons?

Mr. MACGOWAN. Yes, sir.

Senator COOPER. Approximately how many?

Mr. MACGOWAN. At the time the Sweet Water contract was executed—and if you will allow me an approximation—I could determine this—there were in excess of 100 contracts then being maintained by the OSW.

Senator COOPER. Now, were the terms of those contracts generally the same as the terms of contract you made with Sweet Water?

Mr. MACGOWAN. Yes, sir.

Senator COOPER. That the Government would pay a part of the cost of operation?

Mr. MACGOWAN. The Government commonly would pay all of the cost of the operation, if it was in the Government's interest to do so.

Senator COOPER. If what?

Mr. MACGOWAN. If it was in the Government's interest to do so. What I am saying is that of course there are those firms—Sweet Water is not one of them, I guess—who have no means of their own. On the other hand, General Electric, which has adequate means and who has a pilot plant, two pilot plants at Wrightsville Beach now—General Electric would have no problem at all in supporting this. But, generally, yes—the contracts are cost reimbursable, or cost plus fixed fee, and the fixed fee limited generally to be lower than 7 percent.

Senator COOPER. Who was charged with making the decision as to whether or not a contract should be given to an applicant?

Mr. MACGOWAN. This is based upon the evaluation within the office and by consultants where needed.

Senator COOPER. Who was charged with this responsibility? Were you charged with it?

Mr. MACGOWAN. It was my final decision; yes, sir.

Senator COOPER. You had to make the decision?

Mr. MACGOWAN. Yes, sir.

Senator COOPER. Did the Secretary have to approve your decision?

Mr. MACGOWAN. Commonly Secretary Holum would review the case. I do not know that he did it in this case.

Senator COOPER. Did you have in your office a specific group which with you would review these applications?

Mr. MACGOWAN. Yes, sir.

Senator COOPER. And make a determination?

Mr. MACGOWAN. Yes, sir.

Senator COOPER. Who were these people?

Mr. MACGOWAN. Mr. Strobel is here. We cover a fairly wide spectrum. Mr. Strobel in this case would consult with his experts in this narrow field to evaluate the process. If there were any unresolved points in their minds as to the technical merit, they would then seek outside consultants.

Senator COOPER. Now, in the case of Sweet Water, did you seek outside advice?

Mr. MACGOWAN. Yes, sir.

Senator COOPER. From—

Mr. MACGOWAN. Dr. Allen Barduhn, of Syracuse University.

Senator COOPER. What are his particular qualifications?

Mr. MACGOWAN. He is one of the experts in freezing and hydrates in the country.

Senator COOPER. Does your office use his advice from time to time?

Mr. MACGOWAN. Yes, sir.

Senator COOPER. Can you tell the committee about your qualifications in this field?

Mr. MACGOWAN. My qualifications are very limited, sir. My background is technical. I was technical adviser to labor unions. My principal field is nuclear energy. I worked in this area for 8 years before I came to this office. I was technical adviser.

Senator COOPER. You have educational background in this field?

Mr. MACGOWAN. Yes, sir.

Senator COOPER. Are you an engineer?

Mr. MACGOWAN. Yes, sir—I try to be.

Senator COOPER. I know. But—

Mr. MACGOWAN. No. My primary qualification is in arts. I did my technical work after graduating with an arts degree.

Senator COOPER. Can you tell the committee about your background, educational background and qualifications?

Mr. MACGOWAN. Yes, sir. I studied thermodynamics and some of the common engineering subjects at the Illinois Institute of Technology. I attended a course in reactor design, reactor physics at Harvard. This is the kind of thing—is this what you want? As a matter of fact, a year ago I was studying engineering administration at George Washington.

Senator COOPER. How long have you been director of this office?

Mr. MACGOWAN. Four years—until last month.

Senator COOPER. How long after you became director of the office was there an application made by Sweet Water?

Mr. MACGOWAN. Nine months.

Senator COOPER. Had you known any of these men who are partners in Sweet Water?

Mr. MACGOWAN. No, sir.

Senator COOPER. Do you have any records which would indicate the way in which Sweet Water introduced itself or presented itself to your office for consideration?

Mr. MACGOWAN. As I said, sir, the first meeting that was held was—I named the people. They were introduced by Mr. Rogers. I attended the meeting.

Senator COOPER. Congressman Rogers?

Mr. MACGOWAN. Of Texas; yes, sir. Sweet Water is a Texas firm, obviously. But it was quite plain that his function was only as an introducing means. What I am really pointing out here, sir, is that there was no contact with OSW, no one knew anyone in OSW, and it was necessary to ask Mr. Rogers in behalf of his constituents to introduce them.

The CHAIRMAN. May I inject right there? That is exactly the same thing I did when I went down to see Dr. Miller. I took a delegation down there. I found out who Dr. Miller was. I said what is his training in the saline water business. They said he doesn't have any—he was a doctor. I do that right along, we all do that.

Senator COOPER. I think we all do. Now, do you remember who came to this meeting?

Mr. MACGOWAN. Yes, sir.

Senator COOPER. On behalf of Sweet Water, other than Congressman Rogers?

Mr. MACGOWAN. Yes, sir. I think I have testified that Mr. Law, Mr. Virgil Williams, Mr. Pittman, Mr. Rogers.

Senator COOPER. How long after that was it when your department, your office, agreed to enter into a contract with Sweet Water?

Mr. MACGOWAN. From September to May, 8 months.

Senator COOPER. You had several discussions in the interim?

Mr. MACGOWAN. Yes, sir.

Senator COOPER. What was it about Sweet Water's capabilities which finally led you to make the decision to give the contract to them?

Mr. MACGOWAN. One of the important things to consider is that in solving the water problem, one needs more than one tool. Many tools are required. This now was nearly 4 years ago, and a great many things have happened in the intervening 4 years. But the thing that impressed us at this time was a hydrate process which we knew very little about, and which seemed to be potentially good because here was a firm that had a pilot plant operating.

The CHAIRMAN. They owned it, too, didn't they?

Mr. MACGOWAN. Yes, sir. This was developed, as I understand it, entirely with their funds. And they had been operating it, they were able to give us part of the data we required, but not all of it. And the fact that we did require more data, for a more full evaluation of this, is what led to the first contract of small—rather small—size.

Senator COOPER. Then in 1964 the contract was renewed?

Mr. MACGOWAN. Yes, sir.

Senator COOPER. Now, you testified a minute ago, a few minutes ago, that there had been some—I won't say irregularities—at least in the preparation of their vouchers or claims for payment—can you say whether that happened often, or was it just at the beginning of the contract?

Mr. MACGOWAN. I hope I did not use the word "irregularities." What I am testifying to is the fact that they were not in proper form.

Senator COOPER. Irregularities perhaps in procedures—I don't know.

Mr. MACGOWAN. Correct. And, as I recall it, this happened to a marked degree in the first two or three that they submitted, but then when we refused to pay them, and we insisted that they be put in the proper form, then these began to become better and better and better.

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

Senator COOPER. Were there overpayments made to Sweet Water?

Mr. MACGOWAN. No, sir.

Senator COOPER. What?

Mr. MACGOWAN. If there were, I don't know of them, sir.

Senator COOPER. With whom did you deal when you were discussing these mistakes made in preparation of claims?

Mr. MACGOWAN. I would normally contact their Washington people, Mr. Law. He was very helpful and cooperative in this thing.

Senator COOPER. Now, before you renewed your contract with Sweet Water, had you been aware that an investigation had been going forward in the Senate concerning the activities of Mr. Baker—that is, by newspaper accounts, or any way?

Mr. MACGOWAN. I knew that there was an investigation of Baker, but I don't know what the timing is, sir.

Senator COOPER. Well, I will put it this way. Did you know at the time you renewed your contract with this firm that Mr. Law and Mr. Webb had been—the names had been—had entered into discussion regarding Mr. Baker and they were called as witnesses here?

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

Mr. MACGOWAN. Senator, I would be an obvious false witness if I said I did not know Mr. Webb and Mr. Law were involved. But I cannot answer you specifically to the point of whether or not the second contract was entered into subsequent to the beginning of the investiga-

tion or not. I don't know. This had no bearing on it in any event, as I saw it.

Senator COOPER. You know the reason we have you here is because it has been alleged that Mr. Baker referred some legal business to a firm in New York of which Congressman Celler is a member. Of course your office, I would assume, had no knowledge of this transaction in any way.

Mr. MACGOWAN. I am speaking for myself, and I am sure I am speaking for the rest of the staff—we have absolutely no knowledge of any of this, sir.

The CHAIRMAN. Didn't this payment to the Celler firm occur a year or more before you ever let a contract to Sweet Water for this plant?

Mr. MACGOWAN. At least 6 months, Mr. Chairman, 7 or 8 months probably. I don't know the date of the original—

The CHAIRMAN. Would you answer another question for me?

This \$10,000 that was paid this New York firm, there was no Government money involved in that whatsoever, was there?

Mr. MACGOWAN. There was no Government money involved in this whatsoever, sir.

The CHAIRMAN. Because that was a side acquisition to something you testified—they never billed anything, no Government money went into it at all.

Mr. MACGOWAN. I think, sir, the record will show that if this check was drawn in August, as has been told me here today—I didn't know this until then—this was probably 2 months before we even met for the first time with Sweet Water.

The CHAIRMAN. That is all the questions I have. Senator Cannon?

Senator CANNON. Mr. MacGowan, you mentioned the people that were present from Sweet Water?

Mr. MACGOWAN. Yes, sir.

Senator CANNON. Dr. Williams was one of those present?

Mr. MACGOWAN. Yes, sir.

Senator CANNON. Did he have a background in this area, to your knowledge, at the time?

Mr. MACGOWAN. Yes, sir. Dr. Virgil Williams, as a matter of fact, was an engineering professor at Northwestern University at one point in his career.

Senator CANNON. So that when they came to you with this process, he had an extensive background in it, as well as the fact that they were then operating a pilot plant, is that correct?

Mr. MACGOWAN. Yes, sir.

Senator CANNON. Using Dr. Williams' process?

Mr. MACGOWAN. May I also point out, sir, that it is most unusual for a private group to have gone as deeply into this as to have built their first pilot plant, such as they did.

Senator CANNON. Now, did they receive, thereafter from your agency, any reimbursement in connection with their pilot plant that they had then operating?

Mr. MACGOWAN. Our first contract was intended to defray the cost of operating with no profit to the company until we were able to develop the data from this pilot plant to the point where we could make a sensible or a full evaluation of it. I am quite sure that there was no reimbursement to them for this.

Senator CANNON. For previous activities in that field?

Mr. MACGOWAN. Right.

Senator CANNON. Prior to the date you said was May of 1962; is that correct?

Mr. MACGOWAN. Yes, sir.

Senator CANNON. Thank you.

The CHAIRMAN. Senator Scott?

Senator SCOTT. No questions.

The CHAIRMAN. Senator Cooper?

Senator COOPER. No; thank you.

The CHAIRMAN. Thank you very much, Mr. MacGowan; we appreciate your testimony.

Mr. McLENDON. Mr. Strobel.

The CHAIRMAN. Mr. Strobel, you heard my opening statement. Will you 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, in the matter now under investigation, is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. STROBEL. I do.

Mr. McLENDON. Mr. Strobel, state your name and address for the record.

TESTIMONY OF JOSEPH J. STROBEL

Mr. STROBEL. Joseph J. Strobel, 413 Wakefield Street, Alexandria, Va.

Mr. McLENDON. Were you employed by OSW in 1960, 1961, and 1962?

Mr. STROBEL. Yes, sir.

Mr. McLENDON. You are still employed there now?

Mr. STROBEL. Yes, sir.

Mr. McLENDON. You heard Mr. MacGowan's statement about the first conference that was held with representatives of Sweet Water Development Co., on or about September 22, 1961. Can you confirm that information that he gave the committee?

Mr. STROBEL. Yes, sir.

Mr. McLENDON. Do you have the exact dates?

Mr. STROBEL. Our records show September 22, 1961. It was a memo written after that meeting and that is the date given in that memo.

Mr. McLENDON. At that time, you were chief of the division of processes development; is that right?

Mr. STROBEL. Yes, sir.

Mr. McLENDON. What were your duties in that office?

Mr. STROBEL. I am a chemical engineer. Our division was responsible for applied research activities.

Mr. McLENDON. Responsible for what?

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

Mr. STROBEL. Applied research activities and processes including process development. My staff consisted of other engineers who were—has responsibilities—for the technical aspects of this research and development activity.

Mr. McLENDON. Are you a graduate chemical engineer?

Mr. STROBEL. Yes, sir.

Mr. McLENDON. Of what university?

Mr. STROBEL. Virginia Polytechnic Institute.

Mr. McLENDON. Have you had many years' experience in that field?

Mr. STROBEL. Yes, sir—now about 24 years' experience in research and development activities.

Mr. McLENDON. Prior to this meeting on September 22, had you received any information at all about what I will call the Williams patent for desalinization of water?

Mr. STROBEL. No, sir; except that Mr. Williams testified that he was working on something to this effect during the Senate hearings on the Legislative Act of 1961. He was one of the witnesses at that hearing, as I recall.

Mr. McLENDON. And he disclosed then, in his testimony before the committee, that he had been working on this problem.

Mr. STROBEL. Yes, sir.

Mr. McLENDON. Had you seen or talked to him before this meeting on September 22?

Mr. STROBEL. No, sir.

Mr. McLENDON. Was that the first time you got acquainted with any of the individuals who acted in the Sweet Water Development Co.?

Mr. STROBEL. The first time; yes, sir.

Mr. McLENDON. As a result of this conference on September 22, what was your decision and what did you and Mr. MacGowan do about the Williams process?

Mr. STROBEL. We decided that the preliminary proposal that they made to build a 35,000-gallon-a-day pilot plant was, in our opinion, premature, based on the amount of work which had previously gone on.

Mr. McLENDON. Well, was any final decision made as to what should be done or would be done?

Mr. STROBEL. Well, we had several other meetings with various people connected with the project to discuss the matter further—to say that, in our opinion, more information was needed about the details of the process. The Sweet Water representatives said they would supply additional information and they did submit a formal proposal for the pilot plant, 35,000, which is the normal procedure in this case.

If someone has an idea, or something they want to work on, they will make arrangements to talk with people in OSW—usually on an informal basis, or by letter, to explain generally what the idea is about and then, if there is interest, they will submit a formal proposal. They can submit the formal proposal, in any case. But, normally, they would submit a formal proposal if there was some interest to work on that particular idea. And that was what was done in this case. A formal proposal was received in the office in January of 1962.

Mr. McLENDON. And, as a result of the information you obtained about Dr. Williams' process and the amount of work that he had done on it, this pilot plant was operated in St. Louis. Did your department enter into a contract with Sweet Water people on May 1, 1962?

Mr. STROBEL. Yes, sir; but not for the pilot plant proposed in their original proposal.

Mr. McLENDON. Well; what was it for?

Mr. STROBEL. It was for additional research and development on the small 700-gallon-per-day unit which Mr. Williams had previously operated and which he still had.

Mr. McLENDON. And this contract was for a continuation of the operation at the same place—in St. Louis?

Mr. STROBEL. Yes, sir.

The CHAIRMAN. That plant there belongs to Sweet Water at St. Louis—that was their property; was it not?

Mr. STROBEL. I am not sure who it belonged to. It had no connection with our office or the Government. My understanding, at the time, was that it belonged to Mr. Williams.

The CHAIRMAN. In other words, it did not belong to the Government.

Mr. STROBEL. No, sir.

The CHAIRMAN. You had no money invested in it.

Mr. STROBEL. That's correct.

Mr. McLENDON. Now, is the contract dated May 1, 1962, the first contract under which Government money was expended on this proposal?

Mr. STROBEL. Yes, sir.

Mr. McLENDON. To begin with, it was spent on the operation in St. Louis.

Mr. STROBEL. That is correct.

Mr. McLENDON. When was the decision made to make the contract with Sweet Water to build or construct the new plant of much larger size at Wrightsville Beach, N.C.?

Mr. STROBEL. This followed at about the time of the completion of the work under the first contract on the 700-gallon-per-day unit. It was successfully operated. The hydrate was successfully separated from the salt water. And based on that operation and the data from it, that is when the decision was made to proceed with the contract for the 20,000-gallon-per-day pilot plant. The last phase of the first contract, which dealt with the 700 gallons, included a preliminary provision that there be preliminary designs for a 20,000-gallon-per-day pilot plant. In these small pilot plants, 10,000, 15,000, 20,000, 50,000, we tried to reach a capacity which we believe will give the necessary data to project into larger sizes, but not bigger than necessary. So although it originally had been proposed at 35,000, as a result of the meeting and as a result of the work with the small unit, it was decided that 20,000 would be an adequate size.

Mr. McLENDON. That was the one designed and that has now been built at Wrightsville Beach?

Mr. STROBEL. Yes, sir.

Mr. McLENDON. You still refer to the new one at Wrightsville Beach as a pilot plant; do you?

Mr. STROBEL. Yes, I do; as a small pilot plant.

Mr. McLENDON. And other plants are located at the same place at Wrightsville Beach?

Mr. STROBEL. Yes, sir.

Mr. McLENDON. About how many others are there there, other than Sweet Water?

Mr. STROBEL. There are five there now.

Mr. McLENDON. Five now?

Mr. STROBEL. Yes.

Mr. McLENDON. Any more to be built?

Mr. STROBEL. Yes, sir. There are plans for one, and tentative plans for another.

Mr. McLENDON. Mr. Strobel, in the various negotiations you had with the representatives of Sweet Water Development Co., beginning in September 1961, and the consummation of the first contract May 1, 1962, and the last contract on February 21, 1964, were all these negotiations held in the ordinary way, in the same way that you dealt with other people who were conducting similar experiments?

Mr. STROBEL. Yes.

Mr. McLENDON. Anything unusual or irregular about it?

Mr. STROBEL. No, sir.

Mr. McLENDON. Was any pressure brought to bear on you or anyone connected with the OSW office by Robert Baker in connection with this matter?

Mr. STROBEL. Certainly not on me. I do not know of any others.

Mr. McLENDON. Did you know him?

Mr. STROBEL. No, sir.

Mr. McLENDON. Did he make any contact with the Department as far as you know about it?

Mr. STROBEL. Not to my knowledge.

Mr. McLENDON. Did you have any knowledge of the employment of a law firm in New York in connection with the Sweet Water Development Co.?

Mr. STROBEL. No, sir.

Mr. McLENDON. Did you ever hear of that until the recent publication about it?

Mr. STROBEL. The first I heard of it was in a newspaper.

Mr. McLENDON. What about Tucker & Baker? Did you hear of that firm in connection with any of these negotiations?

Mr. STROBEL. Never heard of that one, either.

Mr. McLENDON. Did either Tucker or Baker ever attend a conference in your office?

Mr. STROBEL. No, sir.

Mr. McLENDON. About any of these matters?

Mr. STROBEL. No, sir.

Mr. McLENDON. I believe Mr. Ralph Pittman, a lawyer here in Washington, did attend some of them, did he not?

Mr. STROBEL. Yes, sir.

Mr. McLENDON. Mr. Law attended them.

Mr. STROBEL. Yes, sir.

Mr. McLENDON. He was a partner of Webb, is that right—or did you know?

Mr. STROBEL. I did not have any knowledge of that.

Mr. McLENDON. Did you know Webb—Tom Webb?

Mr. STROBEL. No, sir.

Mr. McLENDON. Do you recall whether he attended any of these conferences?

Mr. STROBEL. No, sir.

Mr. McLENDON. You don't remember that he did?

Mr. STROBEL. I know who was there when I was there, and there was no one by the name of Webb at any that I attended.

Mr. McLendon. Do you recall Mr. Murchison, Jr., attending any conferences?

Mr. Strobel. No, sir.

Mr. McLendon. How about Robert F. Thompson, of the Tecon Corp.?

Mr. Strobel. No, sir.

Mr. McLendon. You don't remember talking with him?

Mr. Strobel. No, sir.

Mr. McLendon. Now, I suppose it would be better to address questions concerning the accounting problems to the auditors, would it not?

Mr. Strobel. Yes, sir.

Mr. McLendon. Or can you answer those?

Mr. Strobel. No, sir; that is out of my field.

Mr. McLendon. All right. Did you at any time, from the inception of this matter, the first conference held in September 1961, up to the present time, discover any evidence of fraud or deceit that was being practiced by anyone representing the Sweet Water Development Co. with OSW or any of its employees?

Mr. Strobel. No, sir.

Mr. McLendon. Do you have any knowledge of the payment of any money by the OSW office to Sweet Water Development Co. which was not thoroughly checked by your auditor and approved as public expenditures?

Mr. Strobel. No, sir.

Mr. McLendon. You have no knowledge of that.

Mr. Strobel. No, sir.

Mr. McLendon. That is all.

Senator Cannon. No questions.

The Chairman. Senator Cooper?

Senator Cooper. When these conferences were held, whom were you interested in talking to?

Mr. Strobel. Mr. Williams.

Senator Cooper. That is all.

The Chairman. Senator Scott?

Senator Scott. No questions.

The Chairman. Thank you, Mr. Strobel. Who is your next witness?

Mr. McLendon. Mr. Williams. May I state on the record that Francis Law, associated with Tom Webb, referred to in the testimony in this case, was asked to be here and agreed to be here as a witness, but he is ill with pneumonia and cannot be here.

The Chairman. Good morning, Mr. Williams. Have a seat, Mr. Williams. The attorney will read you a statement which is necessary for your guidance and information.

Mr. McLendon. Mr. Williams, at the direction of the chairman of the committee, I read this statement to you so that you may be informed of your position and the reason you are here.

This committee is acting by direction and under the authority of Senate Resolution 367, agreed to on September 10, 1964, and Senate Resolution 212, agreed to on October 10, 1963. Senate Resolution 367 renews the powers authorized by Senate Resolution 212 and broadens the scope of jurisdiction conferred.

The Committee on Rules and Administration has now been granted the power to investigate all interests or activities of present or former Members, officers, or employees of the U.S. Senate for the purpose of determining whether such interests or activities have involved any violation of law or other impropriety or have reflected unfavorably upon the integrity of the Senate, and whether additional laws, rules, or regulations are necessary or desirable for the purpose of prohibiting or 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 add to the committee's fulfillment of its legislative purpose.

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

The CHAIRMAN. Mr. Williams, will you please stand and be sworn, sir? Put your left hand on the Bible and raise your right hand. Do you solemnly swear that the evidence you are about to give before this committee in the matter now under investigation is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. WILLIAMS. I do.

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

TESTIMONY OF VIRGIL C. WILLIAMS, ST. LOUIS, MO.

Mr. WILLIAMS. My name is Virgil C. Williams, 103 Frontenac Forest, St. Louis, Mo.—city of Frontenac.

Mr. McLENDON. Is that your permanent residence?

Mr. WILLIAMS. Yes, sir.

Mr. McLENDON. Are you now living at Wrightsville Beach a large part of the time?

Mr. WILLIAMS. I am spending almost all my time at Wrightsville Beach. If you want a percentage, I would place it at approximately 80 percent.

Mr. McLENDON. Mr. Williams, what is your profession?

Mr. WILLIAMS. I am a consulting engineer—consulting chemical engineer.

Mr. McLENDON. College graduate?

Mr. WILLIAMS. Yes, sir.

Mr. McLENDON. What college?

Mr. WILLIAMS. University of Michigan.

Mr. McLENDON. Have you been a teacher in colleges and universities?

Mr. WILLIAMS. Yes, sir; I was first an assistant professor of chemical engineering at the University of Virginia. I was then a professor and chairman of the Chemical Engineering Department at Northwest-

ern University and subsequently—the hesitation here is because in Spanish-speaking universities they have different titles—I am catedrático of the University of Puerto Rico.

Mr. McLENDON. Dr. Williams, when did you first begin to develop an interest in the problem of converting salt water into potable water?

Mr. WILLIAMS. It was in the fall of 1958, sir.

Mr. McLENDON. By 1961, had you acquired a patent on a process that I will refer to as the Williams process?

Mr. WILLIAMS. Yes, sir; the patent was granted in March of 1961. It had been applied for early in 1959.

Mr. McLENDON. That is sufficient for this purpose. The same process has now been patented in many foreign countries, has it not?

Mr. WILLIAMS. No—extensions of the process. These are continuing patents covering newer, more advanced knowledge, as we accrue this knowledge.

Mr. McLENDON. Dr. Williams, the committee has evidence before it that you were personally acquainted with Mr. Bedford Wynne, a lawyer of Dallas, Tex., and with his law firm as a result of your appearance as an expert witness, as I understood it, in some litigation down there, is that correct?

Mr. WILLIAMS. That is correct, sir.

Mr. McLENDON. Did you meet in Washington with a group of individuals sometime early in 1961 or perhaps earlier, at which the question was discussed as to whether some financing plan would be developed for the promotion of your patented process?

Mr. WILLIAMS. That's correct, sir.

Mr. McLENDON. Is it proper to refer to your process as a hydration process?

Mr. WILLIAMS. It is called a hydrate-forming saline water conversion process.

Mr. McLENDON. That's too long.

Mr. WILLIAMS. Hydrate process.

Mr. McLENDON. Hydrate process will be sufficient. Who was in the group at which this matter was discussed?

Mr. WILLIAMS. Bedford Wynne, Tom Webb—Thomas D. Webb, Jr.

Mr. McLENDON. How about Mr. Pittman?

Mr. WILLIAMS. Ralph Pittman.

Mr. McLENDON. How about Francis Law?

Mr. WILLIAMS. Francis Law, and for a very short time, prior to going to the hospital, Mr. Robert Thompson.

Mr. McLENDON. Was it agreed at that conference that a corporation would be organized to promote your process?

Mr. WILLIAMS. It was agreed at that conference that we should undertake some development work, and we talked about the possibility of forming a corporation.

Mr. McLENDON. Now, the development work, I assume, was further experimentation with your process—isn't that what you mean?

Mr. WILLIAMS. Yes, sir—because my work that I had undertaken in Puerto Rico was on too small a scale to show the process as a continuous-type process, and we discussed in our February 1961 meeting the building of a small contiguous plant to demonstrate the process.

Mr. McLENDON. Where was that built?

Mr. WILLIAMS. That was built in St. Louis, Mo.

Mr. McLendon. And did you operate it?

Mr. Williams. Yes, sir.

Mr. McLendon. Did the Sweetwater Development Co. finance it exclusively?

Mr. Williams. Yes, sir.

Mr. McLendon. Did you have any Government funds of any sort in connection with that operation?

Mr. Williams. No, sir.

Mr. McLendon. Now, the evidence before the committee tends to show that on September 22, 1961, a first conference was held in the OSW, the Department of the Interior, concerning your process. Does that refresh your recollection about that conference?

Mr. Williams. Sir, I do not remember a September 1961 meeting.

Mr. McLendon. Mr. McGowan testified he was present; Mr. Strobel was present; Mr. Rienne was present; you, Pittman, Law, and Congressman Rogers of Texas. Does that help you?

Mr. Williams. I recall a meeting late in 1961, but I am not certain of it being September.

Mr. McLendon. Well, that is not too material. You did meet with them.

Mr. Williams. Yes, sir.

Mr. McLendon. As far as you know, was that the first time you had had any contact with anyone in the Department of the Interior?

Mr. Williams. Yes, sir.

Mr. McLendon. About this matter?

Mr. Williams. Yes, sir.

Mr. McLendon. Briefly, the result of that was that you and the people associated with you were encouraged to proceed with your small pilot plant in St. Louis, to gather more experience and information?

Mr. Williams. Yes, sir.

Mr. McLendon. The following May, the Sweet Water Development Co. entered into a formal contract, did it not, with the Department of the Interior; did it not?

Mr. Williams. May of 1962.

Mr. McLendon. May of 1962. Prior to the execution of that contract, had all of the money that had been used in testing and experimenting with your process been furnished through the Sweet Water Development Co.?

Mr. Williams. Yes, sir.

Mr. McLendon. There had been no Government money put in it at all?

Mr. Williams. No, sir.

Mr. McLendon. The auditors, perhaps, can tell us about the amount, but do you happen to know about what the investment was?

Mr. Williams. Sir, I have to apologize. I am an engineer.

Mr. McLendon. I will withdraw the question. We have witnesses here to testify to that.

Mr. Williams. Yes, sir.

Mr. McLendon. Now, did you attend other conferences with the OSW after the first contract was made?

Mr. Williams. Oh, yes, sir, we attended several conferences.

Mr. McLendon. What was the purpose of those meetings?

Mr. WILLIAMS. To present the technical data, to show how we were coming in revisions of our model 1 plant, the one that was built in 1961. We revised that, and it became model 2.

Mr. McLENDON. Is it still in St. Louis?

Mr. WILLIAMS. Still at St. Louis. We had an increasing amount of data on the kinetics of hydrate formation, the kinetics of hydrate melting, the washing of hydrate crystals. We attended meetings in late 1962 and early 1963 to present our final first-stage report to the Office of Saline Water, involving the design of a further experimental plant.

Mr. McLENDON. That had to do with the one that was finally located at Wrightsville Beach?

Mr. WILLIAMS. Yes, sir.

Mr. McLENDON. It has been constructed, I understand?

Mr. WILLIAMS. It has been constructed. I would place the present state as 99.5-percent complete.

The CHAIRMAN. May I ask a question at that point?

Mr. WILLIAMS. Yes, sir.

The CHAIRMAN. When you had the conferences at the Office of Saline Water, you met with their engineers and their chemists and so forth in the Department there. Is that correct?

Mr. WILLIAMS. Yes, sir. My meetings were with the engineers.

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

Mr. WILLIAMS. The names have been mentioned—with Mr. Rienne, Mr. Verricose, Mr. Strobel, almost completely in my case on technical matters.

The CHAIRMAN. In other words, your contacts were for evaluation of the process that you had developed, and it was up to them to recommend that you had reached a conclusion that they thought it was worthwhile?

Mr. WILLIAMS. Yes, sir.

The CHAIRMAN. You did not deal with the Administrator as to getting the contract?

Mr. WILLIAMS. I knew who the Administrator was.

The CHAIRMAN. You were presenting your information on a technical basis?

Mr. WILLIAMS. I was presenting my information to the engineers.

Mr. McLENDON. Mr. Williams, were you personally always available to the people in the OSW for conferences concerning the operation of the pilot plant and the plan for the development of the larger plant?

Mr. WILLIAMS. Yes, sir. My life is an open book. If they want to see my drawings, there they are.

Mr. McLENDON. I take it from what you said earlier that you did not have too much to do with the organization of the corporation itself.

Mr. WILLIAMS. No, sir, I did not.

Mr. McLENDON. But you did become a stockholder?

Mr. WILLIAMS. I did become a stockholder.

Mr. McLENDON. And I believe you paid for a thousand shares at a dollar a share, and your wife paid for 500.

Mr. WILLIAMS. No, sir. I may have stated that at the time when I first talked to you, sir. I have to correct the numbers. I paid for

1,125 shares, she paid for 375 shares, out of a joint engineering checking account of ours.

Mr. McLendon. Was that the amount of stock that was allocated to you?

Mr. Williams. 1,500 shares, yes.

Mr. McLendon. You paid for it in cash?

Mr. Williams. Yes, sir.

Mr. McLendon. Do you know, or did you know how the rest of the stock was allocated to the other stockholders?

Mr. Williams. Of my own knowledge, I do not, but from statements I think that each paid for his own.

Mr. McLendon. Tecon was a stockholder; was it not?

Mr. Williams. I knew that there was a Tecon Corp., but I did not know that Tecon was a stockholder. The list of stockholders that we had talked about were these individuals.

Mr. McLendon. I see. Now, did you have anything to do with the accounting of Sweet Water Development Co.—that is, the keeping of the records and presentation of bills and invoices to OSW?

Mr. Williams. Bills are first approved by the individual who is responsible for the purchase. In our case, it would be Mr. C. L. Roy. I then approved those invoices and forwarded them to Sweet Water Development Co.'s headquarters in Dallas, and those are forwarded in six copies. Beyond that, I cease.

Mr. McLendon. All right. Now, did you attend conferences in the OSW offices that resulted from an audit made of any of these accounts?

Mr. Williams. No, sir.

Mr. McLendon. You were not asked to attend and did not attend any of those conferences?

Mr. Williams. No, sir.

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

Mr. McLendon. I notice in the audit reports some comment is made about your own compensation, which was \$2,500 a month, based upon a statement that you did not give 100 percent of your time to this project.

Mr. Williams. Sir, that statement was asked me over the telephone, and they wanted to know what percentage of my time was devoted to the actual administration of this project, and I said if I had to guess on administration time, I would say about 40 percent. But I have devoted 100 percent of my time to this project.

Senator Scott. Mr. Chairman, may I ask a question?

The Chairman. Certainly.

Senator Scott. Who do you mean by "they," Mr. Williams—"they called me on the phone"?

Mr. Williams. Sweet Water, and then an Army auditor and the name I don't know. They asked me these questions. He had a series of questions.

Senator Scott. While I am inquiring—

The Chairman. Is that recently? I don't mean the last day or two.

Mr. Williams. It is over a year ago.

Senator Scott. May I just pursue something very briefly? Does this desalinization program remove the corrosive elements from salt water visa the sweet water? Do you eliminate the corrosion in the course of bringing about the ultimate project—or the corrosive effects?

Mr. WILLIAMS. I will just take a short time to back up, to answer your question, sir.

Senator SCOTT. I would appreciate it—because I have a special interest in that phase of the work.

Mr. WILLIAMS. To accomplish any separation in the field of chemistry, physical chemistry, or chemical engineering, or throw them all together, because they are a hodgepodge today—you must create some barrier, and across this barrier, whatever the barrier may be, one constituent transfers from one phase to another phase. When you distill salt water, you boil it. Your barrier is the interface between the boiling sea water and the vapor, and water transfers only across that barrier into the vapor, and then you take the vapor away, and condense it. In the freezing process, the barrier that you create is a solid barrier, and as this solid barrier forms, it pushes the concentrated salt away from itself, leaving trapped in the crystal the pure substance, water. In the propane hydrate process, we add propane to the sea water and when propane hydrate forms, it creates a solid barrier and pushes the brine away.

All processes involve the creation of this barrier. There are membrane processes—this is a manmade type of barrier. I wish that our membranes were better made by man. We would like it to be like the palm tree. I have sat under a palm tree, and when you want fresh water, you take a coconut off. Here is a tree that is drawing at the edge of an ocean, and it is performing this separation process by way of a barrier. What is the barrier? All its membranes—in the roots. All we have hoped to do is to come up with, by our ingenuity—and propane hydrate, any of them, I don't care, we are striving for this objective—to create a good barrier and accomplish a cheap method of converting across this barrier water from the sea water into a separated phase.

Senator SCOTT. Well, then, could you say that the corrosive elements in sea water are removed by your process to any ascertainable degree? That is, we know it is, but to what percentage, if possible, or to what degree are you removing the element of corrosion as you establish these barriers?

Mr. WILLIAMS. I am sorry I did not answer your question directly. I like to give speeches. In the freezing process you have a lower corrosion rate than you do in the higher temperature distillation processes.

We have not encountered any significant corrosion in ordinary steel apparatus in our propane hydrate process.

In distilling, using steel, yes, sir, the penetration rate into the steel is a significant part of the economics. The tubes across which the heat is transferred for the boiling must be replaced periodically.

Senator SCOTT. But in the propane process you come out pretty much with H_2O as the net result?

Mr. WILLIAMS. Yes, sir.

Senator SCOTT. Thank you.

The CHAIRMAN. That is very clear to me now. Let's go ahead with the investigation.

Mr. McLendon. Just a few more questions. Did you at any time have anything to do with the employment of lawyers in connection with the work of the Sweet Water Development Co.?

Mr. WILLIAMS. The only lawyers that I had anything to do with were the patent lawyers, and they had been employed by me far before any Sweet Water organization was created. I had used my St. Louis lawyers to apply for my patent and handle the case.

Mr. McLENDON. And they have been retained since the corporation, Sweet Water, was organized?

Mr. WILLIAMS. Yes, sir.

Mr. McLENDON. Did you know Robert G. Baker or ever hear of him in connection with Sweet Water Development Co.?

Mr. WILLIAMS. No, sir.

Mr. McLENDON. Did you ever hear of a law firm in New York that was employed for any purpose?

Mr. WILLIAMS. I read the newspapers, but I don't know them. No, sir.

Mr. McLENDON. I mean in connection with your connection with Sweet Water Development.

Mr. WILLIAMS. No, sir.

Mr. McLENDON. You knew nothing about that.

Mr. WILLIAMS. No, sir.

Mr. McLENDON. I believe that is all I have.

The CHAIRMAN. Senator Cooper.

Senator COOPER. No questions—except to say I wish I could hear you talk a great deal more about this problem.

Mr. McLENDON. There is one question I probably should ask you. I must ask the basic question on an assumption. Assuming that your process for the development of potable water from saline water should be successful, that is, economically successful as well as successful in result, would that be a very valuable thing to own, and would there be a market for it?

Mr. WILLIAMS. Yes, sir.

(At this point Senator Scott left the hearing room.)

Mr. McLENDON. Can you say whether or not you and your associates were motivated largely by consideration of the possible huge profits that might be available to you if this process of yours was developed successfully?

Mr. WILLIAMS. Sir, I would have to answer that question by referring to a contract that we have with the Department of Interior, Office of Saline Water. You use the word "large" or "huge"—I didn't catch which one. I am sorry—profits. A stipulation in the contract that we have is that we must license it at reasonable royalties, and they, being the Office of Saline Water, Department of the Interior, will have the say as to what is reasonable.

Mr. McLENDON. So they would supervise even your licensing of this process.

Mr. WILLIAMS. Yes, sir.

Mr. McLENDON. That is all.

The CHAIRMAN. I would assume that the profit motive had a little something to do with your getting at the business.

Mr. WILLIAMS. Yes, sir. I have to use Winston Churchill's phrase—there must be a reward for enterprise and a privilege for thrift.

The CHAIRMAN. That is exactly correct.

Senator COOPER. I have one question.

Do you know whether or not other countries have made comparable progress with the United States in this field?

Mr. WILLIAMS. There were a group of Russian visitors at the Office of Saline Water for experimentation, and I talked to the head of that Commission. They are paying particular attention to the freezing hydrate processes. Yugoslavia is watching very carefully the progress in the freezing processes. Israel has the Zarkin process now operating at Elath, Israel. The Japanese have a process, Sheiji Umano. This is a freezing process, but all of the tropic countries of earth are approaching a condition of destitution with respect to water. I have seen personally water riots. Now, I do not say that I have stood in the dust of dead civilizations, but I have witnessed dead civilizations and have seen them founder because of a failure of water or the mismanagement of water. We are dealing with the second necessary thing of life. You must have air and you must have water.

Senator COOPER. I would agree with you, certainly, even with my limited knowledge. But my question that I wanted to know is whether in your judgment other countries have made progress in this field comparable to that of the United States.

Mr. WILLIAMS. No, sir; the paramount station for water experimentation is Wrightsville Beach. This is the principal experimentation in the world. The Russians have a station on the eastern shore of the Caspian. I do not know the extent of that station.

Senator COOPER. Do we—does our country apprise the Russians of the knowledge that has been obtained?

Mr. WILLIAMS. We have had a meeting at Wrightsville Beach with a Russian group. We also, from what I have read in the newspapers and technical journals, have had a group of scientists from this country go to Russia to inspect their water experiment station. We have an agreement, as I understand it, with Russia to exchange such knowledge.

Senator COOPER. Do you know of any information we have procured from the Russians which is helpful?

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

Senator COOPER. I assume that you keep up with the scientific articles on this subject and any advances made?

Mr. WILLIAMS. I do the best I can in reading.

Senator COOPER. I am sure you do. Do you know who has charge of this arrangement for exchange of scientists with Russia in this field?

Mr. WILLIAMS. I think it is the President.

Senator COOPER. I think it is a very interesting subject. I am sure we want to do good for the whole world in making water available. I think we should. If we give the information, I think we should get some, too, if they have any.

(At this point Senator Hayden left the hearing room.)

The CHAIRMAN. Any further questions, Senator?

Senator COOPER. That is all.

The CHAIRMAN. Thank you, Doctor.

Mr. Webb, I don't think it is necessary for me to read this statement to you. You have heard it several times. You have been sworn before this committee before, have you not?

Mr. WEBB. Yes, sir.

The CHAIRMAN. You may proceed, Mr. Counsel.

Mr. McLendon. Mr. Webb, you have been identified as one of the original organizers of the Sweet Water Development Co., is that correct?

TESTIMONY OF THOMAS D. WEBB, JR., ATTORNEY,
WASHINGTON, D.C.

Mr. Webb. That is right.

Mr. McLendon. You were one of the original stockholders?

Mr. Webb. That's right.

Mr. McLendon. You are still a stockholder?

Mr. Webb. Yes, sir.

Mr. McLendon. The committee has information before it indicating that the company employed a law firm in New York, paid it \$10,000 in 1961, and that firm in turn paid Robert G. Baker \$2,500 which they referred to as a referral fee. What information do you have about Baker's connection with the employment of those lawyers for Sweet Water?

Mr. Webb. I don't know any connection at all Baker would have with them—with that law firm.

Mr. McLendon. Did anyone connected with Sweet Water ever discuss with you the employment of a law firm in New York?

Mr. Webb. Back in 1961, I know on this helium project, they were talking about hiring a law firm.

Mr. McLendon. Do you know whether they did, or did you know then?

Mr. Webb. I did not know then whether it was ever consummated.

Mr. McLendon. You knew Bedford Wynne, did you not?

Mr. Webb. Yes; very well.

Mr. McLendon. And you knew that he had organized—that is, obtained a charter and set up the organization of Sweet Water Development Co.?

Mr. Webb. That is right.

Mr. McLendon. And he was active in its management, was he not?

Mr. Webb. That is right.

Mr. McLendon. There is in evidence a letter from him dated August 29, addressed to Mr. Murray Spett, a member of this New York law firm and a part of the letter reads—this is August 29, 1961:

I asked Tom Webb, one of our vice presidents in Washington, to call you concerning some papers that I will send you in the next day or so.

What does that have reference to?

Mr. Webb. I just read that letter myself yesterday. I do not recall calling Mr. Spett. But I assume I did.

Mr. McLendon. What was it about?

Mr. Webb. I could not even—I could not begin to tell you. If he said it was about papers, it must have been about papers.

Mr. McLendon. What sort of papers?

Mr. Webb. That was back in 1961. Until I read that letter yesterday, I did not even remember making the call.

Mr. McLendon. Well, surely you would have some recollection as to whether it had something to do with the Sweet Water business, would

you not? You were vice president, and active in the management of it.

Mr. WEBB. I assume it had something to do with papers on helium. That is about the only thing I can assume.

Mr. McLENDON. The next paragraph in the same letter says:

When I originally talked to you, I felt that we would have considerable negotiations with a number of attorneys in New Jersey for plant sites, but due to some engineering delay, we are not in a position to talk with them concerning this at the present time.

What does that have reference to?

Mr. WEBB. I have no idea what that is.

Mr. McLENDON. Do you know that Sweet Water Development Co. had had any interest in acquiring plant sites in New Jersey?

Mr. WEBB. I certainly did not. We just had a formula then. We did not even have a plant, I don't believe, at that time.

Mr. McLENDON. What kind of plant sites could it have been referring to?

Mr. WEBB. Major, I do not know. As I say, I only saw that letter yesterday.

Mr. McLENDON. But Mr. Wynne was more or less directing the operations of the company, and he certainly indicates by this letter that you were active also, because he said that you were going to send some papers to this law firm.

Mr. WEBB. As I say, I assume that if I talked to Mr. Spett about papers, I assume that was about the helium.

Mr. McLENDON. You have no knowledge at all of any interest of Sweet Water Development Co. in New Jersey plant sites?

Mr. WEBB. Absolutely not.

Mr. McLENDON. Do you have any knowledge of any interest of Sweet Water Development Co. in any saline water research plants anywhere, except the one at Wrightsville Beach?

Mr. WEBB. That's the only one.

Mr. McLENDON. That's the only one? Well—

Mr. WEBB. The pilot plant originally started in St. Louis.

The CHAIRMAN. Which Sweet Water owned?

Mr. WEBB. That's right.

Mr. McLENDON. So if Mr. Baker called Bedford Wynne and recommended this law firm in New York for employment by Sweet Water, that was done without any knowledge of yours?

Mr. WEBB. Absolutely.

Mr. McLENDON. The next letter, which is dated about a week begins with this statement—written also to Mr. Spett and signed by Mr. Wynne:

As I wrote you last week, and as Tom Webb mentioned to you over the telephone, we are interested in attempting to secure a contract from the Government for the extraction and storage of helium.

Did you talk to—

Mr. WEBB. I assume that is referring to the same telephone call.

Mr. McLENDON. The question is did you talk to Mr. Spett over the telephone?

Mr. WEBB. As I say, I do not recall talking to him, but if it is in that letter, I must have.

Mr. McLENDON. And you have no recollection of it at all?

Mr. WEBB. No, I do not.

Mr. McLendon. In the same letter Mr. Wynne says:

There were numerous cities in New Jersey that indicated an interest before the last hearing of the Saline Water Board.

Did you attend a hearing before the Saline Water Board?

Mr. WEBB. On the House side?

Mr. McLendon. Well, it doesn't say—it just says the Saline Water Board.

Mr. WEBB. The only hearings I have ever attended were before the House committee back in early 1961.

Mr. McLendon. And the letter proceeds:

We are getting that testimony and will forward to you that as soon as possible.

Do you know what that had reference to?

Mr. WEBB. No, I do not. I never got a copy of that letter.

Mr. McLendon. Do you have any explanation of why Mr. Wynne would be writing a letter like this, which makes express reference to the interest of the company in the saline water problem?

Mr. WEBB. I have no idea why he wrote it.

Mr. McLendon. And specifically in the previous letter refers to New Jersey. You have no explanation for that.

Mr. WEBB. I never got a copy of the letter and I did not know the letter was written, and I only read it yesterday when I looked through Wynne's file.

Mr. McLendon. Did you ever have any conversation with Baker about Sweet Water Development Co.?

Mr. WEBB. Absolutely not.

Mr. McLendon. Did you have any knowledge that he had recommended this New York firm to Mr. Wynne?

Mr. WEBB. No, I did not.

The CHAIRMAN. He recommended it to Celler.

Mr. McLendon. Well, he recommended it to Celler, and Mr. Wynne testified that he thought he talked to Baker. He was not too positive about it—he said he thought he talked to Baker.

But you have no knowledge of anything of that kind?

Mr. WEBB. No, I do not.

Mr. McLendon. And you were not consulted about it at the time?

Mr. WEBB. I was not.

Mr. McLendon. You did attend numerous conferences in the Office of OSW in connection with the Sweet Water Development Co. work on saline water, first at St. Louis and then later at Wrightsville Beach, did you not?

Mr. WEBB. I think I only attended one initial conference with Mr. Law and myself.

Senator COOPER. Major—before you get into that may I ask a few questions? Do you know Mr. Spett?

Mr. WEBB. I never met the man in my life.

Senator COOPER. When is the first time you ever heard of Mr. Spett?

Mr. WEBB. When I read about his name in the paper here just recently.

Senator COOPER. Well, now, if you don't know him, never heard of him until you read about his name in the paper, how could you have called him then?

Mr. WEBB. I assume I was——

Senator COOPER. Four years ago.

Mr. WEBB. I assume, according to that letter, I was directed to call him by Mr. Wynne with regard to something—papers. I am only going by the letter.

Senator COOPER. Well, when you read his name in the paper, did it refresh your recollection—did you then recollect having called Mr. Spett?

Mr. WEBB. No, sir.

Senator COOPER. Several years ago?

Mr. WEBB. No, sir. The first time I knew about it is when I read the letter yesterday.

The CHAIRMAN. If I may interrupt a moment—you know Mr. Celler, I guess.

Mr. WEBB. I met him one time.

The CHAIRMAN. You knew he had a law firm in New York?

Mr. WEBB. I guess I would know that.

The CHAIRMAN. But you do not know this man Spett and these people were part of that law firm?

Mr. WEBB. I did not understand your question.

The CHAIRMAN. Did you know that this man Spett was a member of the law firm of Celler?

Mr. WEBB. Not until I read it in the paper here this last week.

The CHAIRMAN. Go ahead, Senator.

Senator COOPER. What was your connection with Mr. Wynne in August of 1961?

Mr. WEBB. What was my connection with him?

Senator COOPER. Yes.

Mr. WEBB. He is a very good friend of mine.

Senator COOPER. Were you a partner with him?

Mr. WEBB. No, not a partner—a friend.

Senator COOPER. Did you represent him in any business here in Washington?

Mr. WEBB. No.

Senator COOPER. Would you have any reason, then, that you know why he would have asked you to call Mr. Spett about any business transaction, and particularly any business transaction for the Sweet Water Co.?

Mr. WEBB. I cannot think—it could not be too important, because I am sure I could recall it if it was anything of any consequence.

Senator COOPER. Well, were you then an officer in the Sweet Water Co.?

Mr. WEBB. Yes.

Senator COOPER. Because he says in his letter of August 29—Mr. Wynne stated:

I asked Tom Webb, one of our vice presidents in Washington, to call you concerning some papers that I was sending in the next day or so.

Is it correct that you were a vice president?

Mr. WEBB. That's right.

Senator COOPER. But you are not able to——

Mr. WEBB. I am really not sure whether I was a vice president or not. I was an officer.

Senator COOPER. You are not able to say definitely whether you called Mr. Spett or whether you did not call him?

Mr. WEBB. I cannot recall it, Senator.

Senator COOPER. Did you know anything about the interests of Sweet Water in attempting to secure a contract from the Government for the extraction and storage of helium?

Mr. WEBB. Yes.

Senator COOPER. At that time, along in August 1961, was this company interested in such a contract?

Mr. WEBB. Oh, yes. I think Mr. Pittman and I called Bedford after that act was passed—I think sometimes in the spring of 1961—and we called Bedford, I think, at that time and thought that would be a good thing for Sweet Water to get into.

Senator COOPER. Did Sweet Water Co. have meetings of the board of directors from time to time?

Mr. WEBB. I never attended one.

Senator COOPER. Then there is nothing I can ask you about the meetings if you did not attend one. Did you ever read the minutes of the meetings of the board of directors?

Mr. WEBB. Not until yesterday.

Senator COOPER. Do you know whether in the minutes there was any reference to the interests of Sweet Water in the helium contract?

Mr. WEBB. Frankly, Senator, I just flipped through all this file pretty fast. I just don't recall.

Senator COOPER. I think you had finished your inquiry, Major, about the transaction with the law firm.

Mr. McLendon. Yes.

Senator COOPER. I assume the substance of your testimony is that you just do not know anything at all about this contract or selection of the firm in New York to represent Sweet Water.

Mr. WEBB. I knew nothing of the selection of the firm in New York.

Senator COOPER. Do you know anything about the forwarding of \$2,500 to Tucker & Baker by the law firm in New York?

Mr. WEBB. Not until I read it in the paper.

Senator COOPER. That is all.

The CHAIRMAN. Senator Cannon?

Senator CANNON. No questions.

Mr. McLendon. I show you a document which is a memorandum addressed to you from Clarence Spangler, concerning Sweet Water Development Co. minutes and an agreement enclosed that all the directors would resign and three directors reelected were Murchison, Bedford Wynne, and Thompson. I ask you if you saw those documents—did you receive them?

(At this point Senator Cannon left the hearing room.)

Mr. WEBB. I have seen them.

Mr. McLendon. You see the handwriting on the bottom?

Mr. WEBB. That is Francis Law's writing.

Mr. McLendon. The three directors now and since that date are Murchison, Thompson and Wynne.

Mr. WEBB. Yes, sir.

(The documents referred to are as follows:)

EXHIBIT 92

Full Swallow

Date April 17, 1964

To: Thomas D. Webb, Jr. -10-

From: Clarence J. Sullivan

Re: Sweet Water Board and Company Minutes

Reference is made to Mr. Sullivan's memorandum to all of the Directors of Sweet Water Board, Company, dated February 24, 1964, with which he enclosed copies of Call and Notice for, and Minutes of, Special Meeting of Board of Directors of Sweet Water, to be held March 17, 1964. Also he enclosed Unanimous Consent of Board of Directors of Annual Meeting of Sweet Water Board, Company, dated February 24, 1964. For your reference a copy of the minutes of the meeting is enclosed. We have not received these minutes from the Sweet Water minute book.

Meeting have we received for the same lack the Waiver and Minutes of Special Meeting of the Sweet Water Board of Directors, dated March 17, 1964, and of March 17, 1964, which I sent to Doc Law for his signature and copies to one of the other Directors.

It is not known which Director now has any of the above minutes. I am therefore enclosing a copy of this memo to each out-going Director, and am also respectfully requested to send the signing and forwarding to me of these documents when they are received by you, so it is known that our Sweet Water minute book be made up-to-date.

CJS

cc: Francis E. Law
 Ralph D. Pittman
 Virgil C. Williams

*Tom & I signed
 & returned 4/29/64*

EXHIBIT 93

February 25, 1964.

To: Directors of Sweet Water Development Company:
Thomas D. Webb, Jr.
Francis E. Law
Ralph D. Pittman
Virgil C. Williams
Bedford S. Wynne
C. W. Murchison, Jr.
Robert F. Thompson

From: R. F. Thompson

Enclosed is Waiver of Call and Notice for and Minutes of Special Meeting of Board of Directors of Sweet Water Development Company, to be held March 12, 1964. It is believed that the number of Directors should be reduced to three for the purpose of expediting and facilitating the ready adoption from time to time of necessary resolutions in Dallas and promptly filling them in the minute book, and it is recommended that these Directors be C. W. Murchison, Jr., Bedford S. Wynne and myself. If this is satisfactory with you, will you please sign the enclosed waiver and approval of the enclosed minutes, and forward to the next person on the list, and after Mr. Williams has signed it is requested that he return same to me. I am furnishing each of the Directors a copy of this memo.

Provided the above is satisfactory, I am also enclosing UNANIMOUS CONSENT OF SHAREHOLDERS IN LIEU OF ANNUAL MEETING, March 13, 1964, for execution by each Shareholder of Sweet Water. It is kindly requested that Virgil obtain the signature of Mrs. Williams also on the consent and that he thereupon return this to me along with the waiver and minutes of special meeting referred to above. I will then obtain the signatures of the Dallas Directors and Shareholders.

R. F. Thompson

RFT:eb

bcc: Spangler

Mr. McLendon. By the way, Mr. Law is ill, isn't he?

Mr. Webb. He is in Sibley Hospital right now. They are giving him a bronchoscope this afternoon.

Mr. McLendon. One other subject I want to ask you briefly about, Mr. Webb. Recently Mr. Don Reynolds testified in public hearing before committee that he was invited by you to go to Miami as a guest of Mr. Clint Murchison, Jr., to attend a social gathering there of considerable size, and while he was there that he had a conversation with Mr. Murchison in which Mr. Murchison requested him to keep his ear to the ground and keep Murchison informed about the progress of the stadium bill. My first question is did you invite Don Reynolds to go to Miami as a guest of Mr. Murchison or as your guest?

Mr. Webb. I did not invite him to go. He asked if he could go along when we were going from Jacksonville down to Miami.

Mr. McLendon. Did you and he go to Jacksonville together?

Mr. Webb. Yes.

Mr. McLendon. Was that in connection with that Wortco enterprise that both of you had an interest in?

Mr. Webb. Yes, sir.

Mr. McLendon. Did you invite Reynolds to go from Jacksonville to Miami?

Mr. Webb. No.

Mr. McLendon. How did he happen to go?

Mr. Webb. Tom Ellis and Martin Williams and I were going on down to Miami. As I testified before, we were working on building a causeway down the middle of Biscayne Bay. It was around a \$75 million causeway. And Reynolds heard us talking and asked if he could go along. He said he had nothing to do. And so he came along.

Mr. McLendon. Did you pay his expenses?

Mr. Webb. You don't know me very well.

Mr. McLendon. Did Mr. Murchison pay them?

Mr. Webb. Not to my knowledge.

Mr. McLendon. Did you have any conversation in Miami on that trip with respect to the stadium?

Mr. Webb. The only time I ever recall about the stadium—this would be before this trip you are talking about—Don Reynolds asked me if we would be interested in building a stadium here in Washington. I told him, No. 1, that we were not in that type of contracting business, and No. 2, we would not be interested in coming to a foreign territory on the budget.

Mr. McLendon. You used the word "we" there.

Mr. Webb. Tecon.

Mr. McLendon. You were employed regularly by Tecon?

Mr. Webb. That's right.

Mr. McLendon. Is that the only conversation you had with him about the stadium?

Mr. Webb. That's all I can recall. It might have been brought up on this trip with Clint.

Mr. McLendon. Well, did you or Mr. Murchison ever say to him that you wanted him to keep his ear to the ground, keep you advised of developments on the stadium?

Mr. WEBB. Absolutely not. We showed complete disinterest in the project right from the very beginning—at least I did. And I know of no reason why Clint would show any interest in it.

Mr. McLENDON. As far as you know, he did not show any interest in it.

Mr. WEBB. He absolutely did not.

The CHAIRMAN. He never even asked for a set of plans.

Mr. WEBB. Absolutely not.

Mr. McLENDON. How well did you know Reynolds at that time?

Mr. WEBB. I had known him about 4 months at that time.

Mr. McLENDON. Had you ever had any business dealings with him?

Mr. WEBB. Just that one, on Wortco. It was very expensive, too.

Mr. McLENDON. All right. I believe that's all.

The CHAIRMAN. Thank you very much, Mr. Webb. Mr. Truskett. Mr. Truskett, will you place your left hand on the Bible and raise your right hand? Do you solemnly swear that the testimony you are about to give on the matter before this committee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. TRUSKETT. I do.

Mr. McLENDON. Give the reporter your full name and address.

TESTIMONY OF JACK M. TRUSKETT

Mr. TRUSKETT. Jack M. Truskett, 2012 Clarksdale Place, Dallas, Tex.

Mr. McLENDON. What is your business or profession, Mr. Truskett?

Mr. TRUSKETT. I am assistant manager of the Dallas District of the Army Auditing Agency.

Mr. McLENDON. How long have you been employed by the Government in that capacity?

Mr. TRUSKETT. I have been with the Army Auditing Agency a total of—well, I have been with them since May of 1947.

Mr. McLENDON. Mr. Truskett, to shorten this as much as possible, are you in charge of that office?

Mr. TRUSKETT. No, sir; I am an assistant manager.

Mr. McLENDON. Did you receive a request from OSW of the Department of the Interior to audit certain records of the Sweet Water Development Co?

Mr. TRUSKETT. Yes, sir.

(Senator COOPER left the hearing room.)

Mr. McLENDON. What year was that?

Mr. TRUSKETT. That was in 1963.

Mr. McLENDON. And tell the committee what the records were—describe them generally first.

Mr. TRUSKETT. What the records were?

Mr. McLENDON. Yes. What did the records consist of?

Mr. TRUSKETT. Well, the records consisted—well, they were fairly limited because it was a small operation. The records were maintained for them by this Tecon firm. And they were the basic records that you would find—journals. The general ledger was maintained on a punch card system.

Mr. McLendon. And did it contain a bill or statement rendered to OSW for compensation under the contract between OSW and Sweet Water?

Mr. Truskett. Yes, sir.

Mr. McLendon. And did you audit that statement carefully?

Mr. Truskett. Yes, sir, we audited their claims for reimbursement.

Mr. McLendon. And there has been a good deal of publicity given to this matter. I wish you would in your own way, just to save time, tell the committee what the claims were, the nature of them, and what criticism you made of them.

Mr. Truskett. Well, the claims were generally for what they classified as direct labor, material, incidental expenses, travel, overhead items. Overhead they claimed on a percentage basis of direct labor, in accordance with the terms of their contract, which provided for a provisional rate for reimbursement. And in our examination, because of the lack of documentation basically, we questioned a considerable amount of cost—that is, by considerable, I mean in ratio to the amount that had been claimed for reimbursement—and tried to furnish as much information as we felt we could to the contracting officer, or OSW, so that they could—it would be useful to them in trying to wind up this contract and to settle.

Mr. McLendon. Do you recall the total of the claims for—

Mr. Truskett. Well, according to the records, as we found them, the claims totaled \$120,322.71.

Mr. McLendon. And of those claims, how much in dollars did you question because of the reasons that you stated?

Mr. Truskett. Well, we questioned—well, actually we questioned \$42,862.76, and in addition to that, we also included \$6,609.72 that the OSW had already questioned itself. So as a result, the figure as shown in our audit report covers both figures, or a total of \$49,472.48.

Mr. McLendon. Did these claims for repayment on the part of Sweet Water include the salaries of the firm of Law & Webb?

Mr. Truskett. There were charges in there from the firm. The firm was paid by Tecon, who in turn apportioned a part of these payments to Sweet Water.

Mr. McLendon. And did you question those?

Mr. Truskett. Yes, sir.

Mr. McLendon. Was there a claim for reimbursement on account of life insurance premiums paid on the life of Dr. Williams, the owner of the invention?

Mr. Truskett. Yes, sir, there was a claim in there for that amount. I say claim. Actually, this was part of their overhead composition. The charges for legal services, the insurance premiums on Dr. Williams' life.

Mr. McLendon. Did you determine that that premium paid for insurance on Dr. Williams' life was not allowable under the law applicable?

Mr. Truskett. Yes, sir—under the Federal procurement regulations, which we quoted in our audit report, we considered them non-eligible for reimbursement.

Mr. McLendon. Now, if I understand you correctly, according to these records, at least, after your report and the questions that you raised about all these items, aggregating, it seems to me, somewhere

near \$80,000 all told—I may be wrong about the amount. But whatever the amount was, there was conferences in the OSW office, and at someone's suggestion, Sweet Water employed an independent auditor here in town, did they not? A man named Brasfield?

Mr. TRUSKETT. I understand that they did. I could not say that with certainty.

Mr. McLENDON. Well, regardless of that, OSW did finally pass on all of these questioned items and concluded—reach a conclusion as to the amount that should be reimbursed to Sweet Water, did they not?

Mr. TRUSKETT. I don't know. All we did was to accomplish this audit, which we considered an interim audit, furnish them the report, and as to the settlement that ultimately came about, we have no knowledge of that.

Mr. McLENDON. You can't testify about that.

Mr. TRUSKETT. No. We were not a party to the settlement.

Mr. McLENDON. I see. Mr. Truskett, in your investigation and inspection of these claims for reimbursement, did you discover any evidence of deceit or what we might call fraud on the part of Sweet Water Development Co.?

Mr. TRUSKETT. No, sir.

Mr. McLENDON. What do you think the errors, if that is the right word to use, were attributable to?

Mr. TRUSKETT. Well, this would have to be supposition, in part, as to what they were attributable to. I would say very possibly one factor could be their lack of experience in dealing with Government organizations or under Government contracts, providing for reimbursement on a cost basis. It is not uncommon for a company that is inexperienced to have difficulties in filing claims that are what you would call clean, where there are no problems involved. As to who counseled them, as to classification of costs and what types of costs they wanted to claim, this sort of thing, I could not say. Certainly in our opinion it was brought out in the report there were a high percentage that we felt were not only questionable as not being applicable to contract performance, but a lot of it we had to question because we could not ascertain the purpose of why the cost was incurred, what application it had to contract performance.

Mr. McLENDON. But you say there was no evidence of intention of deceit.

Mr. TRUSKETT. I could not say that, no—because willful intent to defraud is an extremely difficult thing to identify.

Mr. McLENDON. Of course, it is.

Mr. TRUSKETT. And certainly even more difficult to prove.

The CHAIRMAN. Was it more a matter that they didn't have their claims in the proper Government order than it was that you—you didn't say they were not entitled to money. You just said it did not met the standards to which you were accustomed to auditing.

Mr. TRUSKETT. You see, we audit from the records basically. In other words, your claims are just merely a mechanic for getting interim reimbursement during the life of the contract. And the records were such that—actually, there was just lack of support as to the purpose of these costs, and their identification, either as direct or indirect charges.

The CHAIRMAN. In other words, they could not support these charges with sufficient records.

Mr. TRUSKETT. That is correct. In other words, the money was spent, it was charged into the company's books. But the purpose for which the money was spent we could not relate it to contract performance.

The CHAIRMAN. That answers my question.

Mr. McLendon. Did you work with Mr. Spangler, the accountant for the Tecon Corp., in connection with these accounts?

Mr. TRUSKETT. Mr. Spangler was our accountant there; yes sir.

Mr. McLendon. And had he prepared the claims to begin with on behalf of Sweet Water, or do you know?

Mr. TRUSKETT. I couldn't answer that.

Mr. McLendon. That is all, sir.

The CHAIRMAN. Thank you.

Mr. McLendon. Mr. Barry and Mr. Spangler, this committee is acting by direction and under the authority of Senate Resolution 367, agreed to on September 10, 1964, and Senate Resolution 212, agreed to on October 10, 1963. Senate Resolution 367 renews the powers authorized by Senate Resolution 212 and broadens the scope of jurisdiction conferred.

The Committee on Rules and Administration has now been granted the power to investigate all interests or activities of present or former Members, officers, or employees of the U.S. Senate for the purpose of determining whether such interests or activities have involved any violation of law or other impropriety or have reflected unfavorably upon the integrity of the Senate, and whether additional laws, rules, or regulations are necessary or desirable for the purpose of prohibiting or 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 add to the committee's fulfillment of its legislative purpose.

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

The CHAIRMAN. Mr. Barry, will you stand, please, put your hand on the Bible, and raise your right hand. Do you solemnly swear that the testimony you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. BARRY. I do.

Mr. McLendon. State your name and address, Mr. Barry, for the reporter.

TESTIMONY OF ROBERT I. BARRY

Mr. BARRY. Robert I. Barry, 2121 Virginia Avenue NW., Washington.

Mr. McLendon. Are you employed by the Department of Interior?

Mr. BARRY. Yes, sir.

Mr. McLendon. And the OSW?

Mr. BARRY. Yes, sir.

Mr. McLendon. In what capacity?

Mr. BARRY. Chief of Branch of Fines.

Mr. McLendon. You heard Mr. Truskett's testimony a few moments ago, did you not?

Mr. BARRY. Part of it.

Mr. McLendon. Did you have as part of your responsibility to check to claims for reimbursement filed by Sweet Water Development Co. with OSW?

Mr. BARRY. Currently, I do.

Mr. McLendon. Do you recall when Mr. Truskett's office was called in to audit those claims?

Mr. BARRY. That was before my time.

Mr. McLendon. That was before your time.

Do you have any personal knowledge of what resulted from the audits, how much of the claims were allowed and how much disallowed?

Mr. BARRY. Yes, sir; I saw the report.

Mr. McLendon. Will you state what the final result was?

Mr. BARRY. Well, the final result was that when I first encountered it, the audit had been requested, the contract had been completed. We are speaking of the first contract.

Mr. McLendon. Yes.

Mr. BARRY. Conferences had been held following the audit, and settlement notes of those conferences reached between officials of OSW and the contractor. Those were in writing. My participation started after that date, by requiring the contractor to file a final claim in line with the settlement notes. I assigned another man to make independent computations by reference to the notes, and he arrived at two figures which were both higher than the contractor's claim, and that was my basis for accepting the contractor's claim and settling the contract the first week of January this year.

Mr. McLendon. And that completed the problem of reimbursement under the first contract?

Mr. BARRY. Yes, sir.

Mr. McLendon. Do you happen to recall the total amount of those claims for reimbursement? Was it about \$120,000?

Mr. BARRY. The total payments before my participation was \$88,000.

Mr. McLendon. Total paid?

Mr. BARRY. That is right.

Mr. McLendon. Was that the net amount after making some disallowances?

Mr. BARRY. The actual claims were about \$94,000, as I recall—there were about \$6,000 of suspensions, and I don't know what they were for. But they were absorbed in the overall settlement at the end.

But there had been no claims other than these about seven vouchers during the course of the contract for a total of around \$94,000.

Mr. McLendon. Do you recall that the largest item disallowed was the insurance premiums on policies issued insuring the life of Dr. Williams?

Mr. Barry. No, sir; those were items that were questioned, but were never in the claims except through an overhead component on a provisional rate basis.

Mr. McLendon. I didn't quite follow that. They had never been included in the claim, you say?

Mr. Barry. That is right; because those were overhead items, and overhead items during the performance of a contract of this type are paid on a provisional basis through the application of a rate usually applied to labor.

Mr. McLendon. Do I understand you, to summarize it, then, that the claims amounted to about \$94,000 to begin with—and how much was the total paid or allowed?

Mr. Barry. \$108,000, approximately.

Mr. McLendon. I don't understand that. You are paying him more than he asks for?

Mr. Barry. Well, he claimed 19,300-odd dollars in the contract settlement, which was added to the 88, so that we settled \$119,000 maximum contract for \$108,000 on a total basis.

Mr. McLendon. You settled the maximum claim of \$119,000 for \$108,000?

Mr. Barry. We settled—the claim was actually—the actual claims never totaled but \$108,000. The contract value maximum that they could have incurred costs—because the contractor's actual claims in this case were documented finally in the amount of the settlement reached. That in part was a compromise of the figures that—while they were listed as specific items in the audit report, they were never in the contractor's actual claims until the final settlement.

Mr. McLendon. That is still not very clear to me. It sounds like you are saying that after the contractor filed his first list of claims, that others were added as a result of the negotiations. Is that what you mean?

Mr. Barry. In effect that is true.

Mr. McLendon. In effect.

Mr. Barry. Because the final settlement voucher was actually a restatement of the total contract claims, minus previous payments.

Mr. McLendon. Well, did the final settlement result in any reduction of the claims as made by the corporation, Sweet Water?

Mr. Barry. In effect I would say that that is true, because if you relate it to the expenses that were on the books, and reported by the Army auditors, even though such amounts were not specifically claimed, they were substantially reduced in the final settlement.

Mr. McLendon. Did Sweet Water employ outside auditors here in the city in connection with this matter—a man named Brasfield?

Mr. Barry. I understand that they did.

Mr. McLendon. Did you have anything to do with that?

Mr. Barry. I have no knowledge of it.

Mr. McLendon. Did you have any conversations with him?

Mr. Barry. No sir.

Mr. McLendon. Did you handle this matter directly with Mr. Spangler, the accountant for Tecon?

Mr. Barry. Yes, sir, at the time of final settlement, I did.

Mr. McLendon. You and he worked it out together.

Mr. Barry. No sir. He independently, having the same settlement notes, and the benefit of conferences, developed the company's claim.

Mr. McLendon. Developed the company's claim?

Mr. Barry. Yes, sir. And then we evaluated that claim after we received it.

Mr. McLendon. Well, let me try one more time, and see if I can get this buttoned up. The total claims which Sweet Water made or could have made on the basis of their records of expenditures was about \$119,000; is that correct?

Mr. Barry. The total that they could have claimed is, as far as I know, expressed in the Army audit report under the head of claims at \$120,000, which presumably is the book expenses.

Mr. McLendon. All right. Now, how much was actually accrued and paid?

Mr. Barry. Accrued and paid at the time of the report, \$88,000.

Mr. McLendon. As against the total claims of \$119,000?

Mr. Barry. Against total claims against total expenses with which the audit report dealt of \$120,000.

Mr. McLendon. Do you have any recollection that the big item in that disallowance was this insurance premium paid for insurance on Dr. Williams' life? Do you have any recollection of that?

Mr. Barry. I know that that insurance premium was excluded in its entirety from the overall claim of the contractor when they finally made it.

Mr. McLendon. And that was about \$11,000 wasn't it?

Mr. Barry. Yes, sir.

Mr. McLendon. Do you recall an item in this list of claims of 10,240-some-odd dollars?

Mr. Barry. Yes, sir; for legal expense.

Mr. McLendon. And do you know that that happened to be the exact amount that Sweet Water Development Co. paid this New Jersey law firm?

Mr. Barry. No, sir; I didn't have that understanding.

Mr. McLendon. You didn't have that indication.

Mr. Barry. No, sir. If this is the same item, 10,200 and some odd dollars, identified as legal expenses, that is not the same item, because that was paid by Sweet Water, according to the Army auditors.

Mr. McLendon. And that amount was paid by Sweet Water?

Mr. Barry. And it is composed of several things.

Mr. McLendon. I see. So it couldn't be related to this payment to the lawyers, then.

Mr. Barry. No, sir; I don't think it has any connection with that particular item.

Mr. McLendon. It just happens to be the same amount.

Mr. Barry. It is the addition of several amounts. I might volunteer this. No part of that \$10,200 was allowed in the final settlement or claimed.

Mr. McLendon. Did you have any information that any of these claims were intentionally filed knowing that they were not allowable,

in an attempt on the part of Sweet Water to obtain money that they were not entitled to? Or to put it in different language, that there was a fraudulent claim?

Mr. BARRY. No, sir.

Mr. McLendon. You had no information of that sort.

Mr. BARRY. No, sir.

Mr. McLendon. All right.

Mr. Spangler.

The CHAIRMAN. Mr. Spangler, if you will place your hand on the Bible there, and raise your right hand. Do you solemnly swear that the testimony you are about to give will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. SPANGLER. I do.

Mr. McLendon. Give your name and address to the reporter, please.

TESTIMONY OF CLARENCE J. SPANGLER

Mr. SPANGLER. My name is Clarence J. Spangler, 1508 Bar Harbor, Dallas, Tex.

Mr. McLendon. What is your profession?

Mr. SPANGLER. I am a CPA. I am vice president and comptroller of Tecon Corp. Also assistant secretary-treasurer of Sweet Water Development Co.

Mr. McLendon. How long have you been employed by Tecon Corp.?

Mr. SPANGLER. Oh, going on about 8 years.

Mr. McLendon. Since this Sweet Water Development Co. has been working with OSW in connection with this saline water project, have you had charge of and been responsible for the accounting of Sweet Water Development Co. in connection with that project?

Mr. SPANGLER. Yes, sir. I became an officer around March of 1962, in Sweet Water.

Mr. McLendon. And do you supervise the bookkeeping?

Mr. SPANGLER. Yes, sir.

Mr. McLendon. Now, did you have anything to do with the preparation of the claims for reimbursement under the first contract with OSW?

Mr. SPANGLER. Yes, I did.

Mr. McLendon. Tell the committee what you did.

Mr. SPANGLER. The contract was dated May 1, 1962—No. 259. Our first contract. Prior to that, Mr. Williams and other engineers had been working on the small pilot plant. When we were awarded the contract, 259, effective May 1, 1962, at the end of each month thereafter we submitted to the Office of Saline Water a monthly voucher claiming our cost incurred. This was a cost reimbursement contract without a fee. And as such, then, we listed the expenses incurred by Sweet Water in the first contract. This included salaries paid, other expenditures in connection with the pilot plant, and also an addition of roughly 48 percent was added to the contract for overhead. Now, this was an agreed upon rate, which is applied to direct labor. The overhead, then, would be subject to audit at the end of the contract, and any adjustment upward or downward would be made at that time. The procedure was followed, then, each month

that the contract continued. I think at first there we received payment within possibly 1 month to 2 months following the submission of the voucher.

Mr. McLendon. At the end of the contract, then, you had to have a final accounting.

Mr. Spangler. Yes, sir.

Mr. McLendon. Was it at that time that the Army auditors were called in?

Mr. Spangler. Yes, sir, it was.

Mr. McLendon. Did you know about that?

Mr. Spangler. Yes, sir.

Mr. McLendon. And did you confer with them?

Mr. Spangler. I did, sir.

Mr. McLendon. Well, now, tell the committee just what the problem was, as plainly and simply as you can.

Mr. Spangler. All right. At the request of the Office of Saline Water, the Army auditor out of Dallas was asked to come in and audit the contract, our books of account, to establish our overhead rate, the actual rate that would be applied for reimbursement. I believe the auditor, Mr. Ingraham, was the actual auditor in our office.

Mr. McLendon. That was in Dallas.

Mr. Spangler. In Dallas, Tex., that is correct. He was furnished with all the records that he requested. In fact, we probably gave him more than he maybe requested. We explained to him—I did, probably more than anybody else—explained to him that we would be glad to furnish any information that he needed to establish any of his audit procedures, facts, and so on, to come up with these rates. I asked him that if he had any questions to please contact me, I would be glad to explain items. And I also specifically told him that there were certain items in our overhead account that had not been reimbursed, and that we were not submitting as indirect costs for the purpose of computing this overhead rate. These specifically were this \$10,241.70, classified as legal fees in the audit. We had no intention of putting those in in our base, and he was told that. Nevertheless, it got in the audit report.

There were also other errors. There were personal opinions, as far as I am concerned, put in the audit report. Some of them due to the fact that this report has been published in the Congressional Record and so on which I feel have been very harmful to Sweet Water's image. And I would like to correct these, if I may. As a result of the audit which was, I believe, released around August of 1963, at that time we were already into our second contract. We were not furnished the report. I had asked that the auditor confer with me before the report was written to go over any items that might be some question on, but that was not done. We were not furnished a report by the Army auditor, which according to them was their standard procedure—that it would have to go to the contracting officer, which it did.

Upon receipt of the audit by the Office of Saline Water, Mr. Francis Law, I believe was contacted in our Washington office here, and told of the comments in regards to the audit. I don't remember exactly how soon after they received the report that we were fur-

nished a copy of the audit. But it was sent down to me, then, for comment. And after reviewing it, going over the records, I prepared a letter to Francis Law, with copies to other Sweet Water officers, setting forth what I felt were the discrepancies, the inaccuracies, and so on, in the audit. I have a copy here that I would like to submit to you, if it is proper.

After that, we had a meeting with the Office of Saline Water in an effort to review these items of question that were in the audit. These we worked out, I think, in 1 full day's session with the OSW staff, and came to an agreement which was set forth in a memorandum which was issued by us to OSW. As a result—well—the big item of the life insurance policy. At this conference that we had, that was the one item that was not agreed upon by either of us. We felt that we were entitled to it, and therefore requested that an opinion be prepared and submitted to the—I believe it is the Solicitor General, or someone here—for his review and opinion. This was done, and it must have been 4 or 5 months after we had this meeting that I was back in Washington to see what the status of our balance due on the contract was, and was informed at that time that it had been turned down, and we agreed and accepted that.

Mr. McLendon. That is the premium on the life insurance?

Mr. Spangler. Yes, that is the \$11,000 premium—to be included in the overhead base, not as a direct cost, but as an indirect cost. So we accepted that decision. We then submitted a voucher covering this last \$19,000 which was due us under the method of computing overhead, excluding insurance. If the insurance had been granted, as an allowable cost in the indirects, we would have received \$27,905.86 as balance due on the contract. As it was the agreed amount was \$19,398.46. This made a total that Sweet Water received on this first contract of \$108,152.35, which broke down as \$73,521.25 as direct cost and \$34,631.10 as indirect cost. This was computed at 80.6 percent of direct labor, which was the final agreed amount.

The schedules that I have here were prepared and submitted as part of our review at that meeting with the Office of Saline Water, which sets forth our direct cost, it sets forth the travel allowances, it sets forth our allowable indirect cost for a 12-month period, which is our fiscal year, even though the contract is for only 9 months out of that period. It also reconciles the cost of the claims that we submitted, which totaled \$120,322.71, and was finally paid, then, at this amount of \$108,152.35.

Mr. McLendon. A difference of about \$12,000?

Mr. Spangler. Right—mainly composed of the life insurance disallowance.

Mr. McLendon. \$11,000?

Mr. Spangler. Roughly that.

Mr. McLendon. Before I forget it—did your company make any claim for reimbursement for any expenditures made in connection with the pilot study at St. Louis?

Mr. Spangler. No, sir. We made no claim under the first contract, No. 259, for any expenses incurred prior to May 1, 1962.

Mr. McLendon. It was confined to expenditures made after the May 1 contract?

Mr. SPANGLER. Definitely. Now, I think the auditors picked up very small items—\$50, \$20—something that carried over from one of the engineering firms, that had been incurred prior to that, which was one of the items disallowed. But in the final settlement that were no expenses reimbursed, and that included the legal fees paid to the New York law firm as well as to other expenses that we incurred in starting up and building the 700-gallon-per-day product plant.

Mr. McLENDON. I don't understand about the New York fees. You say it was disallowed?

Mr. SPANGLER. It was not claimed as a reimbursement.

Mr. McLENDON. Were there some claims for compensation to Mr. Bedford Wynne?

Mr. SPANGLER. Yes, we have in our overhead schedule of allowable indirect cost, we have salary expense for Mr. Thompson, Mr. Wynne, the Washington office expense.

Mr. McLENDON. Webb & Law?

Mr. SPANGLER. Webb & Law—and the Tecon office expense.

Mr. McLENDON. Were they allowed?

Mr. SPANGLER. Yes, sir.

Mr. McLENDON. All of those?

Mr. SPANGLER. These were. These were parts of our allowable indirect cost; that is correct.

Mr. McLENDON. So to summarize it, you had claims of \$120,322—is that right?

Mr. SPANGLER. Claims of \$120,332.71.

Mr. McLENDON. And you were actually allowed \$108,152?

Mr. SPANGLER. And 35 cents—that is correct. And this last \$19,000, the balance due, was just paid to us the other day, January 29, 1965.

The CHAIRMAN. Do I understand that that difference of between \$11,000 and \$12,000 was a disallowance of that insurance on Dr. Williams?

Mr. SPANGLER. Yes. The problem comes in that when you have to work with indirects, if we had left the insurance premium in our indirect cost, the ratio of our indirect cost to the direct labor would have amounted to 100.4 percent. That is the factor that would come out. So we multiply 100.4 times the direct cost incurred in our contract to arrive at an overhead figure of \$43,138.50. Now, that compares with when we disallowed the insurance premium—that reduced our ratio of indirect cost to direct cost down to 80.6 percent. That multiplied by our direct cost gave us an overhead allowed of \$34,631.10.

The CHAIRMAN. Let me ask another question there. You, I presume, like a great many corporations—had Mr. Williams suddenly died there, you would have a financial loss, in picking up the information and the knowledge and so forth and carrying this on?

Mr. SPANGLER. That is right.

The CHAIRMAN. The Government didn't feel that they should do that—that they were not responsible for that?

Mr. SPANGLER. That is correct.

The CHAIRMAN. You had to take a complete gamble, then, on it that you would have to go out and find somebody with a comparable amount of knowledge and information to replace Mr. Williams in case he did die?

Mr. SPANGLER. That is right. That is our reasoning behind it. Because, at that time, he had a known heart condition, and we thought it was a critical area to cover, and the insurance was the way to do it.

Mr. McLENDON. That is common practice in private industry?

Mr. SPANGLER. Yes, sir, it is.

Mr. McLENDON. Let me see if I can get one other point clear. Your direct costs were allowable 100 percent provided they came within the terms of the contract, is that correct?

Mr. SPANGLER. Yes, sir.

Mr. McLENDON. The indirect costs were not allowable 100 percent?

Mr. SPANGLER. Well, no—

Mr. McLENDON. Let's put it a little differently. How were you reimbursed for your indirect costs?

Mr. SPANGLER. All right. This is a difficult area to cover. The way the contracts work is that there should be a base period in which the company, working with the Government, determines their indirect costs. In other words, usually their fiscal period, their year. Our year ended March 31, 1963. Our first contract started 1 month after that, May 1, and it ended, I think, 2 months short of our period. So in working out our indirect overhead, the Army auditing agency, and we approved, used our fiscal year, then, from April 1 of 1962 to March 31, 1963, to determine the allowable indirect cost. Now, we incurred a lot of other expenses during this period—patent fees and other travel expenses—that were not put in as our allowable indirect costs. Those were excluded. But these that we considered as allowable under this contract came up and totaled for the year \$44,999.39.

The CHAIRMAN. That included insurance?

Mr. SPANGLER. No, excluding. If you added that, you would get \$66,065.39. That was for the entire period that covered some months not under the contract. So the ratio was computed. We had two computations here—one excluding the insurance and one including it.

Mr. McLENDON. What do you mean by the ratio?

Mr. SPANGLER. The ratio of our indirect to the direct wages. If we use the direct wages as a method of computing the interim overhead, which we did—we had used 48 percent during the interim period. It ended up that it was 80.4 percent—the actual. So we make these two computations. We get 80.6 and 100.4. And then we go back to the direct wages paid just during the 9-month period, and apply this to it, and that gives us the allowable overhead during the contract period, which amounted to the \$34,631.10, which was twenty-some thousand less than our overall for the year.

Mr. McLENDON. To put it in a layman's language, the indirect costs had to be a certain percentage of the direct costs?

Mr. SPANGLER. Yes, that is the way it has been worked.

Mr. McLENDON. You have a ceiling on it?

Mr. SPANGLER. Well, no. It wouldn't be a ceiling. The percentage could change depending upon what ended up as an allowable indirect cost. I will admit that it is real confusing.

Mr. McLENDON. A little involved.

Mr. SPANGLER. That is right.

Mr. McLENDON. No wonder you had to employ another accountant. You did employ an accountant here in Washington?

Mr. SPANGLER. Yes, sir. After we received this audit report, I felt, and so did our other officers, that it would be wise if we would consult

with another CPA firm who was familiar with handling this type contracts, because this was our first one. I am sure we made some errors, and I include myself in that. He did assist us greatly in preparing our report.

Mr. McLendon. Let me ask you another question. Did you, as a responsible officer of Tecon, deliberately attempt to obtain money from OSW that you knew you were not entitled to?

Mr. Spangler. No, sir. We did not.

Mr. McLendon. Did anybody accuse you of doing that?

Mr. Spangler. No, sir.

Mr. McLendon. In all the numerous conferences you had with respect to this accounting, did anybody suggest that Sweet Water, you, or anyone else was undertaking to obtain money wrongfully?

Mr. Spangler. Not to my knowledge.

Mr. McLendon. If I understand you, the final settlement was arrived at as a result of quite a number of conferences within the Department.

Mr. Spangler. Yes, sir.

Mr. McLendon. And was finally accepted by the Department and paid.

Mr. Spangler. That is right.

Mr. McLendon. The last payment having been made within the past few weeks?

Mr. Spangler. That is right.

Mr. McLendon. Can you tell us what the total amount of legal fees claimed under that first contract is?

Mr. Spangler. During the year ended March 31, 1963—

The Chairman. What period did that cover?

Mr. Spangler. That covered April 1 of 1962 to March 31, 1963. That is the fiscal year for us—which included the first contract period.

The Chairman. Is that 12 months?

Mr. Spangler. Yes.

The Chairman. All right.

Mr. Spangler. We put in our indirect, as allowable indirect cost, legal expense of only \$124.30. And I believe that was for reviewing the contract when we got it back from OSW, to protect ourselves. There were no other legal fees. We had paid others, true. But we did not consider those in this allowable indirect. We had excluded those. And the \$10,241.70 referred to in the audit, those were not claimed and never intended to be claimed in our indirect base—which included about three or four different items. And I might add they had no connection whatsoever with the amount paid to the New York law firm. That, as far as my records go, is a flat \$10,000—2 weeks.

Mr. McLendon. Well, didn't you testify earlier that some of Mr. Wynne's salary was claimed and allowed?

Mr. Spangler. Well, yes, I did.

Mr. McLendon. That is in the direct?

Mr. Spangler. No, these are indirect. The schedule shows the—by individuals and by months. And I would like to introduce this, if I may, this complete schedule.

Mr. McLendon. Yes. Well, I think we ought to have your comments that you made on the audit, too, if you give it to the reporter.

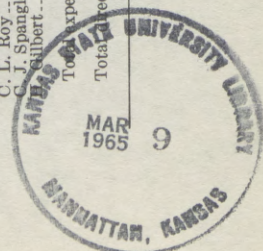
(The documents referred to are as follows:)

EXHIBIT 94

SWEET WATER DEVELOPMENT CO.

Schedule of expenses incurred for the 9 months ended Jan. 31, 1963

	May 1962	June 1962	July 1962	August 1962	September 1962	October 1962	November 1962	December 1962	January 1963	Total for 9 months ended Jan. 31, 1963
Direct costs:										
Salaries:										
V. C. Williams	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00	-----
C. W. Ade	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	-----
R. A. Williams	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	-----
C. L. Roy	0	0	0	383.33	766.66	766.66	766.66	766.66	766.66	-----
R. L. Culver	0	0	0	0	0	0	0	500.00	0	-----
Total, direct salaries	4,250.00	4,250.00	4,250.00	4,633.33	5,016.66	5,016.66	5,016.66	5,516.66	5,016.66	\$42,966.63
Engineering, supplies, and materials:										
The Lammus Co.	0	0	0	0	0	0	0	0	14,000.00	-----
Killebrew Engineering	0	0	3,166.24	668.08	1,204.99	463.97	0	0	0	-----
Other:										
Engineering	0	930.99	0	29.46	724.83	0	214.20	0	0	-----
Materials	671.28	193.78	1,159.87	220.56	152.36	173.92	7.36	0	0	-----
Supplies	0	505.98	0	0	0	35.99	0	0	1,185.08	-----
Total, engineering, supplies, and materials	671.28	1,630.75	4,326.11	918.10	2,082.18	673.88	221.56	0	15,185.08	25,709.54
Expense accounts per schedule A:										
V. C. Williams	167.18	0	174.01	0	0	0	217.28	697.03	810.32	-----
R. A. Williams	0	0	176.07	0	0	0	0	517.17	335.84	-----
C. L. Roy	0	0	135.74	65.53	0	0	0	379.35	310.08	-----
C. J. Spangler	0	0	252.02	0	0	0	0	0	238.57	-----
C. Gilbert	0	0	0	0	0	0	0	0	368.89	-----
Total expense accounts	167.18	0	737.84	65.53	0	0	217.28	1,593.55	2,063.70	4,845.08
Total direct costs	5,088.46	5,880.75	9,313.95	5,616.96	7,098.84	5,690.54	5,455.50	7,110.21	22,266.04	73,521.25



NOTE.—Indirect costs based on percents per schedule B :

	Excluding insurance cost	Including insurance costs
80.6 percent of direct labor-----	\$34,631.10	\$43,138.50
100.4 percent of direct labor-----		73,521.25
Add total direct cost allowable-----		
Total allowable expenses incurred-----	108,152.35	116,659.75
Less total amount paid by OSW to date-----	88,753.89	88,753.89
Balance due-----	19,398.46	27,905.86

EXHIBIT 95

SWEET WATER DEVELOPMENT CO.

Schedule for reimbursible travel expense for the 9 months ended Jan. 31, 1963

Schedule A

Officer or employee and travel detail	Travel expense allowed per audit	Subsistence increase— \$16 to \$20 per day	Revised allowable travel expense
C. J. Spangler, assistant secretary-treasurer:			
Dallas-Washington-Dallas:			
July 29-30, 1962	\$246.02	\$6.00	\$252.02
Jan. 14-17, 1963	228.57	10.00	238.57
Harold Gilbert, consultant: Washington-Wilmington-Atlanta-			
Dallas, Jan. 13-17, 1963 ¹			368.89
V. C. Williams, vice president:			
St. Louis-Dallas-St. Louis:			
May 9-12, 1962	157.18	10.00	167.18
July 25-27, 1962	162.01	12.00	174.01
St. Louis-Chicago-New York-Pittsburgh-Chicago-St. Louis,			
Nov. 8-11, 1962	204.28	13.00	217.28
St. Louis-Dallas-Kansas City-St. Louis, Dec. 2-7, 1962	217.41	22.00	239.41
St. Louis-New York-St. Louis, Dec. 9-11, 1962	179.40	12.00	191.40
St. Louis-Washington-New York-St. Louis, Dec. 16-20,			
1962	250.22	16.00	266.22
St. Louis-New York-St. Louis:			
Jan. 2-5, 1963	197.32	20.00	217.32
Jan. 6-12, 1963	357.76	28.00	385.76
St. Louis-New York-Washington-St. Louis, Jan. 13-17,			
1963	187.24	20.00	207.24
R. A. Williams, operations manager:			
St. Louis-Dallas-Marshall-Dallas-St. Louis, July 25-27,			
1962	164.07	12.00	176.07
St. Louis-Kansas City-St. Louis, Dec. 6-7, 1962 ¹			131.23
St. Louis-Washington-New York-St. Louis, Dec. 16-21,			
1962	364.94	21.00	385.94
St. Louis-Washington-Wrightsville Beach, Jan. 14-20, 1963	307.84	28.00	335.84
C. L. Roy, assistant engineer:			
Longview-St. Louis-Longview, July 20-22, 1962	129.74	6.00	135.74
Longview-St. Louis, Aug. 13-14, 1962	63.53	2.00	65.53
St. Louis-Kansas City-St. Louis, Dec. 6-7, 1962 ¹			107.26
St. Louis-Washington-New York-St. Louis:			
Dec. 16-21, 1962	251.09	21.00	272.09
Jan. 11-18, 1963	278.08	32.00	310.08
Increases by note ¹	607.88		
Total	4,554.08	291.00	4,845.08

NOTE.— OSW and SWD have agreed that these travel expenses are allowable contract costs.

SWEET WATER DEVELOPMENT CO., DALLAS, TEX.

Analysis of allowable indirect cost for year ended Mar. 31, 1963

Schedule B

	Salaries		Washington office expense	Telecon office expense	Telephone expense	Legal expense	Printing expense	Travel expense	Tax expense	Miscellaneous reimbursement	Total
	R. F. Thompson	Bedford Wynne									
April 1962	\$1,000	\$1,000	\$500	\$1,000	\$79.85	0	0	0	\$67.84	0	\$3,647.69
May 1962	1,000	1,000	500	1,000	185.52	0	0	0	39.02	0	3,724.54
June 1962	1,000	1,000	500	1,000	0	0	0	0	2.53	0	3,502.53
July 1962	1,000	1,000	500	1,000	60.67	\$124.30	\$508.66	0	2.53	\$175.59	4,371.75
August 1962	1,000	1,000	500	1,000	53.02	0	0	0	2.53	0	3,555.55
September 1962	1,000	1,000	500	1,000	16.67	0	0	0	2.53	0	3,563.83
October 1962	1,000	1,000	500	1,000	26.14	0	0	0	2.53	44.63	3,562.49
November 1962	1,000	1,000	500	1,000	45.76	0	0	0	2.53	23.82	3,561.00
December 1962	1,000	1,000	500	1,000	34.37	0	0	0	2.53	12.71	3,673.31
January 1963	1,000	1,000	500	1,000	67.17	0	0	0	110.88	136.41	4,348.31
February 1963	1,000	1,000	500	1,000	34.57	0	0	\$429.00	187.01	241.26	3,721.58
March 1963	1,000	1,000	500	1,000	67.23	0	0	0	110.88	98.70	3,776.81
Total, excluding insurance											44,999.39
Insurance cost											11,066.00
Total, including insurance											56,065.39

NOTE.—Computation of overhead rate:

	Excluding Insurance	Including Insurance
Total indirect expense	\$44,999.39	\$56,065.39
Direct salaries and wages	\$55,791.63	\$55,791.63
Ratio of indirect expense to salaries and wages (percent)	80.6	100.4

SWEET WATER DEVELOPMENT Co.

Reconciliation of audit report to final analysis of costs incurred for the months ended Jan. 31, 1963

SCHEDULE C

	Claims for costs per audit (exhibit A)	Auditor's reclassification direct to indirect	Items disallowed by auditor	Allowable costs per auditor (after agreements)
Direct costs:				
Labor.....	\$58,966.63	(\$16,000.00)	0	\$42,966.63
Engineering, subcontracts, supplies, and materials.....	26,037.01	(327.47)	0	25,709.54
Travel.....	7,015.10		(\$2,170.02)	4,845.08
Total, direct costs.....	92,018.74	(16,327.47)	(2,170.02)	73,521.25
Indirect costs (excluding insurance):				
At 48 percent of direct labor.....	28,303.97			
Add items reclassified from direct costs.....		16,327.47		
Net indirect cost disallowed.....			(10,000.34)	
At 80.6 percent of direct labor.....				34,631.10
Total.....	120,322.71	0	(12,170.36)	108,152.35
Total direct costs.....	92,018.74	(16,327.47)	(2,170.02)	73,521.25
Indirect costs (including insurance):				
At 48 percent of direct labor.....	28,303.97			
Add items reclassified from direct costs.....		16,327.47		
Net indirect cost disallowed.....			(1,492.94)	
At 100.4 percent of direct labor.....				43,138.50
Total.....	120,322.71	0	(3,662.96)	116,659.75

EXHIBIT 96

SEPTEMBER 13, 1963.

Mr. FRANCIS E. LAW,
1005 Riddell Building,
1730 K Street NW.,
Washington, D.C.

DEAR DOC: After reviewing the U.S. Army's Audit Report No. DA671-C1 (264) covering Sweet Water Development Company's contract No. 114-01-0001-259, I felt that it was necessary for me to make certain comments concerning the scope of their audit, the presentation, and other pertinent facts. My comments to follow will be in page order as the items come up in the audit report.

Page 1, Item 2 Results of Audit: In talking with the auditor, Mr. Ankrum, and Mr. Whitaker of the review staff, we were told time and time again that on this audit their position was that of an advisory, and that they would only set forth information and schedules and would not make specific comments as to items to be disallowed. This was not done in the audit report, as on Page 1, Item 2-b-(2) it states "Amounts we recommend for disallowance". This audit procedure is therefore in direct contradiction of their original statements, and has really put an unnecessary burden on Sweet Water.

Page 2, Item 3-b Contractor's Organization and Operations: Under a stockholder they list Texas Construction Corporation (TECON) as owner of common stock in Sweet Water Development Company. This is erroneous as there is no Texas Construction Corporation and the true owner is Tecon Corporation. This use of the erroneous name is also used in Paragraph 3-d. I do not know where this name was picked up, as the auditor had access to the stock record books wherein the name of Tecon Corporation was shown as the owner of the stock.

Page 2, Item 3-c: The audit states "the nature of the business organization is indicative of a great amount of promotional work being conducted". This is entirely erroneous, and as you know, Sweet Water has done no promotional work whatsoever along the Saline Water line of business or any other business. Our expenses do not reflect this, nor do any other of our accounting records. Therefore, I do not know how this impression was given.

Page 2, Item 3 Scope of Audit: They state "the conditions of the contractor's records regarding time distribution and travel expenses were limiting factors in making audit determinations". The auditor requested from me the time cards

for our employees and I stated that all personnel were on monthly salaries, devoting their full time to the Sweet Water project, and that we did not request these people to maintain time cards showing hours worked. I believe that you will agree that most executive and salaried people do not punch time clocks and that the recording of time distribution in this small project would be an utter waste of time. We are trying to expedite our development of the hydrate process and I am sure OSW is aware that we are applying 100 percent of our effort to this cause. The travel expenses have been submitted in the past in detailed travel expense accounts with supporting data, and I do not know why they said the records were a limiting factor in this connection.

Page 2, Item 4 Contractor's Accounting System: The audit states that "the company did not adequately segregate costs of a direct and indirect nature or identify such costs with cost objectives". Attached hereto please find a copy of the chart of accounts which was used for our direct and indirect costs breakdown. It would appear to me that this is certainly adequate accounting for this type of operation.

The audit states that "No records were maintained of equipment purchases for the account of the Government and for which reimbursement was claimed." The auditor was told that Sweet Water had built the 700 gpd plant at its own cost prior to receiving the first OSW contract, and that the majority of equipment costs had been paid for by Sweet Water. Our ledger accounts reflect that there were additions and revisions to the pumps, compressors, and piping which amounted to approximately \$7,000 of equipment which was added under the OSW contract, all of which was identified on the vouchers and on the accounting records.

Page 3, Item 5-a Discussion with Contractor's Personnel: The audit report made an allocation of Mr. V. C. Williams' salary—40 percent to direct and 60 percent to indirect costs. At the time Mr. Ankrum mentioned this, I told him that we considered all of Mr. Williams' salary a direct cost of the contract, regardless of the particular type of work he was performing; i.e., directly working on the pilot plant, or working with the other engineers under his supervision, or performing the necessary paper work.

Page 3, Item 5-b: This paragraph discussed the overhead charges for Mr. Thompson's, Mr. Wynne's salaries and the charges for the Washington, D.C., office. Since they recommended eliminating these costs in their entirety, I feel that Sweet Water should be allowed these charges and should take steps necessary to further substantiate these costs.

Exhibit A, Page 1 USAAA Explanatory Notes: The audit states that "we were informed that a portion of the salary (Mr. V. C. Williams) was to be used in purchasing materials consumed in the operations of the model plant". This is not so. The auditor was told that Mr. Williams has maintained an office in his house, and that the cost and operation of this office was paid for by Mr. Williams and was not reimbursed as such by Sweet Water. All items used in the model plant were charged as a direct cost of the plant's operation and had nothing to do with the \$2,500 monthly salary of Mr. Williams; therefore, the last sentence in Exhibit A, page 2 "Consequently, any allowance in Mr. Williams' salary for operational costs after abandonment is considered unreasonable," is erroneous.

Schedule A-1, Page 3, Item 1 USAAA Explanatory Notes: The audit states "All expenses of the company President and Executive Vice President are questioned since they were considered unnecessary for contract performance." "The wide interest of the company in prospective business as shown by the nature of the business was considered in making the decision to question the items." As you know, only a minor portion of their expenses were charged to Sweet Water and only those which we felt had a direct bearing on the contract were claimed. The statement as to the wide interest of the company in prospective business is very much premature, as we have not done anything to promote our present hydrate process.

Schedule A-1, Item 2: As part of the audit, they have disallowed all of our travel expenses in excess of \$16.00 per day. We still feel that the actual costs which have been incurred by our people traveling should be an allowable cost as traveling to Washington, New York, and other cities cannot be done on the \$16.00 per day.

Schedule A-1, Item 3: The auditor threw out the entire cost of Mr. Harold Gilbert's trip; however, Mr. Gilbert was requested by Sweet Water to do preliminary engineering work on the site preparation at Wrightsville in order for

us to work up estimated costs for the proposed second contract. True, Mr. Gilbert is not a Sweet Water employee, but is an employee of Tecon, who took time off to do this for us and Sweet Water was charged only the travel expenses—no charge being made for his time. These costs should not have been disallowed.

Schedule A-1, Item 4: The transportation expense of Mr. W. Michael, who accompanied Mr. Williams on a trip, was at Sweet Water's request and pertained to the contract, and therefore, these expenses should be allowable costs.

Schedule A-1, Page 4, Item 6: The auditor disallowed the expense of Mr. Williams' visit to Kansas City to discuss with Prichard Company the possibility of their working with Sweet Water on the second phase contract. After these discussions, it was felt that Lummus would do a better job at a cheaper cost and would not have conflicting interests as did Prichard. Therefore, I do not see how this amount was ever disallowed, as it would have a direct bearing on the Sweet Water contract.

Schedule A-1, Item 7: Mr. Roy's expenses on the same trip to Kansas City as discussed in Item 6 had to do with the same matter and therefore should be allowable.

Exhibit B, Page 2, Item 4: The auditor's comments suggests that the \$100,000 life insurance policy which Sweet Water carried on the life of V. C. Williams during this period had no connection between the agreement to reimbursement to pay Mr. Williams and his wife for the patent rights. This payment for patent rights is contingent upon Sweet Water's profits on the operations and has nothing to do with the insurance policies. It was management's opinion during this first contract, that it was necessary to insure Mr. Williams' life so that in the event of his death, there would be ample funds to continue the work and the research program.

Exhibit B, Page 3, Item 5-c: Travel costs of Mr. Ralph Pittman, Vice-President, to Dallas and return was in connection with the contract and certainly should have been allowed as an indirect cost.

Exhibit B, Item 5-d: The auditor disallowed a portion of a three-year Comprehensive Dishonesty, Disappearance and Destruction Policy carried by USF&G company. The policy covers C. W. Murchison, Jr. et al (this includes all of his related corporations) and was utilized to obtain a lower overall rate. The policy in the amount of \$136.41 covered a three-year premium for Sweet Water personnel only and the statement from the insurance agency, Kenneth Murchison & Company, was billed direct to Sweet Water Development Company. This type of insurance is very common in the industry and therefore, should be an allowable indirect cost to Sweet Water.

Exhibit B, Page 4, Item 8: This paragraph has to do with payment of salaries to Mr. Thompson and Mr. Wynne, and the audit states that "There was no evidence that amounts were paid the individuals, the salary charges were recorded as accounts payable since the beginning of operations on April 1, 1962." These salaries were paid to the individuals through Tecon and by Wynne's firm and as has been explained before, a part of these salaries have been charged to Sweet Water to compensate for the time given by these men to Sweet Water work. The reason Sweet Water has not paid Tecon and the Wynne firm for these charges is the shortage of funds. It was felt that as funds become available at a later date, we could pay these open accounts.

In summary, it appears to me that many items in here have been disallowed as a result of inadequate information on the part of the auditor and his failure to delve deep enough into the problem and to ask questions where something was in doubt. I believe that further clarifications and correction of numerous items in the audit report should be made so that the Office of Saline Water can be given the proper facts.

I would appreciate your advising me as to what further steps you might suggest in this matter.

Very truly yours,

SWEET WATER DEVELOPMENT COMPANY,
CLARENCE J. SPANGLER,
Assistant Secretary-Treasurer.

CJS:ela
Attachments

cc: Mr. R. F. Thompson
Mr. Bedford Wynne

C.S.W.

Contract 14-01-0001-259

66-1 -	Direct Costs
- 1XX	Labor
- 11X	Director
- 12X	Operations Manager
- 13X	Operators
- 14X	Laboratory Help
- 15X	Consultants
- 18X	Labor Overhead
- 19X	Miscellaneous
- 2XX	Engineering
- 21X	Process Design
- 22X	Plant Design
- 23X	Construction
- 2X1	Foundations Frames Structures
- 2X2	Vessels
- 2X3	Pumps
- 2X4	Compressors
- 2X5	Piping
- 2X6	Instruments, Controls
- 2X9	Miscellaneous ^{Heat Exchangers}
- 3XX	Operation
- 31X	Supplies
- 32X	Utilities
- 35X	Rent
- 36X	Insurance
- 39X	Miscellaneous
- 399	Small Tools
- 4XX	Revisions
- 7XX	Reports
- 8XX	Travel
- 9XX	Miscellaneous

66-2 -	Indirect Costs
L	Legal expense
A	Accounting + Admin Exp
T	Taxes

66-3 - Cost Reimbursement (cr Mc)

Mr. McLendon. That includes your comment on the audit, and then the last document is what?

Mr. Spangler. This is comments on the audit. And the last one is a recap of our final settlement on contract No. 259.

Mr. McLendon. And that means the settlement as approved and finally paid?

Mr. Spangler. That is correct. Also—well, this just confirms the memorandum I wrote on December 4, which summarizes the conclusions reached at our November 15 meeting, wherein we summarize these particular discrepancies, and was submitted in more or less detail here as to what our agreements were.

Mr. McLendon. Mr. Spangler, do you have any personal knowledge of the employment of this New York law firm?

Mr. Spangler. No, sir; I did not come with the company, as I said, until March of 1962.

Mr. McLendon. This happened before you got there?

Mr. Spangler. Yes.

Mr. McLendon. Did you know Robert Baker?

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

Mr. McLendon. Never had met him?

Mr. Spangler. No, sir; never have.

Mr. McLendon. Do you have any information that he had given advice to Mr. Williams or anyone else about employment of counsel?

Mr. Spangler. No, sir; none whatsoever.

Mr. McLendon. That is all.

The Chairman. One question I would like to ask. With regard to this New York firm that was employed—even though you did come after that, the information prior to your coming was available to you?

Mr. Spangler. Correct.

The Chairman. None of that was ever charged to any Government agency whatsoever; is that correct?

Mr. Spangler. That is correct. No charges to the Government contract whatsoever.

The Chairman. To any Government contract?

Mr. Spangler. To any Government contract. We have capitalized those costs that we incurred prior to our contract in the deferred research costs, that we expended ourselves. We did not request reimbursement for them.

The Chairman. That \$10,240 was not claimed and not paid; is that correct?

Mr. Spangler. You are referring now to the different legal fees.

The Chairman. Yes.

Mr. Spangler. Yes; those were not claimed, were not reimbursed, were not included in the indirect either.

Mr. Van Kirk. They are entirely separate?

Mr. Spangler. Yes.

The Chairman. If we can go off the record for a minute here.

Mr. McLendon. What you are really saying is that publicity was given to the Army accountants criticism, but no publicity given to the final settlement.

Mr. Spangler. That is correct.

Mr. McLendon. It would be erroneous to take the one without the other?

Mr. SPANGLER. That is correct.

The CHAIRMAN. Well, would it be fair for our records to show what you finally did collect, which was finally agreed to and allowed, as against what the Army audit originally referred to?

Mr. SPANGLER. Very much so; yes, sir.

The CHAIRMAN. Do you understand that?

Mr. McLENDON. I think so. I understood—let me say this off the record.

(Discussion off the record.)

Mr. McLENDON. Let me ask you a question, Mr. Truskett. Mr. Truskett, at the time your office responded to the request to audit the accounts of the Sweet Water Development Co. which would be used in a settlement with OSW, did you have a proposal of settlement from Sweet Water at that time?

Mr. TRUSKETT. This proposal of settlement that you are referring to, I am sure you are relating to an overhead proposal. This is the point in question. No, at that point in time we did not have an overhead proposal from the contractor. Consequently, to render a full service to the contracting officer and to enable them to settle the contract, we, of our own initiative, developed an overhead rate based upon the books of the company. Consequently, the amount of exemptions that we took might have been higher than it would have been otherwise if we had been working from a proposal that had been prepared by the firm where they had excluded some of these items themselves prior to its being submitted for audit.

We felt under the circumstances, however, this was the thing we should do in view of the imminent closing of the contract. Now, as Mr. Spangler has testified here earlier, they had several meetings with OSW in an effort to wrap this whole thing up and to close out the contract and get their final payment. The memos of some of their meetings and proposal of final settlement of Sweet Water were referred to us by OSW for comment. That was on February 20 of 1964, and we furnished Mr. MacGowan a letter setting forth our position on some of these points that we felt were not stated clearly or were out of context or might have been misinterpreted or were erroneous from an audit standpoint or from the standpoint of our auditing. And this statement was dated the 2d of March 1964, that went back to OSW.

Mr. McLENDON. As I understand you, you did not actually participate in the conference.

Mr. TRUSKETT. No, sir.

Mr. McLENDON. In the Department?

Mr. TRUSKETT. No, sir.

Mr. McLENDON. But you did submit your comments to the proposed settlement?

Mr. TRUSKETT. Yes, sir.

Mr. McLENDON. I think that makes it clear. Thank you very much, gentlemen. I am sorry we kept you so long.

The CHAIRMAN. Do you have anything further?

Mr. SPANGLER. No, sir.

Mr. TRUSKETT. Mr. Spangler is giving you his information. This letter will round it out so you will have a complete picture.

Mr. McLENDON. File that with the reporter. Mark it with the appropriate number.

(The document referred to is as follows:)

EXHIBIT 97

AAADA

2 March 1964

Mr. Charles F. MacGowan, Director
U. S. Department of the Interior
Office of Saline Water
Washington 25, D. C.

Dear Mr. MacGowan:

Subject: Contract No. 14-01-0001-259
Sweet Water Development Co. w/p

In accordance with your letter of 20 February 1964, No. 951, we have examined the contractor's reply to our Audit Report No. DA-671-C1 (264), with the following results.

a. The captions to columns 2, 3, and 4, Schedule C of the contractor's presentation do not accurately reflect the reported results of our audit.

b. Column 2, Schedule C is shown as Auditor's Reclassification Direct to Indirect and the amounts so identified are not in agreement with the audit report. The contractor has shown \$16,000.00 of labor costs, whereas our report questioned \$29,500.00 of salaries and wages. This questioned cost was composed of \$16,000.00 considered nonreimbursable and \$13,500.00 transferred to indirect costs. Under this caption the contractor has also shown \$327.47 as relating to "Eng., Subcontracts, Supplies, and Materials" as compared to our report which questioned \$344.08 relating to "Other" costs. Of the amount questioned, \$327.47 was reclassified to indirect expense and the balance of \$16.61 relating to entertainment was considered unallowable in accordance with Federal Procurement Regulation (FPR) 15-205.11.

c. Under column 3, Schedule C, which the contractor has captioned "Items Disallowed By Auditor," travel costs of \$2,170.02 and indirect cost of \$10,000.34 have been shown, while our audit report questioned \$3,068.40 and \$16,560.00, respectively, for these cost categories.

d. Column 4, Schedule C has been identified by the contractor as "Allowable Costs Per Auditor (After Agreements)." It is assumed the agreements referred to were those reached in conference between representatives of your office and the contractor on 15 November 1963. A signed

copy of the contractor's understanding of these agreements was furnished with your above referenced letter, but it was noted that it had not been signed by your representative.

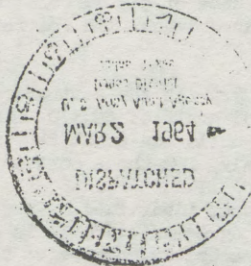
e. The summary at the bottom of Schedule C does not agree with our audit report as implied by the column headings, but is apparently an adjustment of the audit results by the contractor.

Assuming that the contractor's report of the 15 November 1963 conference reflects decisions reached at that meeting, apparently the premium on the life insurance policy is the only unresolved item. Our audit report states that this cost was questioned in accordance with FPR 15-205.16(a)(2)(v) which states, "... costs of insurance on lives of officers, partners or proprietors are allowable only to the extent that the insurance represents additional compensation." Normal accounting procedures would not include premium on life insurance as operating expenses, where the insured is not the beneficiary, regardless of the limitations under FPR as stated above. The normal accounting procedure is to show this expenditure as other deductions below operating profit. Furthermore, premium on life insurance is not an allowable expense in computing earnings on Federal tax returns.

After careful review and comparison of our audit with the inclosures to your letter, we are still of the opinion that the audit conclusions were properly stated in light of the contractor's limited accounting records and the apparent services performed by individuals whose salaries and other costs were questioned. Our audit report, however, is only advisory in nature and issued for the purpose of assisting the contracting officer in negotiating a reasonable settlement.

Sincerely :yours,

JACK M. TRUSGETT
Assistant District Manager



Mr. McLendon. On the record.

The CHAIRMAN. Mr. Pittman, will you take the witness stand.

Mr. McLendon. Let me say this on the record, Mr. Chairman. Mr. Chairman, Mr. Robert F. Thompson, the executive of the Tecon Corp., is available. He has been interviewed by members of the staff, and, according to what he told the staff members in the interview, he can add nothing to the testimony with respect to the employment of the New York law firm or Baker's connection with it. Unless you or Mr. Van Kirk think it is necessary to examine him, we might excuse him.

The CHAIRMAN. I personally do not think it is necessary to bring him in. Of course, if any of the members of the committee later on want to have him, we will call him.

Mr. Pittman, if you will put your left hand on the Bible and raise your right hand—do you solemnly swear that the evidence you are about to give before this committee in the matter under investigation is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. PITTMAN. So help me God.

Mr. McLendon. State your name and address for the record.

TESTIMONY OF RALPH PITTMAN, ATTORNEY, WASHINGTON, D.C.

Mr. PITTMAN. Ralph F. Pittman, attorney, offices at 1725 K Street NW., residing in the District for the past 33 years, 1740 Poplar Lane NW.

Mr. McLendon. Mr. Pittman, the committee has evidence that you attended a conference in Washington in early 1961 at which Bedford Wynne was present and Dr. Virgil Williams was present and Webb and Law were present for the purpose of discussing trying to reach some conclusion as to whether a plan of financing Dr. Williams' patent on the conversion of salt water into potable water could be developed. Do you remember that?

Mr. PITTMAN. Yes, I do.

Mr. McLendon. Following that, the corporation was organized, according to the evidence, and you became a stockholder.

Mr. PITTMAN. Correct.

Mr. McLendon. There is no evidence that you ever paid for your stock. Did you pay for it?

Mr. PITTMAN. They had my note. I was talking to Mr. Spangler about that. I still owe them \$2,700. Whether they got my note or not, I do not know. But they also owe me money, and we have never come to a conclusion as to how we are going to straighten it out.

Mr. McLendon. The committee is interested, Mr. Pittman, in evidence which tends to show that Robert G. Baker had something to do with recommending a New York law firm for employment by Sweet Water. Can you help us any with that?

Mr. PITTMAN. No. Only to say that it is unknown to me. I never even heard anything about it until I read something in the paper at the start of this investigation. I know nothing of any connection with Mr. Baker in any particular he has had with the Sweet Water Development Co., and I have been with it since its inception.

Mr. McLendon. How about the New York law firm?

Mr. PITTMAN. Never head of them. Never heard of any New York law firm having any connection with the Sweet Water Development Co. in its desalinization program.

Mr. McLENDON. When did you and the others active in the Sweet Water Development Co. discontinue your interest in the possibility of building plants in New Jersey?

Mr. PITTMAN. It was never discussed in my presence. We never contemplated anything in New Jersey to my knowledge. I never attended any meeting where it was even discussed.

Mr. McLENDON. And if Mr. Wynne wrote these lawyers saying that they had expected to negotiate for sites in New Jersey, you had no knowledge of that.

Mr. PITTMAN. No, but I might say, Mr. Chairman, that is not unusual because Mr. Wynne, in his numerous and diversified interests, often wrote letters of which we never heard of. Like mine, I was also contacted in Corpus Christi for a site, but it was for the one that we ultimately located at Wrightsville Beach.

Mr. McLENDON. What about the helium business? Do you have any knowledge of that?

Mr. PITTMAN. Yes. I recall we wanted a helium plant in Texas, and we wanted some Texas operators because it looked like the Government was buying and was going to continue to buy an awful lot of helium, and it was one contract that you could not lose money on.

Mr. McLENDON. Did you mention this to Sweet Water?

Mr. PITTMAN. Yes.

Mr. McLENDON. As a possible project?

Mr. PITTMAN. Yes.

Mr. McLENDON. What, if anything, did you do about it?

Mr. PITTMAN. Well, I had several conversations, telephone conversations with Mr. Wynne in Dallas. I think I got him up here maybe once or twice or three times on it, and he went out to Amarillo. He had lawyers in Amarillo looking into the matter and where we were going to get our helium; the source of it had contracted elsewhere. But it was not firm to where he would not say "I cannot let you have the helium." Later they did say that, and because we could not get it, we had to forgo the negotiations.

Mr. McLENDON. What do you know, if anything, about the interests of Sweet Water in some real estate developments in Arizona?

Mr. PITTMAN. I do not know anything about that.

Mr. McLENDON. Or any real estate development in New York?

Mr. PITTMAN. No.

Mr. McLENDON. On one of these shopping centers, do you know anything about that?

Mr. PITTMAN. No, never was in any discussions on that. But, as I say, that is not unusual because my activities in this were confined at the outset and throughout and up to the present time in our desalinization program at Wrightsville Beach, when we started with our pilot plant in St. Louis at our own expense.

Mr. McLENDON. And you cannot give the committee any information to explain why Baker would ask Congressman Celler if his law firm in New York was available to render services to the corporation that you were a stockholder in?

Mr. PITTMAN. No, I could not. I just never heard anything about it at all.

Mr. McLENDON. You were a director, too, were you not?

Mr. PITTMAN. Yes, sir.

Mr. McLENDON. Until recently when you dropped the number of directors down to three?

Mr. PITTMAN. Yes, about a year ago.

Mr. McLENDON. All right, I guess that is all.

Mr. VAN KIRK. No questions.

Mr. McLENDON. That is all.

Thank you, Mr. Pittman.

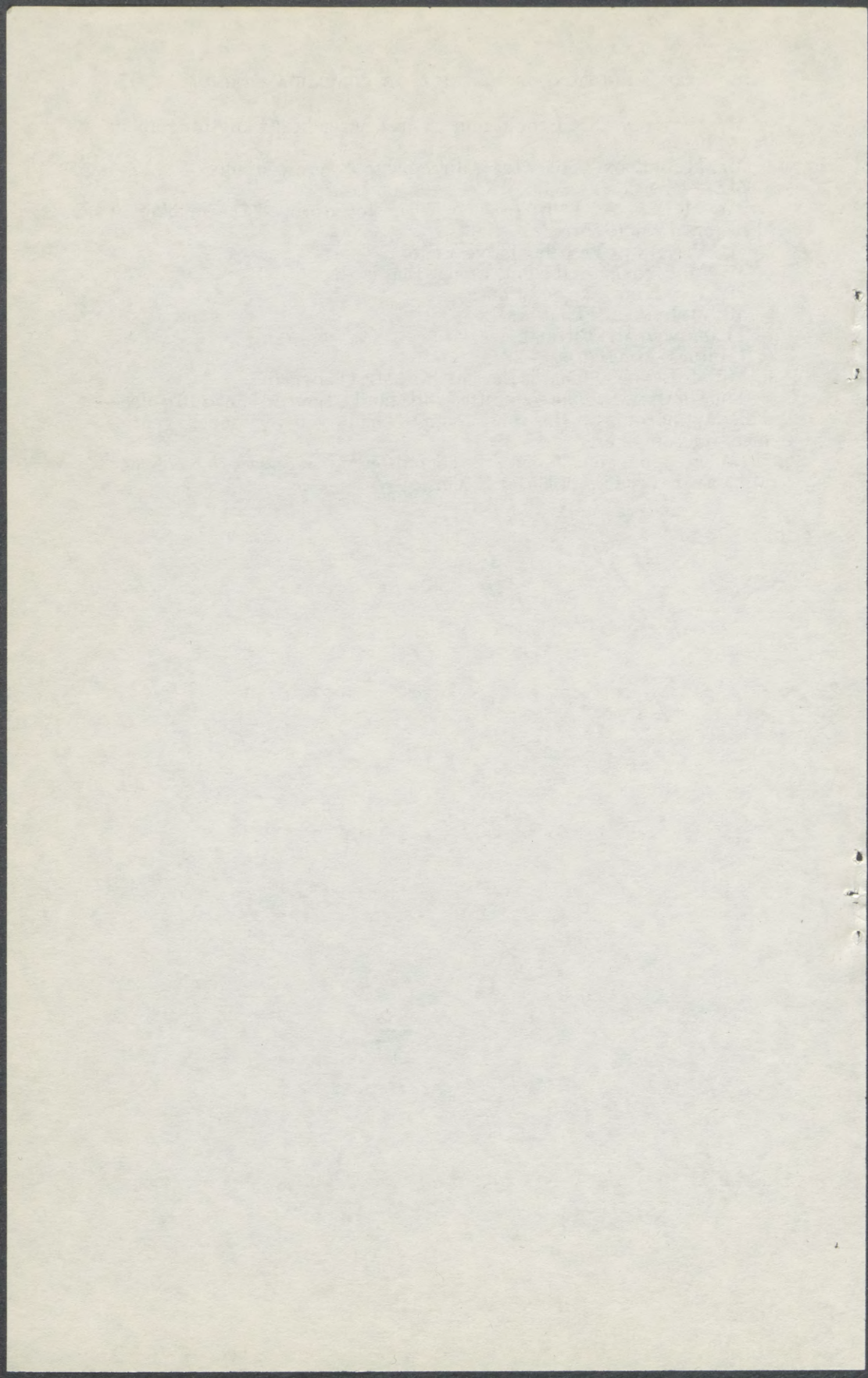
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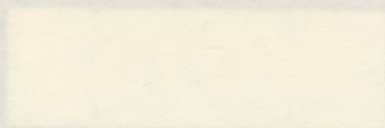
Mr. McLENDON. That is the end of it, Mr. Chairman.

The CHAIRMAN. The committee will stand adjourned until 10 o'clock Monday morning in this same room. Thank you very much, gentlemen, for being here.

(Whereupon, at 1:30 p.m., the committee was recessed, to reconvene Monday, February 8, 1965, at 10 a.m.)









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