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HEARINGS BEFORE THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS UNITED STATES SENATE

NINETY-FIRST CONGRESS

FIRST SESSION

ON

THE NOMINATION OF GOVERNOR WALTER J. HICKEL,
OF ALASKA, TO BE SECRETARY OF THE INTERIOR

JANUARY 18 AND 20, 1969

PART 2

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NOMINATION OF GOV. WALTER J. HICKEL, OF ALASKA, TO BE SECRETARY OF THE INTERIOR

SATURDAY, JANUARY 18, 1969

U.S. SENATE,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D.C.

The committee met, in executive session, at 10:12 a.m., in room 3112, New Senate Office Building, Senator Henry M. Jackson (chairman) presiding.

Present: Senators Jackson, Anderson, Bible, Church, Moss, Burdick, McGovern, Nelson, Metcalf, Gravel, Allott, Jordan, Fannin, Hansen, Hatfield, Stevens, and Bellmon.

Also present: Jerry T. Verkler, staff director; Stewart French, chief counsel; Bill Van Ness, Jr., special counsel; Charles Cook, minority counsel; Dan Dreyfus, Jim Gamble, Denny Miller, Porter Ward, and Roy Whitacre, professional staff members.

The CHAIRMAN. The committee will come to order.

This meeting is called pursuant to the announcement by the Chair yesterday afternoon, that we would meet at 10 o'clock in executive session, to go over the financial statement of Governor Hickel.

After the meeting yesterday, it came to my attention that Governor Hickel had filed for an oil lease in 1953, involving 2,560 acres, and that this lease had expired—upon further checking, which I will come to in a moment—in 1963, by operation of law.

This is to say, the lease expired in 10 years. Apparently because he did not pay the annual fees. I do not have all of the details. I will ask Mr. Van Ness to comment on this in a moment.

Then, we were also advised that Mr. and Mrs. Hickel and one of his business entities, under the name of "Hickel Enterprises" had filed a number of lease applications aggregating in acreage somewhere between 90 and 100 thousand acres, I believe. This represented some 40 to 50 separate filings.

When this information came to our attention—I found out about it personally about 7 o'clock last night—Mr. Van Ness had already started checking on it to find out the status. To sum it all up, in checking with the BLM office in Anchorage and in Fairbanks—we telephoned the Anchorage office—we were advised, Mr. Van Ness was advised, that the applications involving the top filings had all expired by operation of law, one way or another. This is to say, the Bureau had granted leases in some instances—I cannot say in every instance—to a prior filer.

The information that we had as of late last night was that the 2,560-acre lease, which had been actually issued and was in existence for 10

years, to Mr. Hickel or to one of his wholly owned business subsidiaries, had expired by operation of law, and that all of the top filings had expired.

I asked the staff to check and see if he had filed on any State lands, and if he held any State leases. We have been advised that that information would not be available or we could not check on it at this time.

Mr. Van Ness, you take over at this point. I am just trying to give to the committee the summary of facts as they came to me.

Why don't you add to or revise on the matters I have disclosed to the committee? Bring it up to date.

Mr. VAN NESS. Yes, sir. There were two telephone conversations between myself and the Anchorage BLM office concerning this matter. I posed a number of questions and asked them to check the questions out and to reply by telegram in the form of a report on the matters that I had raised.

We have not yet received that telegram, so the remaining conversations were telephone conversations. There were two of them. The information which Senator Jackson relayed to you is very fragmentary and the facts are not totally laid out on it.

I have also requested that BLM follow the telegram reports with a detailed report by airmail-special delivery letter on this matter. The question as to whether there were any present or existing leases or applications to lease State lands has been raised, but we have not, as yet, asked the State for that information.

The committee had asked yesterday by telephone and telegram to Mr. Thomas E. Kelly a clarification of the relationship between British Petroleum and the State of Alaska in terms of how many leases are held, when they were entered into, their locations, and other relevant information.

This morning we received, right before we came over, a telegram from Mr. Kelly, indicating that—

The CHAIRMAN. Read the wire.

Mr. VAN NESS. "Information requested by Mr. Van Ness received. Data in division of lands unavailable until Monday a.m. Will be happy to provide complete facts then to expeditiously obtain info. Suggest you contact B.P. USA LD 620 5th Ave New York NY Attn Mr. C. P. B. Hardcastle President." Signed "Thomas E. Kelly."

The CHAIRMAN. Now, the point is that a lease was issued involving 2,560 acres, but this lease has expired by operation of law. This is the only known oil lease that we have any information on that was in the name of the Hickels. The rest involved top filings, filing on existing applications that had been filed previously. We have been advised by telephone that no active applications were pending or leases issued, as I understand it, in the name of Mr. Hickel.

The CHAIRMAN. Senator Stevens.

Senator STEVENS. There were a series of leases actually issued in this area of the Kenai Peninsula. Those leases were challenged by a lawsuit filed by Mr. Tallman. The chairman will remember that Tallman challenged all of the leases on the basis that they had not been properly issued. So, there was a rush to file and practically all of the businessmen in the Anchorage area, in particular, top filed that area. The reason was that if Tallman had won his lawsuit, those leases

already issued would have been declared invalid and the top filing would have had the first priority to be issued.

Tallman lost his case—it went to the Supreme Court—and when he lost the case, the leases that were issued were declared valid and the top filing applications were all rejected.

These applications were all filed before Mr. Hickel even got involved in elective office. To my knowledge, he has not been in the oil business.

I have filed an oil and gas lease offer, incidentally. I have never gotten a lease. We do this in Alaska in order to protect ourselves or to get the opportunity for our first priority in an area that looks like it has some promise.

The CHAIRMAN. Would you please explain something? You pay a filing fee when you top file, and you pay—is it one year's rental under the BLM?

Senator STEVENS. Yes.

The CHAIRMAN. One year's rental?

Senator STEVENS. You get the money back for the rental but you lose the filing fee of \$10.

The CHAIRMAN. You get the money back for the rental for that first year, if the prior filer—if you want to call him that, prior applicant—succeeds in getting the lease?

Senator STEVENS. That is correct.

The CHAIRMAN. So what you do, you do not have to pay an annual rental this way, if you top file. The Government could not collect from two applicants at the same time.

Senator STEVENS. It collects from the person who actually gets the lease and refunds the money to the person who does not get a lease. At least, that is the way they did it with mine. I just got the check back. I did not get the lease so I just got the check back.

But the important thing is this filing was a rather universal thing in the Anchorage area because Tallman had convinced a number of people that the original leases were wrongfully issued. In this instance, Senator, the leases had been issued but were challenged and the Government was in fact getting the lease money from the lessee.

If Tallman had won his case, the lease would have been canceled and the top filers would have received the lease, if the area had been leased noncompetitively. There was some question about that, because by the time the *Tallman* case was over there was a discovery down there and I seriously questioned whether they would have gotten noncompetitive leases had the *Tallman* case been won.

Senator Moss. When did Governor Hickel assume office?

Senator STEVENS. December 1966.

(Record later indicates December 5, 1966—staff insert.)

Senator Moss. This was back in 1963, when these applications were made.

Senator STEVENS. I do not know when the top filings were made. The lease that he had, he had one lease issued, he filed on in 1953 and got a lease and it expired in 1963. To my knowledge, he has not had any leases since he has been in office.

Senator Moss. The information I had is about these applications for leases, but the dates I had were September and October of 1963. So that would have been before he took office, if he did make these.

Senator STEVENS. Yes, and as Governor, he has had no leases.

The CHAIRMAN. The filing and the granting, I guess they were at the same time on the original lease that has come to our attention that he actually held. The filing on the valid lease was 1953. He held a valid lease from 1953 to 1963, and it expired by operation of law. That is, at the end of 10 years, it was terminated. I assumed he made all of the payments and that sort of thing.

Then, on the 1963 applications, he top-filed on a number of existing applications for leases. This, in the aggregate, in the total filings, numbers somewhere between 40 and 50. The acreage involved is between 90,000 and 100,000 acres, on which he made top filings. This is approximate. We are trying to get all of this confirmed, in writing or by wire, but we do not have that yet.

Senator ANDERSON. Does he have a lease?

The CHAIRMAN. Now?

Senator ANDERSON. Yes.

The CHAIRMAN. No, not to our knowledge.

Senator ANDERSON. What about the holdings?

The CHAIRMAN. Of course, he could not hold and be Secretary, but the only reason this question is raised is that—and here is the question I asked. We have not gone all of the way through previous transcripts, but let me read from Wednesday's transcript.

This is page 24 of the transcript of Wednesday, January 15. You will recall the Chairman asked certain questions at the outset. They were general, but I tried to cover the broad areas of the prehearing discussion of his nomination. And I quote:

The CHAIRMAN. The second source, Governor—

I had asked a previous question but it is not pertinent to this—

of concern relates to the widely circulated press report that you have personal ties with the oil industry. It has been alleged that some of your financial affairs are involved in the current oil development in Alaska and that you have close association with members of the oil industry. You have, I believe, appointed oilmen to some high positions in your State administration.

Governor, would you please clarify for the committee your relationship, if any, with Alaska's emerging oil industry or with other oil interests?

Governor HICKEL. Yes, Mr. Chairman. Senator Jackson, I am not in the oil business. I own no oil leases. I own no oil royalties. We just are not in what is known as the oil business.

The CHAIRMAN. Right at that point—

I had interrupted—

right at that point, you do not have any interest, financial interest, in anything connected with the oil industry?

Governor HICKEL. Not directly. I would like to explain that, if I could. A number of years ago, in 1959 or 1960, when Anchorage was having—we were all trying to lower the cost of heating around Alaska, especially in the Anchorage area, we asked for a franchise for the city of Anchorage. There were seven of us involved and we got a franchise to distribute gas in the Anchorage area from the standpoint of just household and whatever industries were around there.

We own no gas. We got the franchise. My interest is very small as you will find when you get the hearings and look into that financial background. We buy gas from other people but it is strictly a franchise to deliver natural gas within the Anchorage area. We do not have any other interest nor do we own any gas fields or leases or anything like that.

The CHAIRMAN. Now, that company, as I understand, the original company that you referred to, going back to 1959, was later merged with a pipeline company.

Governor HICKEL. That is right, Mr. Chairman.

The CHAIRMAN. Is that correct?

And it is my understanding that it is your proposal, and we will get into that when we discuss your financial affairs, but this having been discussed publicly, I think it is important that these facts, and every matter relevant to it, whether it was publicly discussed previously or not, should be mentioned on this point. My understanding is you plan to dispose of that.

Governor HICKEL. That is right, Mr. Chairman. Anything that is in conflict or you think is in conflict I am willing to dispose of no matter how small it is.

Now, gentlemen, what I see that is relevant here is whether or not he should have mentioned his past interest and past applications for lease at the time he went back and explained the history of this Anchorage matter. It is clear that if the facts are correct—and we do not have any information to the contrary at this time—that he is not now, and has not held an oil lease since 1963, when the applications for the other top filings expired for one reason or another.

We do not know those dates, do we?

Mr. VAN NESS. No; they are supposed to be confirmed in the telegram.

The CHAIRMAN. We are supposed to get that later.

But I raise this as it relates to his discussion of any oil connection. Obviously, if you have an oil lease you are not necessarily in the "oil business," unless you have some arrangement with somebody in connection with those oil leases. That is the relevance.

Senator McGOVERN. Does that include the matter Pearson and Anderson raised this morning?

The CHAIRMAN. Yes. However, we received this information that we are now discussing last night. I have not seen this morning's Pearson column. My staff pointed it out to me later, but I did not get a chance to get through the paper.

Senator BURDICK. Does that also include minerals? You said he had no oil leases or royalties. Does that include minerals?

The CHAIRMAN. We did not ask the question on minerals.

Senator BIBLE. Gold, or silver.

Senator CHURCH. He was responding to a question relating to oil.

The CHAIRMAN. We were talking about oil in the technical leasing sense, of course, and oil comes under minerals, under the Leasing Act.

Senator BIBLE. Might I ask a question, Mr. Chairman, just for clarification?

The CHAIRMAN. Yes.

Senator BIBLE. In view of the article, I imagine it is familiar to most everybody.

Does that include oil and gas leases in the name of the Hickel Investment Co. or other companies owned by Governor Hickel?

The CHAIRMAN. The answer is that Mr. Van Ness, in checking this out, when this report came to our attention, asked the BLM office—there is a 5-hour difference in time—asked the BLM office in Anchorage to check not just Mr. Hickel personally, but to check most of the names which appeared in the financial statement.

Mr. VAN NESS. All of the corporations, partnerships, or business entities in which he had an interest, any name that looked to me like he had an interest in, I gave that name to the BLM people, and asked them to run a check of both their current active files—

The CHAIRMAN. Everything that he submitted. Does that include the hotel?

Mr. VAN NESS. It included everything in his financial statement and also included some of the note-holders who held obligations, owed by Hickel Enterprises or Walter Hickel.

Senator BIBLE. What was the result of that inquiry?

Mr. VAN NESS. The result of the inquiry was that following what were admittedly very rapid checks on those names, they uncovered absolutely no indication that any of the Governor's business entities or those which loaned him money, had any Federal oil interests.

Senator BIBLE. As of what date?

Mr. VAN NESS. As of yesterday evening.

Senator BIBLE. No; I mean over what period of time.

Mr. VAN NESS. Well, this is the problem. They have both active and inactive files. For example, an oil lease terminates and becomes an inactive file. They close the file and send it to the Federal Record Center in Seattle, as I understand it. So basically, they have just the active files in Alaska. How far they go back—

The CHAIRMAN. How did they find the inactive ones, then? Did they have that information?

Mr. VAN NESS. They did not have the full files on the inactive leases. As I understand it, they do keep a card file system, which covers material that is not presently in their active file. They discovered some of these applications and the lease from that file. They have a file on the Tallman case, concerning the interests that were involved there, and the name Hickel apparently appeared in the Tallman case file. They discovered that.

Senator STEVENS. The matter should not be too difficult because if you have more than a 10-percent interest in a corporation, you must file your disclosures and interests because there is a personal chargeability.

Senator ALLOTT. At the time you file for a lease.

Senator STEVENS. Right. So they would have a reference in that case file to any person who had more than 10-percent ownership in the corporation.

Mr. VAN NESS. That is correct.

Senator ANDERSON. I suppose I have been in this situation a few times. One time I had a coal lease, with 2,560 acres, an option on about 30,000 acres more. The railroad company went bankrupt and could not transport the coal and my structure was left. But the minute I was elected to Congress, I turned my coal interests in. You have to. It was not a question of wanting to, I had to.

Later on, I did some oil drilling, and we hit pieces of oil, mostly on State lands. One of my partners hit one other Federal area and had to drop me out of it because I could not participate.

So if he did have this oil lease and if he does not have it now, I do not see any objection.

Senator ALLOTT. But the important thing is that in filing for a BLM lease, public land lease, even if it is filed in the name of let's say, the Apex Corp., or if it is filed in the name of a partnership, that the principals in the business have to be disclosed and BLM requires it.

Now, Stu, do you want to expand that or correct me if I am wrong, in any respect?

Mr. FRENCH. You recall Senator Anderson had a hearing in Albuquerque several years ago, on the use of strawmen to avoid the acreage limitation. The expense of your acreage had to be disposed of. We had the *Featherstone* case where Featherstone was over the acreage and he had been divested of arbitrarily of certain valuable leases.

Senator ANDERSON. Featherstone just ignored it. He did not worry about it at all.

Senator ALLOTT. This is one of the problems we had when we re-wrote the Mineral Leasing Act in 1961, was how to avoid this.

The CHAIRMAN. Do not most of these development corporations get around the 10-percent provision by not having a full 10 percent in any one shareholder?

Mr. FRENCH. Not having the full lease. They have a development contract, which is not considered a lease.

The CHAIRMAN. That is right. Senator Stevens.

Senator STEVENS. Mr. Chairman, I have sent the letter of January 12 back out to the Governor and asked him if any of these companies or any of the people listed here have had leases, State or Federal, while he has been Governor, and he says "No".

I am sure he is prepared to answer this and it should be substantiated by the files.

The real problem that we have here, gentlemen, I am sure you realize, both the State and Federal Governments use serial numbers. They do not use name indexes, so you have to be cross-indexed to the serial numbers of the leases, and you have to then go back to the case file and find out what disclosure was made.

So the leases that were listed in the article this morning, of course, they should be fairly easy. They are old leases and ought to be in the Federal Record Center. It will take some time to get them out. There is no question those applications were filed but they were never issued, so they should have been placed in the Federal Record Center.

Senator CHURCH. Mr. Chairman, the only question here, it seems to me, is whether or not in our own careful checking of the record, the Governor said anything that either misled the committee, or failed to make a full and open disclosure of holdings that he may have.

Now, that part of the record that you have read does not indicate any misrepresentation.

The CHAIRMAN. It is in the present tense.

Senator CHURCH. Yes, it is in the present tense, and there is nothing here, or nothing that we have yet been able to uncover to date, that indicates the Governor did not tell us the complete truth.

The CHAIRMAN. That is right.

Senator CHURCH. The only question raised is whether he might have mentioned these earlier applications, but that seems to me stretching things, if presently he holds no leases of any kind.

I do think, though, that we ought to be assured that the staff has made a careful perusal of the entire record.

The CHAIRMAN. We have not been able to do that in the limited time that has been available.

Senator CHURCH. Several other Senators raised questions on this score, and we ought to be sure that we know just what the Governor's replies were. That is, if they do in fact conform with the facts.

The CHAIRMAN. Let us just discuss a procedural matter here.

I am wondering whether it would not be wise to go into public session and discuss this lease matter and then having completed that, come back and go over the financial statement.

Senator McGOVERN. Will the Senator yield?

The CHAIRMAN. Senator McGOVERN.

Senator McGOVERN. With reference to that column, Senator Allott, one thing that bothers me about it, and it may or may not be true, but Pearson and Anderson talk about making some long-distance calls themselves to check on the year 1963. Then they make the statement that "Time has not permitted investigation of other years, but the above should be sufficient to prove to the easygoing Senators that Hickel has not been telling the truth."

Well, I do not know, does that raise the question of whether there should be a careful check made by the staff on all of these leases? If this is right, that they checked on 1963, but did not know about other years, should that not be checked out, or has it been checked out?

The CHAIRMAN. Well, let me run the risk of just trying to speak from my general understanding of the situation.

It is my understanding that if you are going back, you are going back to check on prior filings that are no longer operational, not valid in any way, you would have to go to the record center in Seattle.

Am I correct?

Mr. VAN NESS. Yes, sir. That is correct.

The CHAIRMAN. And what the staff did, in the brief time we had last evening—the staff worked real late, because of the 5-hour time differential—was to pin down everything that is active.

How did they get the inactive information here?

Mr. VAN NESS. The BLM office apparently retains a small card index that indicates transactions going back some time, and apparently the card index itself is not sent to the Federal Records Center at the same time that the closed files are. But portions of the card index are eventually sent down there. BLM indicated that some of this information was derived from the oldest part of the card index, which would eventually be sent down to the Federal Records Center.

Senator STEVENS. I might clarify that, Mr. Chairman. There is what we call a serial sheet or book for each lease. There is a serial page and those are there from the first lease that was ever issued in that office. They are never taken. So attorneys who want to check to find out what happened to a lease can go in and look at that serial sheet and if you need the case file, it would be in the Federal record office.

But there should be in the Anchorage office, the complete listing of every lease that is ever issued and a cross index to those leases by name cards. But again, it is a monumental task to review all of those things. But they are there. I think the Governor is prepared to tell you that there are none.

Senator McGOVERN. In other words, there is no active or valid application now pending in the Governor's name or the names of any of his company?

The CHAIRMAN. Apparently not in the names of the companies that the staff gave to the BLM office in Anchorage. We took the names of the firms in which he has an interest. Those names were submitted to the BLM people for checking.

However, we have not had all of this confirmed as yet by wire. We have been waiting for the wire. We asked for confirmation in writing, so that we would have something official, other than just telephone conversation, to report to the committee.

Senator HATFIELD. You have had an oral confirmation, I understand.

The CHAIRMAN. Yes, sir. Mr. Van Ness is the one who has been on the telephone.

Would you restate it again?

Mr. VAN NESS. The oral confirmation was with Mr. Burt Silcock, who, as I understand it, is the department head or the State director of BLM. He did confirm this over the telephone, the serial number on these applications which were listed in the Pearson column this morning. I had this information yesterday evening.

Senator BIBLE. Confirm in what words? What did it say?

Mr. VAN NESS. Confirmed in the sense there were lease applications on file that had been filed under the signature of Walter J. Hickel, of 720 Gambell Road, or Drive. Apparently, it would be the same individual now before us for confirmation. There is no indication otherwise. He gave me the serial numbers on these and the dates on which they were filed and he also indicated that the files were now closed. As I understand the law on this, there is no present property interest in these lease applications. They are null and void.

The reason the files were closed is that the leases on that particular land were issued to the prior applicant, and when the leases legally vested in the prior applicant all other subsequent applications were null and void. Any money, the first year's rental is in a suspense account, or escrow, is then returned to the applicant and the \$10 application fee which must accompany each application is retained by BLM as a processing or filing fee.

Senator BIBLE. What was the date of the automatic cancellation because of exercise by the primary lessee?

Mr. VAN NESS. I do not have that information.

The CHAIRMAN. We have requested all of that.

Senator ALLOTT. How did Mr. Pearson get the dates they expired in 1963, if we could not get it?

Mr. VAN NESS. I was informed it expired—it is not clear in my mind—I would like to see the telegram, as to whether these expired.

The CHAIRMAN. The applications were filed in 1963. They were filed between April and October?

Mr. VAN NESS. September and November in 1963, was my understanding.

The CHAIRMAN. It would be unusual to have them all expire at the same time.

Senator STEVENS. These were filed on top of existing leases, and therefore would be rejected.

The CHAIRMAN. These were filings?

Senator STEVENS. The Tallman appeal was against the Bureau of Land Management for having rejected those applications and that is what made the *Tallman* case, and it went to the Supreme Court.

The CHAIRMAN. That was not decided until 1965.

Senator STEVENS. The action taken by the BLM was confirmed by the Supreme Court, so their action took place as of that date.

Senator JORDAN. Made all top filing invalid as of that date.

Senator STEVENS. Right.

The CHAIRMAN. As it related to that case. But that involved the question whether or not the Moose Range was open.

Senator Burdick.

Senator BURDICK. The testimony shows that presently the nominee does not own leases or oil leases.

Now, a lease or royalty ripens from interest, and the interest is a mineral interest. I have some mineral interests because we own land out there on the homestead.

The point I am making is, Does he have any mineral interest? In my State, if a mineral interest is recorded, you can easily find it. The mere fact you have no lease, you have no royalty, does not mean you have no interest. It is a recordable interest. It might ripen into a lease or royalty.

Senator STEVENS. We are strictly a public-land State and every thing is either owned by the State or Federal Government, as far as minerals are concerned. There is no recording. The recording is in the State office or BLM office.

Senator BURDICK. Can I buy an interest in your State?

Senator STEVENS. We do not have private lands.

Senator BURDICK. Can I buy mineral interests from the Government?

Senator STEVENS. No, you cannot buy it. You can lease it.

Senator ALLOTT. He cannot.

Senator STEVENS. You cannot. If you were a homesteader before 1957, you could have had a mineral interest. But after that date—correct me if I am wrong; that was 1957?

Mr. FRENCH. About that time.

Senator STEVENS. There is a reservation of minerals in the State of Alaska and after that the Federal Government leases them or the State, depending on who has the title.

Senator BURDICK. For a short period of time in history you could have an interest.

Senator STEVENS. Very short. In our State the minerals are owned by the State as a whole. Even hard rock minerals we lease, we do not get petroleum interests under State law.

Senator BURDICK. We transfer by deed.

Senator STEVENS. See, you have title. We do not.

Senator MOSS. If we follow the suggestion of the chairman to meet in open session to clear this up, will there be anything else that we need to ask the Governor about?

I have a few questions that have to do with his trust arrangement while he was Governor.

The CHAIRMAN. Well, I think that we should go into all financial matters first in executive session, and then make a release on his financial affairs afterward. Otherwise, I do not think it would be fair to the nominee. We may get into areas that have nothing to do with anything but his own, you know, purely private life. I want to see a full disclosure of the action taken by the committee, and the agreement we arrive at, and other matters. But I do not think it is in the public interest to release everything. There are certain rules of privacy that apply in considering a nomination.

Senator BIBLE. What does the chairman propose in this respect?

The CHAIRMAN. That we not get into matters that are, you know, wholly irrelevant and have no connection with his duties. That is all.

Senator MOSS. I am willing to buy that. The second question is, then, What about the time factor?

The CHAIRMAN. Let me just put the problem, and I want to share this with you. I think we have a couple of alternatives here, gentlemen. One is to have a public meeting right now out in the public hearing room, on this question, to give the nominee a chance to respond.

The other is to go over until 10 o'clock on Tuesday; to have a public session on this matter, to give the staff time to get all of the data, and to give the Governor an opportunity to get any information that he might need to support his position. I want to point out we do need to have the information covering the State filings and, if any, the State leases.

Senator CHURCH. Right.

The CHAIRMAN. And we cannot get that until Monday. This is the problem we are up against.

Senator HATFIELD. What about 11 o'clock Monday?

The CHAIRMAN. The inauguration conflicts.

Senator MCGOVERN. Could I ask a couple of questions?

The CHAIRMAN. Certainly.

Senator MCGOVERN. Could there be a situation where you have a lease application that has been thrown out or held in abeyance, because of these native claims, or the withdrawal order that would automatically become active again if there were a change in either the withdrawal order or the status of the native claims?

The CHAIRMAN. The answer is, I would assume, that if there is a lease application and it involves land that is subsequently withdrawn, and if the withdrawal order is issued, it immediately, has the effect of nullifying the applications.

Senator MCGOVERN. If the Governor is involved in any applications of that kind that have been rejected—

The CHAIRMAN. All the information, Senator MCGOVERN, we have is on the basis of telephone conversation with the Anchorage office. It indicates the leases have been invalidated by operation of law.

I want to repeat this. All of the preliminary information that we have, and as far as we know this is final, though we do not have it in writing as yet, is that first: the Governor had an existing valid lease involving 2,560 acres from 1953 to 1963.

This expired after 10 years.

Senator MCGOVERN. This has nothing to do with the native claims or withdrawal.

The CHAIRMAN. The information I have is that it does not, because there was no claim pending.

Second, there were filings or applications made, what we have referred to as "top filings." These were filed over applications made previously. The top filings were made in October and November and involve some 90,000 to 100,000 acres, and those applications are no longer valid. So he has nothing pending as it relates to those matters.

Now, that is the information that we have. The question, I think, is whether or not we should take a statement from the Governor now. I think maybe the most orderly thing is to wait until Tuesday morning and get all of the facts, so that we can let him be fully apprised and have the information available.

Now, we can go out—whatever the committee wants to do—but I do not want to appear to be running in, running out. We can open a meeting, close it, and come back.

Senator MOSS. Could not the chairman very well say to the press that although we have oral assurances concerning these things, we think it is imperative for the Governor's sake, as well as the committee, that we have verification in writing of a question that has been raised?

The CHAIRMAN. Right.

Senator ALLOTT. Now, let me ask you this question. If this man—and I think everything shows that he has been an exceptional Governor—if this man were to deal in a lease for himself after he became Secretary of the Interior, he would be in the most untenable position that anybody in the United States could possibly be in. He could not possibly be in a more untenable position.

I am satisfied what will happen, what the result will be. Senator Stevens informs me if he had known these things yesterday, while we were at the committee hearing, he could have put in a phone call to Alaska and gotten this information for the committee, but he was not informed about it and neither was I.

The CHAIRMAN. Let me say right there, I want to make it very clear. When did you first find out about it, Bill?

Mr. VAN NESS. Approximately 6:30 p.m.

The CHAIRMAN. I learned about it at 7 o'clock. We knew nothing about it before then.

Senator ALLOTT. If this question had been raised yesterday, the information could have been obtained.

Now, Senator Jackson and I—and I suppose I can speak about these matters—had a meeting with him yesterday, a very short one, concerning his financial statement and disclosure.

I think that Senator Jackson will say that, he said, "I do not care what it is, what the committee says, if they want me to dispose of this or that, I will dispose of it, if they think there is a possible conflict down the road."

Is that not what he told us?

The CHAIRMAN. That is right.

Well, may I say—and I think it appeared in one of the papers—I told the press that he had agreed and he said it in the public hearing, too, if I recall the record, that "I will divest myself of whatever the committee deems it necessary to divest."

I will make it clear again, he has agreed to enter into an agreement whereby none of his companies—and that is what he has primarily in his assets, they are wholly owned family companies—will engage in any kind of business with the Federal Government. You cannot go beyond that.

In addition, he will dispose of stocks that are in anyway—and we have been down that list—in conflict with his duties and responsibilities as Secretary.

Senator HATFIELD.

Senator HATFIELD. Mr. Chairman, I would like to point up one thing here. It seems to me that if we have a question relating to his financial relationship to any of these dealings, we could call him in and satisfy ourselves on that point now.

Second, it seems to me that we have in 3 days of testimony taken many statements from him on many controversial issues, and we have accepted his word on them and for them.

Now, this morning it appears to me we have oral confirmation answering our questions that have been raised most recently. To wait until Tuesday, until we can get written confirmation, seems to me a little out of keeping with what we have been willing to accept through 3 days of many things, by his oral testimony.

I think to introduce at this point the requirement for written confirmation of things is a little bit out of keeping with what has been our regular procedure throughout 3 days of hearings.

Now, is this a valid point or not?

Senator METCALF. Mr. Chairman, I completely concur in that. Here is a man with many charges and the interrogation that has been made, and if a hearing means anything at all, it means he comes before us and we take his word.

Now, he has been nominated by the President to head a great department as a Cabinet Officer and we just have to accept that he is an honorable man.

I think he underwent a grueling series of interrogatories, and as Senator Hatfield points out, we have accepted his word. It has been pointed out to us that he had these oil leases, or these applications, in 1963.

Now, I am derelict, Mr. Chairman. I had that information at noon yesterday. I looked at it and saw 1963, and they have expired. Are we going to say a man shall never be in the oil business to hold office in the Federal Government?

Maybe if you feel we should publicly answer this, we should do it today. I think it would be detrimental.

Senator JORDAN. Mr. Chairman.

The CHAIRMAN. Senator Jordan.

Senator JORDAN. He says in answer to a question about the oil business "I am not in the oil business. I own no oil leases. I own no oil royalties. We just are not in what is known as the oil business."

The CHAIRMAN. It is all in the present tense. There is no question about it.

I only raise this question in that he did go back and discuss—going back to 1959—the genesis of the Anchorage gas.

Senator JORDAN. Because he still has an interest in that, a present interest.

The CHAIRMAN. That is right.

Senator ANDERSON. I want to say, I think we ought to go ahead and vote as soon as possible. I have seen enough of this situation. People make certain charges and do not sustain them. They claim he is in the oil business and he says he is not in the oil business.

The CHAIRMAN. No; it is just a question; this information came to us before the article was out.

Senator MOSS. It has not just boiled down to this question of oil. There are still a lot of things to be discussed.

The CHAIRMAN. We do have, of course, the matter of State leases, which we can ask him about. We can ask him about that in the open session.

I must say I was somewhat concerned. You recall my questions, I was somewhat concerned about the wire from Mr. Kelly, in which he said he had bought stock in British Petroleum after he took office as Commissioner. I thought it was important, and just a matter of fairness, to keep the record straight whether or not he had negotiated any leases with them.

Now, I understand that because of the freeze, we got a general comment from someone that there is a question as to whether or not any leases have been issued during his term of office, negotiated or otherwise.

I do not know that.

Senator STEVENS. Can I speak on this? I was the one that said that to you.

The CHAIRMAN. All right.

Senator STEVENS. The problem is the State only has some six million acres today under patent and the balance are being help up because of the freeze. The Prudhoe Bay was the last series of leases which was issued up in the North Slope. Those were issued before Mr. Kelly became commissioner. In my talks with him, he said he has not negotiated anything with them, the division of lands, which is a part of the department of natural resources in the State, which actually issues the leases. And it could be possible—he said he would be willing to check this—it could be possible that they could have picked up a lease which had expired and someone else had held and let go and they picked up. Now, in this circumstance, that would be a noncompetitive lease. There are no competitive leases that have been issued, and we do not issue negotiated leases. There are no negotiated leases under our system. It is either competitive or noncompetitive. The commissioner has the right to determine whether they are competitive on the basis of competitive interests.

So, as a practical matter, he has assured me.

The CHAIRMAN. Is that prohibited by State law?

Senator STEVENS. The negotiated lease?

The CHAIRMAN. Yes.

Senator STEVENS. Yes; the State law provides for just the leasing system under the Mineral Leasing Act.

The CHAIRMAN. But under that act, it has to be competitive?

Senator STEVENS. He determines whether it is competitive by virtue of the area. And the north slope was competitive.

The CHAIRMAN. Yes; well what I am saying is, if he determines it is not competitive, then—

Senator STEVENS. Then it is available on the first-come, first-served basis, and he has nothing to do with it. Whoever comes in first and puts the money down on the counter.

The CHAIRMAN. It is a priority filing?

Senator ALLOTT. That would be roughly equivalent then, Ted, as I understand it, to our situation in the BLM, where you are on a known geological structure, whether oil is being produced or not, it has to be a competitive bid; is that correct?

Senator STEVENS. That is correct, only we do not follow that system. The Commissioner makes the determination of whether it is to be competitive and where it is not to be competitive.

Basically, we have tried to issue all of our leases competitively, as the Governor said, because we get more rent.

Senator ALLOTT. For general edification of the committee, so that we can understand this, under the BLM system, the Federal law, if you have an application for a lease on a known geological structure, whether oil is being produced or not, it must be a competitive bid.

Senator STEVENS. That is right.

Senator ALLOTT. It cannot be on a first-come, first-serve basis.

Senator STEVENS. If BLM has any leases, they have got to meet it competitively or go to noncompetitive lease, on first-come, first-served basis, and no negotiation about it.

The CHAIRMAN. Well, gentlemen, any further discussion on this?

Senator McGOVERN. I do not want to ask anything of Mr. Hickel that is not asked of other nominees, but does the financial statement ordinarily include the obligation and liabilities of a nominee, as well as his assets?

The CHAIRMAN. Yes, we have all of that. It is not in the narrative form, but we have it in the financial statements which he submitted to the chairman, and which will be made available.

We have the statement here. They did not give us copies for every member of the committee, but we will have it available.

Gentlemen, I suggest that we go out and hold a public session on this question and we will see how long that takes. Then we can come back in here.

Now, we are going to be here most of the day if we do that.

Senator Moss. Would there be an opportunity of asking questions on another subject, not having to do with oil leases?

The CHAIRMAN. It will be an open session. So you may ask anything that is pertinent to his nomination.

Senator McGOVERN. Do you plan to vote today on his confirmation?

Senator ALLOTT. I want to say I think the chairman has been eminently fair in handling this thing. I have to state that publicly.

(Whereupon, at 11:20 a.m., the executive session was recessed, to reconvene following the open session, which convened immediately.)

(The committee resumed in executive session at 12:40 o'clock p.m.)

The CHAIRMAN. There are two remaining matters that need to be confirmed in writing, as I see it.

One relates to the British Petroleum matter that we have discussed, and I think there is no reason why that information cannot be obtained for us in writing from Mr. Kelly.

We have checked the matter of leases under the Governor's name affecting Federal lands, and that wire is coming in, or was to have been sent, so we were informed, by the Bureau of Land Management.

The other matter is whether or not there are any State leases with the Governor. He said there are not. I think it would be useful to have this simply confirmed in connection with any matter that is going to be discussed on the floor.

Now, what I would suggest is that we meet at 8:30 on Monday, to go through this matter, and complete the financial discussion. I do not think this is going to be involved—the financial matter—because Governor Hickel has been most cooperative. He has to me, personally, and he has in public session.

Then we can act on it, so it can be reported one way or the other to the Senate that afternoon. It will have to lay over, because I understand there may be objection on the part of a couple of Senators, at least, not members of this committee, to the nomination being taken up on Monday.

Senator ANDERSON. Why do we not just approve him?

The CHAIRMAN. We cannot just approve him. We have to go through the financial statement this afternoon, if you want to do that.

Senator METCALF. Mr. Chairman, if we are convinced they are going to wait over, why not wait until Tuesday morning?

The CHAIRMAN. I think in fairness, the new administration wants to take up all of the appointments and swear them all in on Tuesday, the 21st, which is the day after Mr. Nixon assumes his duties as President. There is ample precedent for this. Some nominations will be taken up on Monday, because they were filed, and they are not objectionable from the standpoint of any one Senator objecting.

Senator BIBLE. I think also, Mr. Chairman, if you have reason to believe some objection is going to be taken up, we had better be sure we have taken every possible step to be able to defend our committee's action on the floor, if the debate comes up on this.

The CHAIRMAN. I would rather have the record complete. That is, I do not question the Governor's integrity on this matter at all, but I would rather have the record show that the Governor has pointed these matters out, as he did today, has no pending interest in any oil lease or mineral lease and so on, and that that is corroborated by the officials in charge, as well; and that we had that information, the corroboration of it, at the time we acted on the nomination.

Senator BIBLE. You will have that at 8:30 Monday morning?

The CHAIRMAN. I have talked to Senator Stevens. He will get this information over the weekend, they can get it and get it in here, so we have it. We will meet at 8:30, and I do not think we have to spend too much longer on his financial matters.

Senator STEVENS. Mr. Chairman, I have got the Division of Lands on the phone now. He is prepared to send us a telegram. There have been no leases negotiated with British Petroleum, and he will go down personally and have within the hour the listing of outstanding British Petroleum leases in Alaska, because they are not that great.

The CHAIRMAN. Can we also cover any listings under the Governor?

Senator STEVENS. I do not think the Governor ever had—

The CHAIRMAN. The Governor said he did not. There is no doubt about it, but I want to have it in writing. I am trying to make the record clear.

Senator JORDAN. Mr. Chairman.

The CHAIRMAN. Yes.

Senator STEVENS. He says he has already answered the questions by your staff, that the Governor never had any leases.

The CHAIRMAN. Put it in a wire.

Senator STEVENS. He will send you the wire immediately.

The CHAIRMAN. Just so you understand, there are two things that are outstanding here, as of this moment. One is the Kelly matter, and this relates to any leases that may have been negotiated while he has been in office—because he had bought some stock in the British Petroleum Co.

But while you are doing that, get all of the leases, negotiated and nonnegotiated.

Senator STEVENS. Leases issued since Kelly became Commissioner?

The CHAIRMAN. Yes. And secondly, whether there are any applications or leases or any other matters pending, listed under Hickel, and to their best knowledge, these companies that Governor Hickel is in, involving State mineral leasing, with mineral leasing meaning oil, coal, whatever it may be.

I would just like to have corroboration.

Is there anything else now, while he has him on the phone?

All right, Senator Jordan.

(The following telegram was received on January 18, 1969, in response to inquiries by the committee staff on the matters referred to by the chairman:)

JUNEAU, ALASKA, *January 18, 1969.*

Senator HENRY M. JACKSON,
*Old Senate Office Building,
Washington, D.C.:*

Information requested by Mr. Van Ness received. Data in division of lands unavailable until Monday a.m. Will be happy to provide complete facts then to expeditiously obtain info. Suggest you contact B.P. USA LD 620 Fifth Avenue, New York, N.Y., attention of Mr. C. P. B. Harcastle, president.

THOMAS E. KELLY.

Senator JORDAN. My suggestion was simply this. Why do we not proceed with the perusal of the financial statements, and get that out of the way so that we are only waiting for the information? That is the only thing holding up the committee. Why do we not go forward and get our study of his finances out of the way?

The CHAIRMAN. I thought we could do that all in the morning. I mean on Monday morning, we will have the wires here, if they do not come in within an hour—

Senator BURDICK. I was just going to say, I have been holding off here for nearly an hour now, and it will be very difficult for me to get back this afternoon. I would much prefer to do it Monday morning.

Senator BIBLE. I move we do whatever the chairman suggests.

The CHAIRMAN. I want to act on this on Monday morning, so that we will clear the matter up one way or the other.

I see no need for any delay beyond that.

Now, I will repeat what I said regarding his financial situation. I think it falls into two parts. One relates to any stockholdings that he has in companies and we go through those—we should have that list—is it complete now?

Mr. VAN NESS. It is not. No.

The CHAIRMAN. Have the Governor come in now; I would like to talk to him.

Senator ALLOTT. And ask Mr. Cremo to come in.

The CHAIRMAN. And, his administrative assistant, Mr. McMurray.

Senator HATFIELD. Mr. Chairman, I would like to support the idea expressed by Senator Bible that you do this, set the rule on it, but I would like to ask just two or three questions.

What are the things that we are hung up on?

The CHAIRMAN. We are hung up on the telegram.

Senator HATFIELD. All right, that is one.

The CHAIRMAN. I will know in a minute what else we are hung up on here. We will see if he has a complete listing of all of his stock.

Senator HATFIELD. Then, Mr. Chairman, let me ask you this.

If we got the telegrams in this afternoon, and you said it is going to take us most of the afternoon to go over his financial report, his statement, then we would have all of these matters that we have to make our judgment on here before this committee this afternoon.

The CHAIRMAN. We would.

Senator HATFIELD. Therefore, I would like to ask the question; is that not correct?

The CHAIRMAN. If we have all of his financial statements?

Senator HATFIELD. That is what I am assuming.

If we have all of his financial statements, we have the telegram from Alaska, what would be the purpose of having to lay over until Monday morning?

The CHAIRMAN. There would be no problem if you had all of that. But are you sure we will have all of that?

Senator HATFIELD. I do not know, I am saying if we do get all of that.

The CHAIRMAN. I personally feel we should have a confirming wire. I mean the information in writing on these two points that I just mentioned, before we report it out.

Senator HATFIELD. All right; we are not going report it out this afternoon anyway, are we?

The CHAIRMAN. We have not decided that yet.

Senator HATFIELD. My point is, can we not proceed with going over his financial statement and if the telegrams come in the meantime, we are finished.

The CHAIRMAN. Let me ask the Governor a basic question.

Governor, do you or your assistants have available—

Senator STEVENS. May I clarify one thing. Mr. Kelly said his staff was asked for this information. He does not know where the inquiry came from. I said this committee staff had asked for it.

He said his staff had asked for it; he did not know where the request came from.

The CHAIRMAN. Well, I do not think we had talked with him.

Senator STEVENS. I just wanted to clarify this.

The CHAIRMAN. Governor, do you have available now a list of your stock, every stock of the companies that you have?

Governor HICKEL. I think so.

The CHAIRMAN. And, the name of the companies?

Governor HICKEL. Yes.

The CHAIRMAN. And the names of the stocks that are held by these various subsidiary holding companies?

Governor HICKEL. Yes, I think we have everything we possibly could have.

The CHAIRMAN. You listed in part, in the holding, "Miscellaneous stocks" and so on. But do you have a list—I want to make clear here, because there is a point—what we probably would need over the weekend, is a list of all of the stock you own individually, or through companies, and all of the stocks that any of your wholly owned subsidiaries own. Do you have that?

Senator BIBLE. Right here in your hand now.

Governor HICKEL. Do I have the stock with me?

The CHAIRMAN. No, the names of them.

Senator ALLOTT. Do you, Mr. Cremo? Do you have that here?

Mr. CREMO. I think the Senator is referring to the miscellaneous categories.

Senator BIBLE. We are referring to everything.

Senator ANDERSON. We are talking about assets; what amount of money he has and how it is invested.

Governor HICKEL. Everything is there.

Senator ANDERSON. How much is it, roughly?

Senator CHURCH. What is it, \$5 million?

Governor HICKEL. \$5 million—probably.

Mr. Chairman, everything is there.

The CHAIRMAN. I understand. As long as we know what we are doing here about your individual investments that are held by your wholly owned subsidiaries. You have all that?

Governor HICKEL. Right.

The CHAIRMAN. We do not want to start on that this afternoon, if you do not have it.

Mr. CREMO. Statements of the wholly owned subsidiaries, all of them are here, before you.

Senator ALLOTT. Will you yield to me?

The CHAIRMAN. I yield.

Senator ALLOTT. I think the one thing in here that is bothering the chairman, in one of these, there is a statement as to miscellaneous stocks of approximately \$16,000.

Do I remember that right?

The CHAIRMAN. Just a minute. I am trying to find it.

Senator ALLOTT. Here is one, Governor.

I have here the Walter J. and Ermalee Hickel report and examination of balance sheet, December 31.

You list Alaska Interstate Barrow Realty and so forth and so on, then you have down below "miscellaneous, \$2,794."

Governor HICKEL. I do not have any idea what that is. It may be just one stock—what I am trying to do is line this up and see where the 2,000 comes in.

The CHAIRMAN. Then you will also look under Hickel Investment Co., and subsidiaries, and they have Northern Lights Shopping Center investments, and so on, and "Other common stock, \$16,091.47," at cost, you see. Bear in mind, when you give the "cost," I do not know the current value, that does not give any indication.

Governor HICKEL. Here is what it is. That stock in Northern Lights Shopping Center, that started with a cost of—that is evidently the original capital cost.

The CHAIRMAN. It says, "investments at cost."

Governor HICKEL. That would be 1951, roughly, and it was land. That is what that would be.

The CHAIRMAN. But right under it—

Governor HICKEL. Oh, "other stocks." Alaska State Development Corp.

The CHAIRMAN. No. "Other common stocks." "Other common stock, \$16,000."

Governor HICKEL. It would have to be, Senator, some of my wholly owned companies, that would just have stock, because I do not have any stock in that company.

The CHAIRMAN. It says, "Other common stocks."

Senator ALLOTT. What he says is this "Other common stocks" would have to be—this is the Hickel Investment Co., common stocks are the other companies.

Governor HICKEL. See, there is Travelers Inn of Fairbanks, Inc. That is wholly owned and it had some stock. That is one we own. Then Mountain View Shopping Center, that is in Hickel Investment Co.

The CHAIRMAN. What is the value, current value, of the "Other common stock?"

Governor HICKEL. It must be real estate, and I am trying to think—

Senator ALLOTT. No, common stocks.

Governor HICKEL. Would that not be common stocks we own in the corporation, that this company would own, 100 percent? It is not a marketable stock.

The CHAIRMAN. I understand. You can have a corporation you have stock in that owns real estate.

Governor HICKEL. Travelers Inn of Fairbanks is a corporation, wholly owned by Hickel Investment Co., and I wholly own the Travelers Inn in Fairbanks. Mountain View Shopping Center is a much smaller Northern Lights.

The CHAIRMAN. What is the value of Northern Lights Shopping Center?

Governor HICKEL. I would say with the debt and everything, \$5 million total investment, roughly.

The CHAIRMAN. The \$125,000 figure—

Governor HICKEL. But it owes money, too.

The CHAIRMAN. I understand. What is the net worth of it?

Governor HICKEL. Well, it owes what, \$2½ million? That would be at my cost when I built it.

In other words, I would not know what it is worth until I sold it. I would say it is free and clear, and if it were free and clear and you sold it, you might get 25 for it. But it is not free and clear.

Senator ANDERSON. Do you have a family holding?

Governor HICKEL. No, everything we have is right here, just these various corporations.

The CHAIRMAN. You see my question here, I am not trying to nit pick.

Governor HICKEL. I understand.

The CHAIRMAN. These are in at cost. And this \$125,000 item is actually current value, at \$2½ million.

Governor HICKEL. It is not valued at that. Because it would have a liability against the assets.

The CHAIRMAN. I asked for the net worth, and I thought you said—did you not say it was?

Senator CHURCH. If it were free and clear.

The CHAIRMAN. What is the net worth after deducting for outstanding indebtedness?

Governor HICKEL. It would be what you can sell it for. I am just guessing, that you might sell it for, if it were free and clear, it might be higher than \$5 million. I am just guessing at it.

Senator ALLOTT. You would not know until you sold it.

Governor HICKEL. It has never been sold. I have owned it since 1951.

The CHAIRMAN. But there are current values locally, you can get an appraised value?

Governor HICKEL. My point, Senator, for purposes of tax and bank statements, you do not really go around with what you think something is worth. I could give you my net worth, I would think if I liquidated myself, everything, I would be probably worth \$5 million. If I liquidated everything, that might be high a half a million or a million, or low 1 million. You do not know what they will sell it for. I know I have got a couple of hotels I tried to sell and could not get a buyer. You know, you do not know. You have got to find someone to buy it.

The CHAIRMAN. I am just trying to point out these figures here, and in going through the statements; the point is that Northern Lights Shopping Center is carried at \$125,000. You see, you have not given any indication of what the current value is. You have given your own estimate of your own net worth. Is this most of your estate?

Governor HICKEL. What, Northern Lights?

The CHAIRMAN. Yes.

Governor HICKEL. No, I own half of Northern Lights and I mentioned the other, I have Travelers Inn of Fairbanks, Inc.

The CHAIRMAN. But you have no idea—

Governor HICKEL. What they are worth.

Senator STEVENS. Mr. Chairman, it says right here on page 3, Northern Lights Shopping Center, \$4,006,000 appraised value. It is listed here. But the accounts have carried it as they must at cost, for tax purposes.

Governor HICKEL. It has to be at cost.

The CHAIRMAN. I understand that.

Senator FANNIN. This is an independent appraisal or is their appraisal or what?

The CHAIRMAN. This is by their certified public accountant.

Senator JORDAN. I do not think it is pertinent.

Governor HICKEL. This is what it says, appraised value.

Senator STEVENS. \$4.4 roughly.

Governor HICKEL. That is the appraised value.

The CHAIRMAN. What year are we talking about, appraised value?

Governor HICKEL. The end of 1967.

The CHAIRMAN. At the end of 1967, \$2,282,000 appraised value and the net book value, I see, is \$1.8 million.

Senator STEVENS. That is one-half. That is 50 percent ownership that he has.

Senator ANDERSON. Who owns the other?

Governor HICKEL. Two other businessmen in that group.

The CHAIRMAN. The appraised value there is \$2,228,173.24.

Senator STEVENS. For the 50 percent interest.

The CHAIRMAN. That is just the 50 percent interest?

Senator STEVENS. Right.

The CHAIRMAN. Is there any interest over and above, as it is listed here, your 50-percent interest in "Northern Lights Shopping Center, \$125,000?"

Senator STEVENS. That is at cost.

The CHAIRMAN. That is right. I am just trying to relate these figures. Because I raise that question, only to relate it to the question of common stock. But you say that \$16,000 figure represents stocks that you own and the companies represented by those stocks are your own companies.

Governor HICKEL. Right.

The CHAIRMAN. You do not know?

Governor HICKEL. It could be Travelers Inn of Fairbanks, which is wholly owned. It could be Mountain View Shopping Center. I know those two.

Senator BELLMON. But you do not own any oil company stocks?

Governor HICKEL. No.

The CHAIRMAN. Have you listed any place here stocks that you own, that are on the board, sold over the counter, stocks and companies, which you have only relatively a minor or nonfamily interest in?

Governor HICKEL. Right.

The CHAIRMAN. Where are they located?

Senator ALLOTT. On page 5.

Governor HICKEL. You know, I am not too much of an accountant and this financial statement, the only reason I have them is because they make me. The Alaska Interstate Barrow Realty, Trans-America; Trans-America, that has been sold. And while I was selling it, they declared a dividend, and I got four or five shares at the time that it was sold until I got it. So I got four or five shares there.

Alaska Pacific Corp., Alaska Horsebreeders, that is just a horse barn, and that would be part of that.

Valley Development Corp., I think it is all explained somewhere, that must be some real estate.

Wakefield, Seafood, 100 shares.

Senator ALLOTT. Now you come down to the miscellaneous item of \$2,794.50.

Mr. CREMO. May I offer a possible explanation here. For instance, in the statement of Northern Lights Shopping Center, Inc., I notice that the stockholder net is expressed not only in common stock, \$250,000, for all four shareholders, but also there is some paid in surplus. \$10,074.76.

Some place on Walter J. Hickel that paid in surplus has to be reflected, half of it only. There might be the same thing in other corporations, that easily could be collected by the accountant into a miscellaneous category.

Senator ANDERSON. That is paid possibly to Morris and Knudson, three percent.

Governor HICKEL. Generally, when they leave a country, they leave Alaska. I bought this North Pipe & Supply and Alaska Plumbing & Heating about 1961, as I recall. They have a fine piece of real estate, but instead of them having an auction like big companies do and they sell stuff off, I agreed to take their inventory and buy their property, basically, it was bought for seven lots on Fourth and Fifth Avenue in Anchorage, which is the main part of town.

So in putting together the deal, it was what I called old inventory, not worth a heck of a lot. So rather than going in and taking a complete inventory, we worked out a 3 percent loan but I would take all of the junk and everything.

That is the way it is.

Senator ALLOTT. All of the leftover stock and the lien?

Governor HICKEL. That is right.

Senator GRAVEL. I remember the incident. A lot of it was junk.

Governor HICKEL. I have still got it.

The CHAIRMAN. What other notes are owed to Morris and Knudson?

Governor HICKEL. That is the one, is it not?

Mr. CREMO. They are essentially one obligation, Senator, to Morris and Knudson, now expressed in three places.

The CHAIRMAN. What is the total obligation? "Walter J. Hickel and Mrs. Hickel, Statement" on the balance here.

Governor HICKEL. It started out about a million seven or eight, and I liquidated the stuff off and sold it the best I could and paid them off and kept it rolling, and got down to stuff I could not sell.

Mr. CREMO. Probably \$440,000 outstanding. It was a pure money obligation.

The CHAIRMAN. All related to this one transaction?

Mr. CREMO. Yes, but as a result of acquiring those assets, two corporations were formed. One was Alaska Heating Co., Inc., the other Northern Lights Shopping Center, Inc., and they both assumed portions of the debt. One hundred thousand of that debt was not assumed by either of those corporations, and Walter Hickel personally owned that one hundred thousand. That is the way it's been.

The CHAIRMAN. But you had no other common stock, other than the ones listed?

Governor HICKEL. No, none at all. I would be glad to put in an affidavit.

The CHAIRMAN. I understand that.

Governor HICKEL. Some of those I did not even know I had, but I have got them.

The CHAIRMAN. This is as of December 31, 1967.

Governor HICKEL. Some were sold.

The CHAIRMAN. I take it that there have been some changes, so as of the time we are now talking, this does not accurately reflect the current situation?

Governor HICKEL. Trans-American Corp. was sold, all except four or five shares, which I stated. I came in as a dividend was being declared, in between the sale.

The CHAIRMAN. And there are no other common stocks. The reason I ask again, this is December 31, 1967, we are talking about here.

But now I am asking you about anything as of now.

Governor HICKEL. I am saying that yes, there are no other common stocks.

The CHAIRMAN. All right.

Senator METCALF. Mr. Chairman, where is it reflected, the value of your franchise, for distribution of natural gas in the city of Anchorage?

Governor HICKEL. It would be Alaska Interstate Co. They own all of the stock.

The CHAIRMAN. That is listed as "stockholding" on page 5.

Senator METCALF. So the value of that special franchise is also listed.

Governor HICKEL. It is in there.

Senator METCALF. It is a holding company for that and/or pipeline.

Governor HICKEL. Whatever value that franchise would have would be reflected in the stock.

Senator METCALF. That stock is pledged, but you will sell it.

The CHAIRMAN. Let us resume at 2 o'clock.

(Whereupon, at 1:15 o'clock p.m., a recess was taken until 2 o'clock the same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will come to order. We have distributed to each member of the committee a memorandum dated January 18, which outlines the documents which Governor Hickel submitted to the chairman. It makes reference to the documents. They are all up front here. You have a copy, each member has a copy of the Walter J. and Ermalee Hickel statement. Then the financial statement of subsidiaries are all here and any Member of the Committee is welcome to read them. They did not furnish any extra copies of these, so they are all here.

I think, Governor Hickel, do you want to have a chair, and Mr. Cremo, if you will come up.

Mr. Cremo, if you would first identify yourself for the record.

Mr. CREMO. My name is Roger Cremo.

The CHAIRMAN. And what is your relationship with Governor Hickel?

Mr. CREMO. I am an attorney of his.

The CHAIRMAN. You are his personal attorney?

Mr. CREMO. Yes, that is one way to put it.

The CHAIRMAN. And have been for some time?

Mr. CREMO. Yes.

The CHAIRMAN. You are familiar with the financial statements that have been submitted to the committee by Governor Hickel?

Mr. CREMO. I am generally familiar with them, yes.

The CHAIRMAN. I gather the Governor would rather that you proceed to explain these documents, not in every detail, but what they cover.

Mr. CREMO. Do you want me to do that now, Senator?

The CHAIRMAN. Yes. I think we ought to proceed on that basis first. The statement, I think, first to be taken up is the "Walter J. and Ermalee Statement," which is a report of a balance sheet of December 31, 1967. We asked, as you know, for an up-to-date statement for December 31, 1968. It is my understanding that this is not yet available?

Mr. CREMO. That is correct, and it is my understanding that it will take several weeks. Normally from year to year the accountants for Walter Hickel and his wife and the various corporations, whose names are Molitor, Doremus and Hanlin usually seem to be able to come out with those statements sometime in May or so. It just takes that long apparently but they have been asked to rush this year and they still say it would take several weeks to prepare a statement from all of the corporations and the two partnerships and for Walter J. and Ermalee Hickel.

Senator ANDERSON. How about when you pay your income tax?

Mr. CREMO. Apparently they have to, if they do not have it ready, Senator, they have to obtain an extension in order to get their ac-

counting information. I notice in this particular year their covering letter is dated July 2.

Senator ANDERSON. You are his personal attorney. Can't you tell?

Mr. CREMO. I am not his accountant, sir. I have kind of an attorney's general understanding of these statements and that is the extent of it.

Senator ANDERSON. Isn't it possible? This is May.

The CHAIRMAN. It is later than that. This one is dated July 2, 1967.

Senator ANDERSON. Do you have any special rule for filing? Do you have an exemption every year?

Governor HICKEL. Special rule?

The CHAIRMAN. Do you have an extension every year on your income tax?

Governor HICKEL. Generally, and Senator, this has been going on historically I'd say about 15 years, as could be evidenced by, for example, the institutions have been working with us like Seattle First National, for example, they had some continuing thing to go on.

Senator ANDERSON. What is the firm?

Governor HICKEL. Molitor, Doremus & Hanlin.

Senator ANDERSON. I have to file every year.

Governor HICKEL. We file every year.

Senator ANDERSON. And file on time.

Governor HICKEL. The point is that this statement, the 1968 statement they are starting to work on at the end of 1968, and bring this up. I have really raised the question many times myself, and one of the real problems is getting them, when you need them in time, and I believe this can be verified through, for example, Seattle First which has always waited and you have the same problem.

Senator ALLOTT. You have to pay interest on it every year?

Governor HICKEL. Right.

The CHAIRMAN. First the Chair will include in the record at this point the letter from Governor Hickel dated January 12 setting forth the statement of the balance sheets of the various enterprises that Governor Hickel is involved in together with a confidential memorandum explaining the various matters relating to the Governor's assets, signed by the Governor, and that is included with—attached to—the letter of January 12. Accompanying the letter is a financial statement prepared by the Governor's accountants that have been referred to here as Molitor, Doremus & Hanlin, covering the following statements:

"Walter J. and Ermalee Hickel," "Hickel Investment Co.," "Alaska Plumbing & Heating Co., Inc.," "Northland Pipe & Supply Co., Inc.," "Travelers' Inn of Fairbanks, Inc.," "Northern Lights Shopping Center, Inc.," "The Captain Cook Hotel," "Travelers' Inn of Anchorage," "Clark's Painting & Decorating."

Now "Walter J. and Ermalee Hickel" is a statement of all of the assets, I believe, owned by you and your wife, Governor?

Mr. CREMO. Statement of not only the assets, Senator, but the liabilities and a determination not only at cost but at cost plus the appraisals referred to in the footnotes of net worth.

The CHAIRMAN. Yes, but the appraisals cover what dates?

Mr. CREMO. The appraisals were made I believe in 1963. I read that before.

The CHAIRMAN. They reflect—

Mr. CREMO. Or 1965.

The CHAIRMAN. Back a ways anyway. They are differing appraisal dates on differing items, are they not?

Mr. CREMO. Yes, some were made in 1963. Some were made in 1965.

(The data referred to follows, but the financial statements have been placed in the committee's official files and are not reproduced.)

JANUARY 22, 1969.

HON. HENRY M. JACKSON,
*Chairman, Interior and Insular Affairs Committee,
U.S. Senate, Washington, D.C.*

DEAR SENATOR JACKSON: As requested by you for your committee, a confidential statement of my business affairs is submitted herewith.

The statement is accompanied by financial statements prepared by my accountants for:

Walter J. and Ermalee Hickel.
Hickel Investment Company.
Alaskan Plumbing and Heating Co., Inc.
Northland Pipe and Supply Co., Inc.
Traveler's Inn of Fairbanks, Inc.
Northern Lights Shopping Center, Inc.
The Captain Cook Hotel.
Traveler's Inn of Anchorage.
Clark's Painting and Decorating.

Respectfully,

WALTER J. HICKEL.

STATEMENT BY GOV. WALTER J. HICKEL, SECRETARY OF THE INTERIOR-DESIGNATE, TO SENATE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS

This statement is submitted for the purpose of providing information about my business affairs.

Presently my affairs are the subject of a trust which was instituted when I became Governor of Alaska and which expires when I cease holding that office. Under the trust arrangement, various corporations and partnerships are engaged in the following businesses: hotel and motel, general contracting, mechanical contracting, paint contracting, shopping center development, wholesale plumbing supply, and residential construction.

A study has been made to determine whether there are any conflicts between the public interest and my private interests. Although there seem to be no conflicts, the following will be done to avoid any such possibility:

A. All of my business affairs will be conducted by a trustee in accordance with a trust agreement which I will enter into immediately upon taking office. The trust instrument will be filed with this committee. The trust, which will be irrevocable during my term of office, will require that all my businesses refrain entirely from doing any business with the Department of the Interior and with any industry regulated by the Secretary of the Interior. Furthermore, no investments will be made in the securities of companies which might have any dealings with the Department of the Interior and which might be regulated by the Secretary of the Interior. In addition my trustee will be prohibited from divulging to me in any way information concerning the activities of the trust except to provide me with information needed for income tax return purposes; and I will be prohibited from divulging to the trustee in any way information concerning the activities of the Department of the Interior.

B. My stock interest in Alaska Interstate Company, Transamerica Corporation and Wakefield Seafoods, Inc. will be sold promptly upon my taking office.

C. Hickel Investment Company, my wife, and I are engaged in an Internal Revenue Service proceeding involving only the technical question as to how casualty losses caused by an earthquake should be treated. I propose to continue with the proceeding.

The following will further describe my business assets and activities.

Specific details as to amounts of stock owned by me and the dollar volume of business in each of the enterprises mentioned below can be obtained from a complete set of financial statements for the period ending December 31, 1967, which has been filed with the Chairman of the Senate Interior Committee. Since the accounting is on a calendar year basis, no current financial statements are available. These are in the process of preparation and can be furnished to the Chairman within a few weeks.

(1) Hickel Investment Company is a corporation wholly owned by my wife and me. It is in the general construction business in Alaska, but does not do any work for the federal government. Also, it builds and operates shopping centers in Alaska.

(2) Alaskan Plumbing and Heating Co., Inc. is a corporation and a wholly owned subsidiary of Hickel Investment Company. Its principal business is mechanical contracting and it operates a retail plumbing supply store. It does business with the federal government and in the past occasionally may have done a small amount of business with some agency of the Department of the Interior.

(3) Northland Pipe and Supply Co., Inc. is a corporation and a wholly owned subsidiary of Hickel Investment Company. It is in the wholesale plumbing supply business. It does very little business with the federal government and I know of none with the Department of the Interior.

(4) Traveler's Inn of Fairbanks, Inc. is a corporation and a wholly owned subsidiary of Hickel Investment Company. It is engaged in the motel business at Fairbanks, Alaska.

(5) Northern Lights Shopping Center, Inc. is a corporation an one-half of its stock is owned by Hickel Investment Company. Other shareholders are Milton W. Odom and Robert Winslow, of Anchorage. The corporation owns and operates a shopping center in Anchorage, Alaska.

(6) The Captain Cook Hotel is a partnership, one-half of which is owned by Hickel Investment Company. Reed and Martin, Inc. and Odom Co., in which I have no interest, are the other partners. The partnership owns and operates a hotel in Anchorage.

(7) Hickel Investment Company owns and operates the Parsons Hotel in Anchorage.

(8) Hickel Investment Company owns undeveloped residential and business property in Anchorage.

(9) Traveler's Inn of Anchorage is a partnership engaged in the motel business in Anchorage. My wife and I are the partners.

(10) Clark's Painting and Decorating is a partnership engaged in the paint contracting business in Anchorage. George Muir, of Anchorage, and I are the partners. Although work is done for the federal government, I know of none that has been done for the Department of the Interior.

(11) Mountain Mining Co. is inactive. Its former activities consisted of a minor prospecting effort for minerals. A prospecting permit acquired for the purpose of discovering magnetite deposits expired over three years ago. The sole present property of this corporation, one unpatented mining claim, will be disposed of and this corporation will be dissolved.

(12) Life Insurance Company of Alaska is a domestic life insurance company in which I own an insignificant amount of stock. Also, I own a small amount of stock in Alaska Pacific Corporation which is a holding company for Life Insurance Company of Alaska, its only subsidiary.

(13) I own a very small amount of the stock of Transamerica Corp. I had previously disposed of most of the Transamerica Corp. stock listed in the financial statement.

(14) Alaska Interstate Company is a conglomerate. I own approximately 2% of its stock.

(15) Barrow Realty Corp. is a corporation which owns a commercial building in Anchorage. I own one-third of its stock. The other shareholders are Messrs. Odom and Winslow, mentioned above.

(16) Wakefield Seafoods, Inc. is a corporation in which I own a small amount of stocks. It processes crab and halibut.

(17) Valley Development Corporation is a corporation in which I own a small amount of stock. It owns some undeveloped real estate in the Matanuska Valley near Anchorage.

(18) Presbyterian Community Hospital Association, Inc. is a corporation engaged in the hospital business in Anchorage. I am one of its bondholders.

(19) Alaska Horsebreeders Association is a corporation in which I own stock together with several other persons. The corporation operates a small horse barn. (Essentially, this is not a business but a recreational activity.)

(20) In my individual capacity I own undeveloped residential and business property in Anchorage and Fairbanks.

(21) Matanuska Valley Bank is a state bank with offices in Anchorage and Palmer, Alaska. My children own an insignificant amount of its stock.

Neither my wife nor my children has any business affairs except as mentioned above.

My wife and I also own non-business property such as our home in Anchorage, furniture, automobile, and boat.

Respectfully submitted.

WALTER J. HICKEL.

REPORT ON EXAMINATION OF BALANCE SHEET, DECEMBER 31, 1967, OF WALTER J. AND ERMALEE HICKEL

MOLITOR, DOREMUS & HANLIN,
Anchorage, Alaska, July 2, 1968.

WALTER J. and ERMALEE HICKEL,
Anchorage, Alaska:

We have examined the balance sheet of Walter J. and Ermalee Hickel as of December 31, 1967. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Investments are stated at values which reflect the increase in appraised values over cost of land and buildings owned by Walter J. and Ermalee Hickel and by their wholly-owned corporations. The investment in Hickel Investment Company and its subsidiaries also is adjusted to give effect to the consolidated retained earnings of the companies at December 31, 1967.

In our opinion, subject to the foregoing comments relating to the valuation of investments as explained in notes to the balance sheet and supporting schedules, the accompanying balance sheet presents fairly the financial position of Walter J. and Ermalee Hickel at December 31, 1967, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

REPORT ON EXAMINATION OF CONSOLIDATED FINANCIAL STATEMENTS, YEAR ENDED DECEMBER 31, 1967, OF HICKEL INVESTMENT CO. AND SUBSIDIARIES

MOLITOR, DOREMUS & HANLIN,
Anchorage, Alaska, June 4, 1968.

HICKEL INVESTMENT CO.,
Anchorage, Alaska:

We have examined the consolidated balance sheet of Hickel Investment Company and subsidiaries as of December 31, 1967, and the related statement of consolidated income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we consider necessary in the circumstances.

We did not examine the financial statements of The Hotel Captain Cook, a joint venture in which Hickel Investment Company owns a 50% interest, but we were furnished with the report of other certified public accountants on their examination of the financial statements of the joint venture for the year. Our opinion expressed herein, insofar as it relates to the amounts included for The Hotel Captain Cook, is based solely upon such report.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated income and retained earnings present fairly the financial position of Hickel Investment Company and subsidiaries at December 31, 1967, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS, YEAR ENDED DECEMBER 31, 1967, OF NORTHLAND PIPE AND SUPPLY CO., INC.

MOLITOR, DOREMUS & HANLIN,
Anchorage, Alaska, June 4, 1968.

NORTHLAND PIPE & SUPPLY CO., INC.,
Anchorage, Alaska:

We have examined the balance sheet of Northland Pipe and Supply Company, Inc., as of December 31, 1967, and the related statement of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of income and retained earnings present fairly the financial position of Northland Pipe and Supply Company, Inc., at December 31, 1967, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS, YEAR ENDED DECEMBER 31, 1967, OF NORTHERN LIGHTS SHOPPING CENTER, INC.

MOLITOR, DOREMUS & HANLIN,
Anchorage, Alaska, May 24, 1968.

NORTHERN LIGHTS SHOPPING CENTER, INC.,
Anchorage, Alaska:

We have examined the balance sheet of Northern Lights Shopping Center, Inc., as of December 31, 1967 and the related statement of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of income and retained earnings present fairly the financial position of Northern Lights Shopping Center, Inc., at December 31, 1967, and the results of its operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS, YEAR ENDED DECEMBER 31, 1967, OF ALASKAN PLUMBING & HEATING CO., INC.

MOLITOR, DOREMUS & HANLIN,
Anchorage, Alaska, June 4, 1968.

ALASKAN PLUMBING & HEATING CO., INC.,
Anchorage, Alaska:

We have examined the balance sheet of Alaskan Plumbing and Heating Company, Inc., as of December 31, 1967, and the related statement of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of income and retained earnings present fairly the financial position of Alaskan Plumbing and Heating Company, Inc., at December 31, 1967, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS, YEAR ENDED DECEMBER 31,
1967, OF TRAVELERS INN OF ANCHORAGE (A PARTNERSHIP OF WALTER J. AND
ERMALÉE HICKEL)

MOLITOR, DOREMUS & HANLIN,
Anchorage, Alaska, April 20, 1968.

WALTER J. and ERMALÉE HICKEL,
Anchorage, Alaska:

We have examined the financial statements of Travelers Inn of Anchorage (a partnership of Walter J. and Ermalee Hickel), as listed in the accompanying index, for the year 1967. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of Travelers Inn of Anchorage at December 31, 1967, and the results of operation for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS, YEAR ENDED DECEMBER 31,
1967, CLARK'S PAINTING & DECORATING (A PARTNERSHIP)

MOLITOR, DOREMUS & HANLIN,
Anchorage, Alaska, February 28, 1968.

CLARK'S PAINTING & DECORATING,
Anchorage, Alaska:

We have examined the balance sheet of Clark's Painting and Decorating, a partnership, as of December 31, 1967, and the related statements of partners' capital and income for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet, statement of partners' capital and statement of income present fairly the financial position of the partnership at December 31, 1967, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS, YEAR ENDED DECEMBER 31,
1967, OF TRAVELERS INN OF FAIRBANKS, INC.

MOLITOR, DOREMUS & HANLIN,
Anchorage, Alaska, June 4, 1968.

TRAVELERS INN OF FAIRBANKS, INC.,
Anchorage, Alaska:

We have examined the balance sheet of Travelers Inn of Fairbanks, Inc., as of December 31, 1967 and the related statement of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of income and retained earnings present fairly the financial position of Travelers Inn of Fairbanks, Inc., at December 31, 1967, and the results of its operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

FINANCIAL STATEMENTS OF THE HOTEL CAPTAIN COOK (A JOINT VENTURE), AT
OCTOBER 31, 1967

YERION & GRUNDHAUSER,
Anchorage, Alaska.

HOTEL CAPTAIN COOK,
(A joint-venture)
Anchorage, Alaska:

The accompanying balance sheet of The Hotel Captain Cook, a joint-venture, as of October 31, 1967, and the related statement of income and joint venturers' equity for the ten months then ended, were not audited by us and we therefore are unable to express an opinion on the overall fairness of the accompanying financial statement.

The balance sheet reflects only those assets and liabilities of the joint-venture in its operations of the Hotel Captain Cook. The statements do not reflect any Federal or State income taxes due thereon of each individual joint-venturer.

DECEMBER 1, 1967.

The CHAIRMAN. Now, the first question here, the Hickel Investment Co., is that a partnership or a corporation?

Mr. CREMO. It is a corporation, Senator.

The CHAIRMAN. It does not so reflect in this letter, just "Hickel Investment Co., but there is no "Inc." after it, but it is a corporation?

Mr. CREMO. Hickel Investment Co. is the full name of the corporation.

The CHAIRMAN. All right, and it is incorporated?

Mr. CREMO. Yes.

The CHAIRMAN. Who owns the stock of the Hickel Investment Co.?

Mr. CREMO. Walter J. and Ermalee Hickel.

The CHAIRMAN. And no one else?

Mr. CREMO. No one else.

The CHAIRMAN. Alaska Plumbing & Heating Co., Inc. Who owns the stock in that, all of the stock of that company?

Mr. CREMO. Hickel Investment Co.

The CHAIRMAN. And the Hickel Investment Co. in turn is wholly owned by Governor and Mrs. Hickel?

Mr. CREMO. That is correct, Senator.

The CHAIRMAN. Northland Pipe & Supply Co., Inc. Who owns the stock in that company?

Mr. CREMO. Hickel Investment Co.

The CHAIRMAN. Again the Hickel Investment Co. owns all of the stock?

Mr. CREMO. That is correct, Senator.

The CHAIRMAN. Travelers' Inn of Fairbanks, Inc. Who owns the stock in that company?

Mr. CREMO. Hickel Investment Co., sir.

The CHAIRMAN. All of the stock?

Mr. CREMO. Yes, sir.

The CHAIRMAN. No one else owns any stock?

Mr. CREMO. No one else owns any stock.

The CHAIRMAN. Northern Lights Shopping Center, Inc. Who owns the stock in that company?

Mr. CREMO. Three persons. One-half of the stock is owned by Hickel Investment Co., Inc.

The CHAIRMAN. And again Hickel Investment Co., Inc., is wholly owned by Governor and Mrs. Hickel?

Mr. CREMO. Yes, sir.

The CHAIRMAN. All right.

Mr. CREMO. The other half of the stock is divided between two shareholders whose names are Milton W. Odom and Robert Winslow, both of Anchorage. I think each owns one-quarter but I am not sure.

The CHAIRMAN. Do you know, Governor?

Governor HICKEL. I think that is true; yes.

The CHAIRMAN. So that no one person has control of that company?

Governor HICKEL. No.

Mr. CREMO. No, it is a standoff corporation.

The CHAIRMAN. The Captain Cook Hotel. Is it a corporation?

Mr. CREMO. No; it is not.

The CHAIRMAN. It is not a corporation. Who owns the Captain Cook Hotel?

Mr. CREMO. The hotel, the physical thing, the hotel is owned by the Captain Cook Hotel, which is a partnership, although you will see it referred to here in the financial statements by the accountants as a joint venture.

The CHAIRMAN. Is it a limited partnership?

Mr. CREMO. No; it is a general partnership.

The CHAIRMAN. A general partnership, and there are articles of partnership, written articles of partnership?

Mr. CREMO. The attorney who formed that partnership has its file, its original file, and I can only assume—his name is Wallace Aiken, he practices from Seattle and I can only assume that he prepared articles.

The CHAIRMAN. Is it a limited partnership? I do not know what the Alaska law provides, but you file, of course, with the appropriate official in the State, if it is a limited partnership. We do in the State of Washington.

Mr. CREMO. You are correct, Senator. We both have the Limited Partnership Act.

The CHAIRMAN. All right, is this a limited partnership?

Mr. CREMO. No, sir.

The CHAIRMAN. It is a general partnership?

Mr. CREMO. Yes, sir.

The CHAIRMAN. And there is nothing filed in Alaska on that to your knowledge?

Mr. CREMO. There would be nothing filed.

The CHAIRMAN. It is not required when it is general partnership?

Mr. CREMO. That is correct, Senator.

The CHAIRMAN. Tell us, Governor or Mr. Cremo, the nature of this partnership. Who owns what?

Mr. CREMO. Hickel Investment Co. owns one-half of the partnership. One-quarter of the partnership is owned by a corporation, Lee Martin, Inc. And another quarter of it is owned by Odom Co., another corporation. The principals of those corporations are the same Mr. Odom whom I mentioned before, and a Mr. Martin of Honolulu.

The CHAIRMAN. So it is again a standoff.

Mr. CREMO. Yes, sir.

The CHAIRMAN. A standoff corporation, I mean partnership?

Mr. CREMO. Yes.

The CHAIRMAN. The Travelers' Inn of Anchorage, who owns that? Is that a corporation?

Mr. CREMO. That is a partnership.

The CHAIRMAN. That is a partnership?

Mr. CREMO. General partnership.

The CHAIRMAN. How is the partnership divided?

Mr. CREMO. Walter J. Hickel and Ermalee Hickel are the only partners.

The CHAIRMAN. So it is a sole—

Senator JORDAN. Wholly owned.

The CHAIRMAN (continuing). Partnership, husband and wife partnership?

Mr. CREMO. Yes; husband and wife partnership.

The CHAIRMAN. So that is entirely theirs. There is no one else involved in that, Governor, is that correct?

Governor HICKEL. That is right.

The CHAIRMAN. Clark's Painting & Decorating, Inc., is that a corporation or a partnership?

Mr. CREMO. Partnership.

The CHAIRMAN. And who owns the partnership?

Mr. CREMO. Walter J. Hickel one-half and George Muir the other half.

The CHAIRMAN. Is it the Hickel Investment Co., did you say?

Mr. CREMO. No, sir; Walter J. Hickel, individually, not Mrs. Hickel.

The CHAIRMAN. Governor Hickel individually owns one-half?

Mr. CREMO. Of that partnership.

The CHAIRMAN. And Mr. Muir owns the other half?

Mr. CREMO. Yes, sir.

The CHAIRMAN. Alaska is not a community property State?

Mr. CREMO. It is not.

The CHAIRMAN. Not a community property State?

Mr. CREMO. We don't have the community property laws. We have a statutory dower that replaced the common law dower.

The CHAIRMAN. Do you own any other business, Governor, any other enterprise—

Governor HICKEL. Yes.

The CHAIRMAN (continuing). Other than the ones—

Mr. CREMO. The Governor just mentioned, sir, the Parsons Hotel which is not an entity in itself. It is a property of Hickel Investment Co., and is covered in the confidential statement under—

The CHAIRMAN. No; it is not listed in the letter.

Mr. CREMO. Because there is no financial statement for it. It has no liabilities. It isn't an entity. It is just a property.

Governor HICKEL. A business.

The CHAIRMAN. In the narrative statement what is the name of it?

Mr. CREMO. Parsons Hotel.

Senator JORDAN. Listed on page 3.

The CHAIRMAN. I see it top of the page. "Parsons Hotel." Are you sole owners?

Mr. CREMO. Hickel Investment Co. owns the Parsons Hotel.

The CHAIRMAN. Hickel Investment Co. owns the Parsons Hotel, and it is just a sole ownership?

Mr. CREMO. No, sir. It is a sole ownership by the corporation.

The CHAIRMAN. It is a wholly owned subsidiary of Hickel Investment Co.?

Mr. CREMO. I beg to differ, it really isn't, Senator. It isn't a corporation. It isn't a subsidiary in any sense.

Senator JORDAN. Just a piece of property?

Governor HICKEL. A piece of property.

The CHAIRMAN. Who owns the piece of property?

Mr. CREMO. Hickel Investment Co.

Senator BURDICK. Same as the trailer court.

The CHAIRMAN. It is property belonging to the Hickel Investment Co. then. The Governor does not own it individually?

Mr. CREMO. You are correct, Senator.

The CHAIRMAN. All right, now what else? We are trying to get it all out here.

Governor HICKEL. Did you mention Mountain View Shopping Center which is the same thing. It is owned by Hickel Investment Co. It should be in there someplace.

Mr. CREMO. One of the properties of Hickel Investment Co. is known as Mountain View Shopping Center, but it is just a property. It is not an entity in any sense.

The CHAIRMAN. And that is owned by Hickel Investment?

Mr. CREMO. Yes.

Senator JORDAN. It is listed on page 3, leased to others.

The CHAIRMAN. What was the name of that?

Senator JORDAN. Mountain View, page 3.

The CHAIRMAN. Wait a minute.

Senator JORDAN. Property leased to others.

The CHAIRMAN. You are looking on this other.

Senator ANDERSON. That is a pretty substantial firm, isn't it, Mountain View, half a million or more?

Governor HICKEL. Yes.

The CHAIRMAN. Appraised value is \$680,000.

Senator ANDERSON. That is not a trifle.

The CHAIRMAN. But you own that exclusively?

Governor HICKEL. Yes.

Mr. CREMO. Hickel Investment Co.

The CHAIRMAN. You own Hickel Investment, no one else.

Senator BIBLE. What is it, Governor, a motel?

Governor HICKEL. A shopping center. It is actually just one store and they are expanding it now.

The CHAIRMAN. "Rental property, Third Avenue." That is Third Avenue what, Anchorage?

Mr. CREMO. Yes, sir.

The CHAIRMAN. And that in turn is owned by Hickel Investment. That is not in this other list either. Does Hickel Investment own all of it?

Governor HICKEL. Yes, Third Avenue property.

The CHAIRMAN. You own all of it?

Governor HICKEL. It is vacant lots and a couple of old houses. That is what it is. There is no income.

The CHAIRMAN. And Parsons Hotel?

Governor HICKEL. Yes, Parsons Hotel we just went over, Senator.

The CHAIRMAN. That is the previous one. The "Trailer Court."

Governor HICKEL. I can explain that. It was adjacent to Mountain View Shopping Center, and it was purchased to expand Mountain View Shopping Center. I do not know how much, what part of the trailer court they used to expand the shopping center. They are doing that now. But that is what it is. It is owned by Hickel Investment Co.

The CHAIRMAN. No one else has an interest in it?

Governor HICKEL. No.

The CHAIRMAN. Now, what other enterprises do you own? Is that all of it now? Have you listed all of it, other than the stock list that you have over on another page here? We will come to that.

Mr. CREMO. There are all of the things covered—

The CHAIRMAN. I am referring to interests other than the stock on page 5.

Mr. CREMO. There are all of the things, Senator, covered in the statement. There are 18 things listed there. For instance, the Governor owns, is one of the shareholders of Presbyterian Community House, Inc., in Anchorage. It is not stock.

Governor HICKEL. It is a bond proposition that the community got together to help build this hotel, I mean hospital.

The CHAIRMAN. That is just a community enterprise?

Governor HICKEL. Yes.

The CHAIRMAN. That is a bond, isn't it?

Governor HICKEL. Right.

Mr. CREMO. It is a \$1,000 bond.

The CHAIRMAN. What about the Valley Development Corp.?

Mr. CREMO. The best I can determine, Senator, is the Valley Development Corp. is a corporation which owns some unimproved real estate near Anchorage in a place known as the Matanuska Valley maybe 50 miles away.

Senator ANDERSON. What do you own there?

Mr. CREMO. Undeveloped real estate, farmland probably.

Senator ANDERSON. Is there a dam?

Mr. CREMO. No, no dam. There is a hydro project many miles from there but no dam in the Matanuska Valley, Senator.

Senator ANDERSON. The Matanuska Valley results from pouring some water through there, doesn't it?

Mr. CREMO. Yes.

Senator ANDERSON. We approved a project several years ago for that.

Mr. CREMO. I am not familiar with it, Senator.

Senator ANDERSON. You are not the authorized person to testify then, are you?

Mr. CREMO. On that point you are correct.

The CHAIRMAN. Governor, can you explain this?

Governor HICKEL. Is the Senator thinking of Eklutna Dam?

The CHAIRMAN. I think Senator Anderson is probably referring to the Matanuska project, you know, back in the 1930's.

Governor HICKEL. In 1935.

The CHAIRMAN. That was started I think by Secretary Ickes. This was an effort to get farming underway in the Matanuska Valley. The Eklutna Dam is a Bureau of Reclamation dam.

Mr. DREYFUS. It is on the opposite side of Cook Inlet. There is no Federal project in the Matanuska Valley.

Senator JORDAN. No irrigation.

The CHAIRMAN. The "Wakefield Sea Foods" of course is a well known company, and I understand on that you are going to dispose of your stock. The other items remaining, what about Barrow Realty? I do not think we have covered that. You have 10,000 shares in Barrow Realty.

Governor HICKEL. I can explain it.

The CHAIRMAN. Will you explain that?

Governor HICKEL. Yes. It is right across from a shopping center and it is owned by the three same principals, Barrow Realty, myself a third, Mr. Odom and Mr. Winslow. It has a frame building on it that they rent out. They have got a store in there and some little offices.

The CHAIRMAN. That is a corporation?

Governor HICKEL. Yes.

The CHAIRMAN. Do they lease to any of the Federal agencies?

Governor HICKEL. No.

Senator ALLOTT. On that while we are at it, is this a straight third across ownership in the corporation?

Governor HICKEL. Yes.

The CHAIRMAN. Alaska Interstate Co. You have 2 percent of its stock or 32,316 shares?

Governor HICKEL. We will dispose of that.

The CHAIRMAN. You will dispose of that. I am going down this list on page 3 here. Trans-America. You are in the process, you have already disposed of some of that?

Governor HICKEL. All but about four or five shares which came back as a dividend and I will dispose of that.

Senator ALLOTT. There isn't any reason really he has to dispose of that, is there, Trans-America?

Governor HICKEL. I got that through a merger of a title company. We started many years ago.

Senator ALLOTT. What possible conflict could there be?

Mr. CREMO. It is a conglomerate, Senator.

The CHAIRMAN. They are in real estate, I mean they are in everything.

Governor HICKEL. Everything.

The CHAIRMAN. Banking?

Governor HICKEL. No problem. I will be glad to sell it.

The CHAIRMAN. The Alaska Interstate Co. You have 32,316 shares and you are disposing of that?

Governor HICKEL. That will be disposed of.

Senator ALLOTT. Could I ask a question on that. What percentage of the company, about 2 percent?

Governor HICKEL. About 2 percent. Alaskans own about 14 to start with and there are about seven guys.

Senator ALLOTT. The disposal of that does not constitute a market problem, does it?

Governor HICKEL. I do not think so.

Senator ALLOTT. Or does it?

Governor HICKEL. No, I would not think so.

Mr. CREMO. I think if it had to be done in a moment perhaps yes, but in a few days, no problem.

The CHAIRMAN. Over a period of time?

Governor HICKEL. Yes, no problem.

Senator STEVENS. Has there been any time limit discussed?

The CHAIRMAN. We have not come to that. I am just going over these individual items. The Mountain Mining Co. was discussed in the open hearing. This is to be disposed of?

Governor HICKEL. Liquidation.

Mr. CREMO. Dissolved, yes.

The CHAIRMAN. It is to be dissolved or otherwise disposed of. Now, have we left anything out, Governor?

Governor HICKEL. I did not mention Alaska Horse Breeders. It is just nothing.

The CHAIRMAN. Twelve shares.

The CHAIRMAN. I do not see any point in that one at all. It is only the ones we are talking about. What about "Miscellaneous" here now?

Mr. CREMO. We are going to obtain that information.

The CHAIRMAN. Will you supply that to the committee?

Mr. CREMO. Yes, Senator.

The CHAIRMAN. That involves \$2,700 at purchase price.

Governor HICKEL. Whatever it is, we are trying to recollect it and I do not know, but whatever it is, if there is something wrong with it we will get rid of it.

The CHAIRMAN. Now on the "Miscellaneous" the other miscellaneous items that you have, you have listed \$1,201. Was that the purchase price? Then you have another figure. I see, that is the other two combined. Well, you will get the information on that, too.

Do you see that one?

Governor HICKEL. Right here?

The CHAIRMAN. Underneath.

Senator BIBLE. The lower one.

Mr. CREMO. I suspect that that is the Presbyterian bond.

The CHAIRMAN. Would you get that to the committee, please. That is a small item together with the \$2,794.50 miscellaneous item.

Now, are there any others?

Mr. CREMO. I do not think you have covered Life Insurance Co. of Alaska and Alaska Pacific Corp. Senator.

The CHAIRMAN. Is that owned individually? Who owns that?

Mr. CREMO. It is Domestic Life Insurance Co.

The CHAIRMAN. I understand that, but in whose name is the stock, "Life Insurance Co. of Alaska, Domestic Life"? It is not listed under the investments and securities of Walter and Ermalee Hickel. Who owns it?

Mr. CREMO. The stock of Life Insurance Co. of Alaska is owned by Alaska Pacific Corp. in part and Walter Hickel and others also owns some stock in the Life Insurance Co., in Life Insurance Co. of Alaska.

The CHAIRMAN. Why isn't that listed in the statement of Walter J. and Ermalee Hickel?

Senator BIBLE. Maybe that is miscellaneous stock.

Governor HICKEL. It could be.

Mr. CREMO. I think I made a misstatement, Senator, if I may—I think probably all of the stock of Life Insurance Co. of Alaska is owned by its holding company and in turn Walter J. Hickel stock is in Alaska Pacific Co.

The CHAIRMAN. Where does Alaska Pacific—I see it there, 1,000 shares?

Mr. CREMO. Yes.

The CHAIRMAN. So the stock that he has in the Life Insurance Co. of Alaska is represented by his ownership of stock in Alaska Pacific Corp. Alaska Pacific Corp. owns all of the stock, or substantially all of the stock of Life Insurance Co. of Alaska?

Mr. CREMO. Yes, sir; that is my understanding of the corporate arrangement. I do not represent that corporation. I have never seen the stock, but that is my understanding of the arrangement.

The CHAIRMAN. I do not see where that company—are they engaged in any Government business?

Governor HICKEL. No; it is a small company, four or five fellows got together and started out this Alaska Pacific Corp., just as the Domestic Life Insurance Co.

Mr. CREMO. Alaska only has two domestic life insurance companies.

The CHAIRMAN. What all does Alaska Pacific Corp. own?

Governor HICKEL. I think just a life insurance company.

The CHAIRMAN. That is all?

Governor HICKEL. As far as I know that is all they own.

The CHAIRMAN. You are a shareholder?

Governor HICKEL. Yes.

The CHAIRMAN. Do you know?

Governor HICKEL. I think that is all they own.

The CHAIRMAN. All right, now what—any other company?

Mr. CREMO. No other company as such, but item 20 on page 4 of the statement, Senator, covers various residential and business property.

The CHAIRMAN. Page 4, item 20: "Individual capacity, undeveloped residential and business property in Anchorage and Fairbanks." What is the value of that? Is it listed? It should be listed in the Walter—who owns this? It says in your individual capacity. That should show up in the Walter J. and Ermalee Hickel statement. I see over here we have some unimproved land. The appraised value of it is \$60,500 in Anchorage and \$125,000 in Fairbanks, total of \$205,000. That is just unimproved land?

Governor HICKEL. One in Fairbanks is contiguous to the Travelers' Inn. It was bought in 1955 and it is there for future expansion to expand if it wants to expand.

The CHAIRMAN. All right, now is there any other? Do you own any bonds, other than the Presbyterian bond?

Governor HICKEL. No. There is one lease here. I was just trying to think, that 7 acres—no, that is not it. The 60 acres and Campbell Road, I think 40 acres of that was leased in 1954 to the FAA to put radio towers on. They came to me and wanted to know if I owned that property. It was out there at a point of land. It had a 10-year lease

and a 10-year option with the FAA. They built these radio towers on it. It expires in 1974. They leased the land, 40 acres.

The CHAIRMAN. It is a lease entered into when?

Governor HICKEL. 1954.

The CHAIRMAN. And it runs until?

Governor HICKEL. 1974.

The CHAIRMAN. With an option to extend?

Governor HICKEL. No; there was two, 10-year leases and the last 10 years runs out—they renumbered the option in 1964 and now it runs out in 1974.

The CHAIRMAN. I do not see any problem on that.

Governor HICKEL. A nominal rent.

The CHAIRMAN. What is it annually?

Governor HICKEL. I think they pay me now \$350 a month or something like that for the 40 acres. That is what they pay me. It is a matter of public record and I do not know the exact dollars.

The CHAIRMAN. All right. Anything else?

Senator ALLOTT. There is one item in here, and I just bring it up for the record, and that is his home, boat—

The CHAIRMAN. That is not listed.

Senator ALLOTT. It is here somewhere because I saw it.

Mr. CREMO. On the last page.

Senator BIBLE. Page 4 of the letter.

Mr. CREMO. There is bank stock I think you omitted, Senator.

The CHAIRMAN. "Residential property and business property in Anchorage." Is that reflected in your financial—

Governor HICKEL. It says nonbusiness property.

The CHAIRMAN. No.

Senator BIBLE. Nonbusiness property.

Governor HICKEL. Nonbusiness.

The CHAIRMAN. I quote: "In my individual capacity I own undeveloped residential and business property in Anchorage and Fairbanks."

Governor HICKEL. That is listed.

The CHAIRMAN. You have already covered that?

Governor HICKEL. That is right.

The CHAIRMAN. Matanuska Valley Bank is a State bank with offices in Anchorage and so on. I quote:

"My children own an insignificant amount of its stock." It is a State bank.

Governor HICKEL. It is 150 shares. I paid \$10 a share and I gave each one of the children 150 shares.

The CHAIRMAN. I do not see any problem about that. It is a State bank?

Governor HICKEL. Yes.

The CHAIRMAN. State chartered?

Governor HICKEL. I will be glad to sell it if there is any conflict.

The CHAIRMAN. When was the bank chartered? How long ago?

Governor HICKEL. 1959 or 1960. The bank was chartered in 1953.

The CHAIRMAN. Sometime ago?

Governor HICKEL. Yes.

The CHAIRMAN. Anything else?

Senator BIBLE. I think Senator Allott wanted to clarify the last sentence—"home, non-business property."

The CHAIRMAN. "Furniture, automobiles."

Senator BIBLE. It does not bother me at all.

Senator ALLOTT. No, it does not bother me.

Senator BIBLE. You raised the question.

Senator ALLOTT. Yes, I did.

Senator BIBLE. And he did not seem to respond.

Senator ALLOTT. That is right, but just since we were going over this, this was one matter that had not been mentioned, and I knew I had seen this in the statement somewhere. And when there is one possibility, since we are talking roughly about assets and anything else, life insurance might constitute an asset if you have life insurance.

Governor HICKEL. I have about a half million in life insurance. I have had it for, oh, roughly half of it in the early 1950s, and the other half about 8 or 9 years ago or something like that roughly.

The CHAIRMAN. What is the cash value?

Governor HICKEL. I wish I knew.

Senator ALLOTT. Are they life policies?

Governor HICKEL. They are ordinary life policies.

Senator ALLOTT. Ordinary life policies?

Governor HICKEL. Ordinary life policies basically.

Senator ALLOTT. So you would have a certain amount of cash value?

Governor HICKEL. A certain amount. One of them I borrowed on a number of years ago, but I cannot remember.

Senator BURDICK. Gentlemen, aren't we going far afield when we go into life insurance?

Senator ALLOTT. Well, I think we are, but since this is a statement of assets, that is technically an asset.

The CHAIRMAN. That is right.

Senator ALLOTT. The cash value.

Senator BIBLE. Cash surrender value.

Senator ALLOTT. No Government bonds?

Governor HICKEL. No Government bonds.

The CHAIRMAN. You list cash \$3,982.19. That is as of December 31, 1967?

Governor HICKEL. Miscellaneous?

The CHAIRMAN. "Walter J." This is from your balance sheet.

Governor HICKEL. That is a lot of cash to have. I am always borrowing money. I am not being funny.

The CHAIRMAN. No money in savings banks?

Governor HICKEL. No.

Mr. CREMO. Senator, your question about life insurance, you might look at Hickel Investment Co.'s statement. Among its investments at cost to you will find the last item, cash value of life insurance \$117,000, a policy apparently owned by the corporation on the life of Walter J. Hickel.

The CHAIRMAN. Cash value of life insurance \$117,000. That is owned by the corporation?

Mr. CREMO. Yes, sir.

The CHAIRMAN. On the life of Walter Hickel, and of course this company is wholly owned by Governor and Mrs. Hickel?

Mr. CREMO. Yes, sir.

The CHAIRMAN. That is for purposes of covering, I suppose, any liability. But the cash is on hand in what, a checking account? This is on page 2 of your balance sheet, "Walter J. and Ermalee Hickel."

Governor HICKEL. It would be in a checking account.

The CHAIRMAN. But there is no money in—is that a checking account?

Governor HICKEL. Yes.

The CHAIRMAN. \$3,900 in a checking account. And nothing in savings banks?

Governor HICKEL. No. We do not have any in savings banks, no.

The CHAIRMAN. Any other item now on anything that you own? Does anyone have any questions on this particular point that we are now on?

Senator BIBLE. Only one question.

Mr. Chairman, I think the Governor of Alaska has been overly honest in disclosing everything that he has. But this is 1967 and your net worth has not changed much between December 31, 1967, and today? It is approximately the same?

Governor HICKEL. Yes.

Senator BIBLE. You are worth \$5 or \$6 million net worth, something like that?

Governor HICKEL. Yes. I would like to liquidate it.

Senator BIBLE. That is a pretty nice balance sheet. The only place you and I resemble each other is the amount we have got in our checking accounts. We are both broke there. Beyond that the resemblance ceases, but I have no questions at all except it has not changed markedly from December 31, 1967.

Governor HICKEL. They are expanding that Mountain View Shopping Center now.

Senator BIBLE. You are worth approximately \$5 to \$6 million. So what?

The CHAIRMAN. Any other questions on this point?

Senator GRAVEL. Not on this point. I would like to raise something else.

The CHAIRMAN. I want to dispose of these items first if we can. There is agreement, you understand. Is there any disagreement on the suggested disposal here that we have covered—what he is supposed to sell?

Senator ALLOTT. I have only one suggestion, Mr. Chairman, and that is that these suggested disposals be placed in writing and given to him.

The CHAIRMAN. That is right. We will ask the staff to go through the record, I do not want to try to summarize it now. I think the best way is to go through the record. We have covered them item by item, what you are going to dispose of.

If there is no objection, the committee will give Governor Hickel a list of the properties of every kind, nature, and description that he should dispose of, in the judgment of the committee. These are not necessarily, but possibly in conflict. We have gone through them, but I think we have to go through the record and we will go through them item by item, and each committee member will be given a copy.

Senator ALLOTT. I think this is the only way to do it, Mr. Chairman.

Senator BIBLE. Who makes that final determination, the chairman?

The CHAIRMAN. I will get it together.

Senator BIBLE. I delegate the authority to the chairman to make the final determination. I am satisfied.

The CHAIRMAN. We will go through the record here and see if there is any dispute about any item. Each member will be advised of what is being disposed of, with a copy of the list.

Senator ANDERSON. Are we going to report this?

This CHAIRMAN. We are going to meet at 8:30 on Monday.

Senator ANDERSON. I do not think we need to reveal the financial statement.

The CHAIRMAN. I think in fairness to the Governor I should advise the press as to what is being done. It is publicly known what he owns. I am not giving the value of anything, but what he is going to dispose of, and he will dispose of certain stocks that he owns, and then we will come to the next point. To what extent this record should be sanitized and released I think we can decide on Monday. We will have a copy available.

Mr. CREMO. Senator, may I comment?

The CHAIRMAN. Yes.

Mr. CREMO. You are listing what will be disposed of. I would like to state that the Governor has advised me that he is willing to make the list the other way around and say that he will keep whatever relates to hotels and shopping centers and land that might eventually be developed for those purposes, and dispose of everything else, the way he has explained it to me.

The CHAIRMAN. I do not feel that he has to dispose of everything. That is not our responsibility. I think our responsibility relates only to what in the judgment of the committee might be a possible conflict, not just what is actually a conflict, but what might potentially be a conflict, and we try to be fairly broad in that.

I will come to the next point.

Senator BELLMON. Before you leave this there was some discussion about the time element in disposing of the Alaska Interstate shares?

The CHAIRMAN. Yes, I think there should be a reasonable time so that he can sell the stock so as not to necessarily depress its value. I do not see why 4 or 5 months—that would be ample time, I would think, to dispose of it. We have always done that in connection with problems of a substantial nature coming up in the Armed Services Committee, where there is quite a bit of stock held. There will be no problem on that.

Senator ALLOTT. We do not want to depress him, either.

The CHAIRMAN. All right, now we understand, and we have got through—I think we have covered every item, have we not, that requires disposition?

Mr. VAN NESS. There are others.

The CHAIRMAN. I am talking about things that he should sell, and they are either corporate stock matters or they relate to some business interests, where it is in the form of stock or individually owned.

Now, the Chair would like to make this suggestion. That the Governor enter into an agreement not to operate, personally operate his business during his term of office, nor to be involved in the direct operation. That does not mean he cannot be consulted and so on, but I am talking about active management. The agreement will provide that he has divested himself of active management responsibilities.

Senator ALLOTT. Let me ask the Chair a question.

The CHAIRMAN. I think this is in our own interest.

Senator ALLOTT. For my own information, I do not think the Governor has any objection to this, but is there precedent for asking a man to divorce himself from his business, which is not connected with the Government?

The CHAIRMAN. I do not know whether there is or not, but this is an unusual situation where he is the sole owner.

Senator ALLOTT. Even so, are we getting ourselves into—there is no quarrel among any of us, there is not any quarrel with the Governor about divestiture if anything that could possibly bring a conflict of interest, but aren't we going pretty far to tell, I am looking at the future, to tell a man, look, you have got to divorce yourself from your business, completely?

The CHAIRMAN. Well, I have no objection if you leave this out, but I would think the Governor would like to have it. I do not know. What I am talking about is where he is involved in the actual operation of the business.

Governor HICKEL. It would be a physical impossibility, Senator.

The CHAIRMAN. I know but if you do not want to have it in I don't care.

Senator BURDICK. Mr. Chairman, we were holding the hearing on the Postmaster General, and he was in the contracting business, and he had had contracts with the Federal Government. In his case he just agreed that his corporation would do no further business with the Government.

The CHAIRMAN. I will come to that in a minute. Do you want to waive that? That is up to the committee. I would think, if I were the Governor, I would want to be able to point to the fact that I have agreed not to be involved in the actual operation. That is a vastly different thing.

Senator ALLOTT. Have we asked this of anybody else? Did we ask it of Secretary Udall?

Senator BIBLE. He did not have any business.

Senator ALLOTT. He had a law firm.

The CHAIRMAN. Who?

Senator FANNIN. A law firm, and his son worked for him.

The CHAIRMAN. Did he keep practicing?

Senator FANNIN. I think it is a very unfair request.

The CHAIRMAN. What is the wish of the committee? I don't want to spend a lot of time on it.

Senator HATFIELD. Mr. Chairman, I would like to say that if he were in a business where there was the possibility of doing business with the Government as a contractor or something like that, that might be one thing. But where he just has a business that is not directly related to the Government or a business with the Government, I question the precedent. Since I am not an attorney, I raise questions about some people who are still practicing law, as my colleagues, and I think that if there is going to be a conflict of interest given out as the reason for this, then we are going to have to start reviewing some of our own household practices.

The CHAIRMAN. I do not think a Senator or a Congressman—it is up to them. I have never had any earned income from any business or profession since I have been in office.

Senator CHURCH. Mr. Chairman, I think the gentlemen on the opposite side of the table are making a good case here. I think Mr. Hickel will find when he becomes Secretary that he is in a goldfish bowl. He will find that attending to the duties of this office will take all of his time. As a practical matter he won't be able to devote much time to his private affairs, and if he were to do so, he would soon be the subject of very severe criticism by those who will be watching through that goldfish bowl. So I think that if we include such a provision in the understanding between the Governor and the committee, we have set a precedent, and I think it would go beyond anything that I know of in connection with other Secretaries in the past, and I don't think that it is warranted in this case. There is no justification for it, and I would hope that we wouldn't take that step.

Senator ANDERSON. In the early days you could say a man should not take part in these ventures but here is a man who does take part in ventures right straight through. But I wouldn't worry a bit about—

The CHAIRMAN. I am not going to press it. I was just trying to be helpful to the Governor.

Governor HICKEL. I have an open mind on it.

The CHAIRMAN. I gather the committee does not wish to have any provision of that kind.

Senator BURDICK. Put a limitation in it that none of these companies do any business with the Government.

The CHAIRMAN. We will come to that point. That is the next one.

Senator BIBLE. As Secretary of the Interior he is not going to have much time left over. I think that is a valid point.

Senator FANNIN. It should be voluntary on his part.

Senator BIBLE. I should think he should be the judge because they are going to be watching him pretty closely.

The CHAIRMAN. There are two other points that remain. One is a prohibition against any of your wholly owned companies, either individually owned, corporately owned, or in partnership with anyone else, doing business with the Federal Government. I think this is something that should be made known to the committee in the form of a letter, a letter to us. We can work out those details, and with instructions to the employees.

Senator HATFIELD. Can Federal employees go to his hotel?

The CHAIRMAN. We went into that before. A Federal employee who rents a room is not acting for the Federal Government. He is acting individually and he is reimbursed individually. But if he should lease out the downstairs to the Government, a Government agency, I think he is then doing business with the Government. I do not think he wants to be in that kind of a position.

Senator ALLOTT. Let me ask this question. I do not know the situation up there, but suppose the Agriculture Department or the Soil Stabilization or somebody has a meeting up there and wants to rent a room in one of these hotels or motels for that, for that one meeting. Does this constitute doing business with the Government?

Senator JORDAN. Suppose a Senate committee is up there on business and stays at one of his hotels?

Senator ALLOTT. As a committee.

The CHAIRMAN. The Senate to my knowledge does not, and the committee does not rent rooms. Individuals rent them. I do not think that is going to be any problem. There has been enough discussion in the record on that.

Mr. VERKLER. You pay the fair market price for services rendered the same as anybody else. That cuts out the Government rate.

Governor HICKEL. I wouldn't give you a rate then because that would be influencing the committee.

Mr. VERKLER. There goes our Government rate.

The CHAIRMAN. Of course we broadened it. Initially it was suggested that your business limitation apply only to the Interior Department. I think it should apply to any of the Federal agencies within the Federal Government.

Senator ALLOTT. While you are on that, Scoop, would you refer to the two documents which control that, because this is all on the record. One is the Senate resolution.

Mr. VERKLER. House concurrent resolution.

The CHAIRMAN. Well, it is House Concurrent Resolution 175.

Senator ALLOTT. House concurrent resolution.

The CHAIRMAN. Let me read the pertinent part on this.

Senator ALLOTT. I think as long as they are referred to specifically.

The CHAIRMAN. I know, but let us put it in the record at this point. There are two things. There is an Executive order pursuant to a statute.

Governor HICKEL. I just have a note here, Mr. Chairman. Joe Keenan, who is the State land man, "Wire has been sent." It relates that I did have a State oil and gas lease which was dropped in 1965. BP has no leases issued since 1966.

The CHAIRMAN. That is British Petroleum?

Governor HICKEL. British Petroleum.

The CHAIRMAN. But you had a State lease?

Governor HICKEL. Yes, I did not know about it. It says I had a State lease which was dropped in 1965.

Senator BIBLE. You became Governor in 1966.

The CHAIRMAN. Is this one that carried over? Why wouldn't you know about that? I do not understand?

Governor HICKEL. It probably could have been a—I don't know—

The CHAIRMAN. You see, we run into the same thing in connection with the question asked about the leases in 1953 to 1963.

Governor HICKEL. I am bringing it up because—

The CHAIRMAN. I know, but don't you see why I want it? I tried to be as fair as I could be.

(Discussion off the record.)

The CHAIRMAN. The House concurrent resolution was passed as House Concurrent Resolution 175, passed July 11, 1958, providing for a code of ethics for Government service. The code provides to all Government employees including officeholders. Section 7 provides:

Any person in Government service should engage in no business with the Government, either directly or indirectly, which is inconsistent with the conscientious performance of his Government business.

And an Executive order. The concurrent resolution is adequate to point out the need on not doing any business with the Federal Government because it is explicit, it is unambiguous and completely unequivocal, so I think we have covered that now. The staff has prepared a memorandum on some of the relevant conflict of interest laws and we will insert that for the record.

(The memorandum referred to follows:)

MEMORANDUM ON CONFLICT-OF-INTEREST LAW

There are a number of provisions of law which are relevant to any potential conflict of interest questions or question of management of personal assets which normally face persons nominated or appointed to positions in the Federal government. The major provisions of this body of Federal law are set out below:

H. Con. Res. 175, passed July 11, 1958:

"CODE OF ETHICS FOR GOVERNMENT SERVICE

"The code applies to all government employees, including office holders.

"Subsection 7 provides:

"Any person in government service should:

"7. Engage in no business with the government, either directly or indirectly, which is inconsistent with the conscientious performance of his government duties."

18 U.S.C. 208 (a) provides as follows:

"§ 208. Acts affecting a personal financial interest.

"(a) Except as permitted by subsection (b) hereof, whoever, being an officer or employee of the executive branch of the United States Government, of any independent agency of the United States, or of the District of Columbia, including a special Government employee, participates personally and substantially as a Government officer or employee, through decision, approval, disapproval, recommendation, the rendering of advice, investigation, or otherwise, in a judicial or other proceeding, application, request for a ruling or other determination, contract, claim, controversy, charge, accusation, arrest, or other particular matter in which, to his knowledge he, his spouse, minor child, partner, organization in which he is serving as officer director, trustee, partner or employee, or any person or organization with whom he is negotiating or has any arrangement concerning prospective employment, has a financial interest—"

Subsection (a) is discussed in a Memorandum of the Attorney General Regarding Conflict of Interest Provisions of Public Law 87-849, February 1, 1963, 28 F.R. 985. The memorandum is printed following 18 U.S.C. 201.

Ex. Ord. No. 11222, May 8, 1965, 30 F.R. 6469, Standards of Ethical Conduct for Government Officers and Employees sets out the Federal Government's current requirements for Federal employees.

While all of the Executive Order is relevant, the portions of particular concern are set out below (the Executive Order is printed following 18 U.S.C. 201 (1964 Supp. III)):

Subsection 201 (c):

"(c) It is the intent of this section that employees avoid any action, whether or not specifically prohibited by subsection (a), which might result in, or create the appearance of—

"1. Using public office for private gain;

"2. Giving preferential treatment to any organization or person;

"3. Impeding government efficiency or economy;

"4. Losing complete independence or impartiality of action;

"5. Making a government decision outside official channels; or

"6. Affecting adversely the confidence of the public in the integrity of the Government."

Section 203:

"Employees may not (a) have direct or indirect financial interests that conflict substantially, or appear to conflict substantially, with their responsibilities and duties as Federal employees, or (b) engage in, directly or indirectly, financial transactions as a result of, or primarily relying upon, information obtained through their employment. Aside from these restrictions, employees are free to engage in lawful financial transactions to the same extent as private citizens.

Agencies may, however, further restrict such transactions in the light of the special circumstances of their individual missions."

There are, of course, other provisions of law which are relevant to potential conflict of interest questions or questions involving the management of assets owned by employees of the Federal government. The major provisions are codified in 18 U.S.C. 201 through 219.

JANUARY 18.

BURT SILCOCK,
Department of Interior, Anchorage Alaska:

This wire confirms our telephone conversations of yesterday January 17 concerning a check of all BLM files and information on any oil leases or oil applications held or in the past held by Walter J. Hickel and a number of related business interests.

This information was requested under the direction of Senator Henry M. Jackson, Chairman, Senate Interior Committee. Want full report by wire to Senator Jackson. Want detailed background report by airmail special delivery letter at earliest date.

WILLIAM J. VAN NESS,
Special Counsel, Senate Interior Committee.

The CHAIRMAN. I would suggest that Mr. Cremo and members of the staff here get together on the form that we want to have to cover both of these items, the disposition of the stocks and the understanding with reference to the agreement not to operate any of these businesses so as to involve any business with the Federal Government.

Is there a further question on this point?

Senator BIBLE. Have you covered one point that is raised every now and then on some of the appointees I have had. Do you have any tax litigation with the Department of Internal Revenue?

Governor HICKEL. Yes. You know about that.

Senator BIBLE. Because somebody might raise the question.

The CHAIRMAN. That was covered in the open hearings.

Senator JORDAN. He mentioned it here in the statement.

Senator BIBLE. I understand, about an earthquake problem. That is the only one you had.

Governor HICKEL. That is the only one.

Senator BIBLE. You do not owe Uncle Sam a lot of money for unpaid income tax?

Governor HICKEL. No.

Senator BIBLE. You have paid all your taxes regularly?

Governor HICKEL. I assume they have.

Senator BIBLE. We do have that arise.

The CHAIRMAN. Right. Can you supply that for the record, in case it is not fully covered now, when this lease was entered into?

Governor HICKEL. That State lease?

The CHAIRMAN. On State land?

Governor HICKEL. Yes, I can get that. I sure do not know.

Senator STEVENS. I have already asked for that.

The CHAIRMAN. You have already asked for that?

Governor HICKEL. It could not be one of those top filed.

Senator STEVENS. It could have been State land in that top filed area?

Governor HICKEL. I just do not go around buying leases.

Senator STEVENS. It may have been land that was top filed.

The CHAIRMAN. Suppose we have that information on Monday when we meet?

Senator Gravel?

Senator GRAVEL. I do not want to take too much time. I have a similar interest as does Senator Allott that Governor Hickel go in with no cloud over his head. Right after the public meeting there was a question raised concerning the New York Insurance Co. and State employees. I think it should be nailed down—the certain vagaries that were stated there—for your own benefit.

Governor HICKEL. I think the telegram should do it.

Senator GRAVEL. The coincidence still remains, be that as it may. The telegram only covers the fact that it refers to a prior administration. All the telegram says as I read it is that Governor Egan, your predecessor, was faced with a statement from New York Life that rates have either got to go up or we have to decrease service. Nothing else was done. And I can recall at the time that this occurred I spoke to Governor Egan, and he was of a mind at that time not to do anything about it, and he did nothing. Apparently your administration did do something about it in the month of May. Prior to May, as I understand it, the loan from New York Life took place in January, and you became Governor in December, so the telegram which you placed in the record has no relevancy to the sequence of events which creates the coincidence. The press is tearing you apart and will tear Members apart if the sequence is not properly cleared up. The document that I think would solve your problem and all of our problems immediately would be if you had the commitment letter of the prior year, showing that you had a commitment for the money before you were elected Governor, and I think that would dispel any coincidence involved.

Governor HICKEL. Do you have that?

Mr. CREMO. Yes.

Senator GRAVEL. I think the commitment letter should be placed in the record so it can be clearly seen he acquired a loan, he had a commitment for a loan unrelated to the fact that he became Governor.

The CHAIRMAN. Governor, I think Senator Gravel has a very important point here, because the record is cloudy on this point, the way it stands.

Senator GRAVEL. It is a question they ask the chairman. I heard your interview.

The CHAIRMAN. That is right.

Senator GRAVEL. This is the first thing they seized upon, were you satisfied with the Governor's answer to this coincidence, and was Senator McGovern satisfied. I think the press will delve into this subject until they get a positive answer. The simplest form would be this letter of commitment.

The CHAIRMAN. Go ahead, Mr. Cremo. Would you provide it and respond to the point made by Senator Gravel?

Mr. CREMO. Yes, Senator. Senator, first of all my knowledge of this comes in part from what I can read here and in part from having worked, having done some of the legal work in connection with the loan.

For instance, the collateral for the loan consisted in part of national leases, leases with Montgomery Ward and leases with Safeway. I reviewed those leases. They were prepared by their company's counsel, but I had an opportunity to work on those. I also worked on the loan paper directly.

The CHAIRMAN. Did they involve an assignment of the leases?

Mr. CREMO. Yes, sir.

The CHAIRMAN. To New York Life?

Mr. CREMO. Yes, sir.

The CHAIRMAN. As collateral?

Mr. CREMO. As collateral. I also worked, I imagine I drew both the promissory note and the deed of trust which was used. The original commitment dated August 16, 1966, in the sum of \$2,535,000 had an interest rate of 6½ percent, that is here.

Senator JORDAN. August 16, 1966?

Mr. CREMO. August 16, 1966.

Senator STEVENS. You say it is here. Let us file it. That is what they want.

Mr. CREMO. All right.

(The data referred to follows:)

NEW YORK LIFE INSURANCE COMPANY

MORTGAGE LOAN COMMITMENT

AUGUST 16, 1966.

NORTHERN LIGHTS SHOPPING CENTER, INC.,
Anchorage, Alaska.

New York Life Insurance Company will make the first mortgage loan, identified below and herein referred to as the "Loan," based on the representations made in your mortgage loan application, subject, however, to your compliance with each of the terms and conditions set forth herein prior to date of closing of the Loan.

THE LOAN

Mortgagor: Northern Lights Shopping Center, Inc.

Loan Amt.: \$2,535,000 (to be made in two advances—first advance of \$1,740,000 to be made not later than October 1, 1966—final advance of \$795,000 to be made not later than March 1, 1967). Int. Rate: 6½% per annum. Term: 18 years 0 months.

Repayable: Monthly installments of \$19,940 including interest, the balance of principal, if any, to be paid on maturity of the Loan. Monthly installments shall be due and payable on the first day of each month.

Required Deposits: Monthly deposits of ¼¹²th of the annual taxes and hazard insurance premiums as estimated by us to accumulate for such charges when due. No interest shall be payable on such deposits.

Prepayment Privilege: No privilege is reserved to prepay principal in whole or in part, during the first nine (9) loan years. Beginning with the tenth (10th) loan year, and upon sixty (60) days written notice, privilege is reserved to pay up to twenty per cent (20%) of the original indebtedness on any interest date in any one loan year; and to pay the loan in full on any interest date, upon payment of a prepayment charge of three per cent (3%) if the loan is paid in full during the tenth (10th) and eleventh (11th) loan year, such prepayment charge to decline one-half of one percent (½ of 1%) per year beginning with the twelfth (12th) loan year through the fourteenth (14th) loan year with a prepayment charge of one per cent (1%) thereafter. The prepayment charges are to be computed on the sum of (1) the unpaid principal balance at the time of any such prepayment and (2) any other prepayment or prepayments of principal made during the loan year in which payment in full is made.

THE SECURITY

The evidence of indebtedness shall be secured by a mortgage or deed of trust which shall be a first lien on the marketable fee simple absolute title to the real property, the appurtenances thereto, and the improvements to the property described herein and in the mortgage loan application (herein collectively called the "Real Property") and such other security as is hereinafter described, subject only to such encumbrances as shall be acceptable to us and free of the possibility of any prior mechanics' or materialmen's liens or special assessment for work completed or under construction on the date of closing.

The Real Property

Location: 1200 Northern Lights Boulevard, Anchorage, Alaska.

Plot Size: Irregular, containing approximately 463,167 sq. ft. (10.63 acres).

General Description of Improvements: Existing one and two-story, masonry and frame Shopping Center containing 6 stores with an approximate rentable area of 61,136 sq. ft. Entire 61,136 sq. ft. to be remodeled to accommodate Caribou-Montgomery Ward. New 1 sty. masonry supermarket containing 34,231 sq. ft. and proposed 1 sty. and unfinished 2 sty. building containing 5 stores to contain 36,346 sq. ft. plus a tire, battery and accessory store of approximately 14,644 sq. ft. Paved parking area (ratio 2.4 to 1). Total rentable area 146,357 sq. ft.

Occupancy Leases.—Each lease of any part of the Real Property shall be executed in form satisfactory to our Office of the General Counsel and assigned to us as additional security for the Loan. The assignment shall be recorded and notice thereof served on the tenants. As to each lease to be assigned, the lease shall be in full force and effect, there shall be no rental offsets or claims or defenses to enforcement of the lease, the tenant shall have accepted its premises, confirmed commencement of the lease term, and shall have acknowledged that it is in occupancy and paying rent on a current basis. Evidence to that effect satisfactory to us shall be furnished us. The substance of all leases affecting any part of the Real Property shall be satisfactory to us, including the term, the tenants, and the rent payable. Within a reasonable time prior to date of closing, you shall meet our requirements as to which leases, if any, shall be made superior and which shall be made subordinate to the mortgage.

GENERAL CONDITIONS

1. *Approval of General Counsel.*—The form and substance of each and every document evidencing the Loan and the security therefor or incident thereto, and any proceedings incident thereto, and the title and evidence thereof must be satisfactory to our Office of the General Counsel.

2. *Hazard Insurance.*—Policies, in form and issued by companies satisfactory to us, of fire and extended coverage as we may require, are to be delivered to us (and maintained during the term of the Loan) with acceptable mortgage clauses in our favor and, where required by us, waiver of subrogation clauses attached, in the amount of at least \$2,300,000, together with evidence of payment of premiums thereon. An insurance schedule for our approval must be submitted at least 15 days prior to closing.

4. *Commencement and Completion of Construction.*—Construction of 1 and 2 story building containing 5 stores and 2 story T.B. Store shall be completed on or before January 1, 1967, subject to unavoidable delays as herein defined. Failure so to do, unless time for commencement and/or completion is extended by us in writing, shall be deemed a default hereunder. If by reason of unavoidable delays construction shall not be completed prior to January 1, 1967, the time for such completion shall be extended by a period equal to the period of such delays, but in no event for a period in excess of six months unless we shall have otherwise agreed in writing. The term "unavoidable delays" shall mean only delays due to strikes, acts of God, inability to obtain labor or materials, governmental restrictions, enemy action, civil commotion, fire or similar causes provided such similar causes are beyond your control. A report from our appraiser, confirming compliance with the condition of completion in accordance with the plans and specifications as appraised, must be furnished us prior to date of closing.

5. *Changes in Final Plans and Specifications.*—No change of any substance shall be made in the final plans and specifications approved by us pursuant to General Condition 4 without prior written approval by us. The making of such change without our prior written approval and its incorporation into the structure shall be deemed a default hereunder. Two copies of final plans and specifications and any changes thereto shall be furnished us.

6. *Standard of Construction.*—The buildings and all other improvements contemplated by this commitment, including grading, landscaping, and all other on- and off-site improvements, shall be made and completed of first-class materials and in a good, substantial and workmanlike manner in accordance with the plans and specifications approved by us and shall be fully equipped with first-class equipment, and we shall be furnished with evidence satisfactory to us that all of the aforesaid are paid for or that adequate provision is made therefor. Any work or materials not directly noted in the plans and specifications but necessary

for the proper carrying out of the intention thereof are to be implied and are to be provided for as if specifically described. Incorporation into the improvements of any work or materials or equipment which do not conform to such standards at any time during the course of the work shall be deemed an immediate default hereunder.

7. *Architect's Certificate.*—Prior to date of closing a final certificate of completion by the mortgagor's architect Crittenden, Cassetta, Wirum & Jacobs shall be delivered to us certifying that the buildings and improvements have been completed in accordance with the final plans and specifications approved by us and in accordance with applicable law, on a form of architect's certificate furnished by us.

8. *Audit.*—The mortgage documents shall contain a covenant requiring the mortgagor, without expense to us, to furnish an annual audit of the operation of the Real Property, showing in reasonable detail total rents received and total expenses together with annual balance sheets and profit and loss statements, prepared and certified by a certified public accountant, within 120 days after the close of each fiscal year, and such interim balance sheets and profit and loss statements as may be required by us.

9. *Waiver of Redemption.*—If the statutes of the state in which the Real Property is located provide a right of redemption but permit the mortgagor to waive that right, such provision shall be incorporated in the mortgage documents.

10. *No Material Change.*—Except as may be otherwise provided herein, the Loan, the income and expenses of the Real Property, the occupancy leases, and all other features of the transaction shall be as represented in the mortgage loan application without material change.

Prior to date of closing no part of the Real Property shall have been damaged and not repaired to our satisfaction, nor taken in condemnation or other similar proceeding, nor shall any such proceeding be pending. Neither the mortgagor nor any tenant under any lease to be assigned as security nor any guarantor of the Loan or any such lease shall be the subject of any bankruptcy, reorganization, or insolvency proceeding. No default shall have occurred and be continuing in the performance of any obligation in the instruments evidencing or securing the Loan or incidental thereto.

11. *Title Insurance.*—Title insurance in form and issued by title company (ies) satisfactory to us, in the amount of the Loan shall be delivered to us, insuring us as a holder of the indebtedness secured by the first mortgage or deed of trust provided for herein, subject only to such exceptions as shall be approved by our Office of the General Counsel. The title policy shall show no delinquent taxes and assessments affecting the Real Property or any part thereof on the date of closing.

12. *Compliance with Law.*—Evidence satisfactory to us shall be furnished certifying that all improvements and their use comply fully with all applicable zoning and building laws, ordinances and regulations, and all other applicable federal, state and municipal laws and requirements. The Loan and our making or purchase thereof shall be in all respects legal and shall not violate any applicable law or other requirement of any governmental authority.

13. *Survey.*—Within a reasonable time prior to date of closing a survey of a licensed surveyor satisfactory to us and the title company prepared after completion of improvements and dated not more than 30 days prior to closing shall be furnished us. The survey shall show dimensions and total square foot area of the Real Property; interior lot lines, if any; dimensions and location of improvements; parking areas; easements, if any; location of adjoining streets; and the distance to and names of nearest intersecting streets; and such other details as to the Real Property as may be requested by us.

14. *Estoppel.*—If we are to acquire the Loan by assignment, we must be furnished with estoppel affidavit of the mortgagor or interim mortgagee stating the amount then unpaid on the evidence of indebtedness and that no defenses or setoffs exist with respect thereto. A certificate as to disbursement of the full amount of our Loan and such other documents and certificates as we shall require shall also be furnished.

15. *Street Dedication.*—All streets necessary for access to the Real Property must be completed, dedicated, and accepted for maintenance and public use by the appropriate governmental authorities and satisfactory evidence thereof submitted to us.

16. *Assignability.*—Neither this commitment nor the Loan proceeds shall be assignable without our prior written consent and without such consent there

shall be no right to designate a payee of such Loan proceeds. Any attempt at assignment without such consent shall be void. It is understood, however, that consent will not be withheld to assignment of the commitment to a bank or other financial institution for the purpose of obtaining interim financing. This commitment cannot be changed, discharged, or terminated orally but only by an instrument in writing signed by the party against whom enforcement of any change, discharge, or termination is sought.

17. *Expenses.*—Your acceptance of this commitment shall constitute your unconditional agreement to pay all fees, expenses, and charges in respect to the Loan, or its making or transfer to us or in any way connected therewith including, without limiting the generality thereof, the fees and expenses of local counsel should local counsel be employed by us in connection with this transaction, title insurance and survey costs, recording and filing fees, mortgage taxes, documentary stamps, and any other taxes, fees and expenses payable in connection with this transaction. We shall not be required to pay any premium or other charge or any brokerage fee or commission or similar compensation in connection with this transaction, and by your acceptance of this commitment you agree to defend, indemnify, and hold us harmless against and from any and all claims for any fees, charges, commissions, taxes, and compensation in connection with the Loan or its making or transfer to us or in any way connected therewith. Your obligation for such expenses, fees, charges, compensation, and taxes shall be in addition to your obligation to pay the amount of liquidated damages, if any, hereinafter referred to.

18. *Liquidated Damages.*—In consideration of our making this commitment and holding ourselves willing and ready to acquire the Loan within the time hereinafter stated, and in further consideration of the substantial services which we as prospective mortgagee have rendered and will be required to render and incur in preparation for the closing, and in view of the difficulty of ascertaining the amount of damages which would be sustained by us should this Loan not be acquired by us, your acceptance of this commitment shall constitute your unconditional obligation to pay New York Life Insurance Company as liquidated damages the sum of \$25,350 on our demand if the Loan has not been acquired by us on or before the expiration date of the commitment as herein set forth in full compliance with the conditions of this commitment. If the Loan has not been acquired by us by the said expiration date or if you have defaulted prior to said date in any of the terms or conditions of this commitment, unless we have waived such default in writing, our obligations hereunder shall cease as of said expiration date or as of such earlier date but your obligation for the payment of damages by reason of such default shall survive until fully paid and satisfied. Your acceptance of any other loan commitment with respect to the Real Property except for said interim financing shall be deemed a default hereunder.

19. *Security Deposit.*—Concurrently with your acceptance hereof, and so long as this commitment shall remain in effect, you shall maintain on deposit with us as security for the performance of your obligations hereunder \$25,350 in cash, which we shall hold but not in trust and without interest. If for any reason the transaction contemplated hereby is not consummated and the Loan is not acquired by us within the time herein set forth for such consummation and acquisition by us, we shall have the right, in our absolute discretion, and without the requirement of any notice to you, to apply said amount in payment of the liquidated damages provided for in the preceding paragraph. It is further understood that if the Loan herein contemplated shall have been acquired by us as herein provided, we shall return the aforesaid deposit to you.

20. *Expiration Date—Date of Closing.*—The acquisition of the Loan by us shall take place as soon as all of the conditions of this commitment have been met but in no event later than March 1, 1967 unless this commitment is extended by us in writing.

Your acceptance of this commitment must be indicated by your signing and returning to us the enclosed counterpart within 10 days from the date hereof. Until receipt thereof by us, we will have no obligation hereunder. This commitment supersedes any and all previous commitments with respect to this transaction and may be modified only in writing signed by the parties hereto.

NEW YORK LIFE INSURANCE COMPANY,
By A. H. ATTLENEY, Assistant Manager.

To New York Life Insurance Company:

The undersigned hereby unconditionally accepts the foregoing commitment in accordance with the terms and conditions therein contained and agrees to be bound thereby, and in accordance therewith agrees that the mortgage loan which you have agreed to make (or purchase) will be accepted (or sold) by the undersigned on the terms and conditions set forth herein.

Date: Aug. 22, 1966.

NORTHERN LIGHTS SHOPPING CENTER, INC.
By WALTER J. HICKEL.

SUPPLEMENTARY CONDITIONS

21. A first advance of \$1,740,000 shall be made not later than October 1, 1966 subject to the following:

(A) There shall be leases in existence with the following tenants on the following terms:

Tenant	Term of lease	Square feet area	Annual rent
Safeway.....	15	34,231	\$110,000
Caribou-Ward ¹	10	49,525	138,000
Rexall.....	4	7,197	25,909
Jewelry.....	2	1,680	7,056
Giftshop.....	---	1,661	6,976
Total.....	---	94,294	287,941

¹ Guaranteed by Montgomery Ward & Co.

22. A second and final advance of \$795,000, shall be made not later than March 1, 1967 subject to the following:

(A) Compliance with Conditions 4, 5, 6 and 7 of the General Conditions.

(B) There shall be leases in existence with the following tenants on the following terms:

Tenant	Term of lease	Square feet area	Annual rent
Safeway.....	15	34,231	\$110,000
Caribou-Ward ¹	10	75,780	180,000
Rexall Drug (franchise).....	5	18,204	65,000
Gift Shop.....	5	2,870	12,054
Jewelry.....	1	2,050	8,610
Total.....	---	133,135	375,664

¹ Guaranteed by Montgomery Ward & Co.

Senator GRAVEL. And the subsequent loan was for how much?

Mr. CREMO. The subsequent commitment, which ties to that commitment, and I will explain, is dated December 12, 1966. The first commitment which I handed to the chairman is for \$2,500,000 and something, \$2,535,000, is it?

The CHAIRMAN. \$2,535,000, 6½ percent, 18 years, dated August 16, 1966.

Mr. CREMO. The next commitment is for \$2,740,000. In other words it picks up that amount. It amends that amount by adding \$205,000.

The CHAIRMAN. But it is not in addition to?

Mr. CREMO. Not in addition to.

The CHAIRMAN. This is the new figure?

Mr. CREMO. It is still a first mortgage on the same property is what we are talking about.

The CHAIRMAN. All right.

Mr. CREMO. The interest rate, however, New York Life was very difficult about, and they raised the interest rate just for the additional \$200,000. They raised it to 6½%.

The CHAIRMAN. On the \$200,000?

Mr. CREMO. No, sir.

The CHAIRMAN. For the whole business?

Mr. CREMO. The whole thing.

Governor HICKEL. We had a battle with them on that.

Mr. CREMO. In other words, it cost the Governor about \$30,000. In addition to that, Sir—

Senator STEVENS. Let us file that now.

Mr. VERKLER. Dated December 12, 1966.

(The data referred to follows:)

NEW YORK LIFE INSURANCE COMPANY

MORTGAGE LOAN COMMITMENT

DECEMBER 12, 1966.

NORTHERN LIGHTS SHOPPING CENTER, INC.

Box 1700, Anchorage, Alaska:

New York Life Insurance Company will make the first mortgage loan, identified below and herein referred to as the "Loan," based on the representations made in your mortgage loan application, subject, however, to your compliance with each of the terms and conditions set forth herein prior to the date of closing of the Loan.

THE LOAN

Mortgagor: Northern Lights Shopping Center, Inc.

Loan Amt.: \$2,740,000; Int. Rate 6½% per annum; Term: 18 years.

Repayable: Monthly installments of \$21,749.16 including interest, the balance of principal, if any, to be paid on maturity of the Loan. Monthly installments shall be due and payable on the first day of each month.

Required Deposits: Monthly deposits of 1/12th of the annual taxes and hazard insurance premiums as estimated by us to accumulate for such charges when due. No interest shall be payable on such deposits.

Prepayment Privilege: No privilege is reserved to prepay principal in whole or in part, during the first nine (9) loan years. Beginning with the tenth (10th) loan year, and upon sixty (60) days written notice, privilege is reserved to pay up to twenty per cent (20%) of the original indebtedness on any interest date in any one loan year; and to pay the loan in full on any interest date, upon payment of a prepayment charge of three per cent (3%) if the loan is paid in full during the tenth (10th) and eleventh (11th) loan year, such prepayment charge to decline one-half of one per cent (½ of 1%) per year beginning with the twelfth (12th) loan year through the fourteenth (14th) loan year a prepayment charge of one per cent (1%) thereafter. The prepayment charges are to be computed on the sum of (1) the unpaid principal balance at the time of any such prepayment and (2) any other prepayment or prepayments of principal made during the loan year in which payment in full is made. It is understood and agreed that the tenth (10th) loan year stated herein commences on the expiration of nine (9) years from the date of the first required amortization payment.

THE SECURITY

The evidence of indebtedness shall be secured by a mortgage or deed of trust which shall be a first lien on the marketable fee simple absolute title to the real property, the appurtenances thereto, and the improvements to the property described herein and in the mortgage loan application (herein collectively called the "Real Property") and such other security as is hereinafter described, subject only to such encumbrances as shall be acceptable to us and free of the possibility of any prior mechanics' or materialmen's liens or special assessments for work completed or under construction on the date of closing.

The Real Property

Location: 1200 Northern Lights Boulevard, Anchorage, Alaska

Plot Size: Irregular, containing approximately 420,539 s.f. (9.65 acres).

General Description of Improvements: Existing one and two-story, masonry and frame Shopping Center containing six stores with an approximate rentable area of 61,136 sq. ft.—entire 61,136 sq. ft. remodeled to accommodate Caribou-Wards, Inc.

New one story, masonry Supermarket containing 34,231 sq. ft. and proposed one-story and part two-story building containing six stores with approximately 36,646 sq. ft. plus 3,000 sq. ft. semi-finished second floor storage area, and a Tire, Battery and Accessory Store of approximately 14,644 sq. ft. Paved parking area (ratio 2.1—1). Total rentable area 149,657 sq. ft.

Occupancy Leases.—Each lease of any part of the Real Property shall be executed in form satisfactory to our Office of the General Counsel and assigned to us as additional security for the Loan. The assignment shall be recorded and notice thereof served on the tenants. As to each lease to be assigned, the lease shall be in full force and effect, there shall be no rental offsets or claims or defenses to enforcement of the lease, the tenant shall have accepted its premises, confirmed commencement of the lease term, and shall have acknowledged that it is in occupancy and paying rent on a current basis. Evidence to that effect satisfactory to us shall be furnished us. The substance of all leases affecting any part of the Real Property shall be satisfactory to us, including the term, the tenants, and the rent payable. Within a reasonable time prior to date of closing, you shall meet our requirements as to which leases, if any, shall be made superior and which shall be made subordinate to the mortgage.

GENERAL CONDITIONS

1. *Approval of General Counsel.*—The form and substance of each and every document evidencing the Loan and the security therefore or incident thereto, and any proceedings incident thereto, and the title and evidence thereof must be satisfactory to our Office of the General Counsel.

2. *Hazard Insurance.*—Policies, in form and issued by companies satisfactory to us, of fire and extended coverage and such other hazard insurance (including war damage insurance, if available, from the U.S. Government or any agency thereof) as we may require, are to be delivered to us and (and maintained during the term of the Loan) with acceptable mortgagee clauses in our favor and, where required by us, waiver of subrogation clauses attached, in the amount of at least \$2,300,000, together with evidence of payment of premiums thereon. An insurance schedule for our approval must be submitted at least 15 days prior to closing.

* * * * *

4. *Commencement and Completion of Construction.*—Construction shall be diligently prosecuted, and shall be completed on or before January 1, 1967, subject to unavoidable delays as herein defined. Failure so to do, unless time for commencement and/or completion is extended by us in writing, shall be deemed a default hereunder. If by reason of unavoidable delays, construction shall not be completed prior to January 1, 1967, the time for such completion shall be extended by a period equal to the period of such delays, but in no event for a period in excess of six months unless we shall have otherwise agreed in writing. The term "unavoidable delay" shall mean only delays due to strikes, acts of God, inability to obtain labor or materials, governmental restrictions, enemy action, civil commotion, fire or similar causes provided such causes are beyond your control. A report from our appraiser, confirming with the condition of completion in accordance with plans and specifications as appraised, must be furnished us prior to date of closing.

5. *Change in Final Plans and Specifications.*—No change of any substance shall be made in the final plans and specifications approved by us pursuant to General Condition 4 without prior written approval by us. The making of such change without our prior written approval and its incorporation into the structure shall be deemed a default hereunder. Two copies of final plans and specifications and any changes thereto shall be furnished us.

6. *Standard of Construction.*—The buildings and all other improvements contemplated by this commitment, including grading, landscaping, and all other on- and off-site improvements, shall be made and completed of first-class materials and in a good, substantial and workmanlike manner in accordance with the plans and specifications approved by us and shall be fully equipped with first-

class equipment, and we shall furnish with evidence satisfactory to us that all the aforesaid are paid for or that adequate provision is made therefor. Any work or materials not directly noted in the plans and specifications but necessary for the proper carrying out of the intention thereof are to be implied and are to be provided for as if specifically described. Incorporation into the improvements of any work or materials or equipment which do not conform to such standards at any time during the course of the work shall be deemed an immediate default hereunder.

7. *Architect's Certificate.*—Prior to date of closing a final certificate of completion by the mortgagor's architect Crittenden, Cassetta, Wirun & Jacobs shall be delivered to us certifying that the buildings and improvements have been completed in accordance with the final plans and specifications approved by us and in accordance with applicable law, on a form of architect's certificate furnished by us.

8. *Audit.*—The mortgage documents shall contain a covenant requiring the mortgagor, without expense to us, to furnish an annual audit of the operation of the Real Property, showing in reasonable detail total rents received and total expenses together with annual balance sheets and profit and loss statements, prepared and certified by a certified public accountant, within 120 days after the close of each fiscal year, and such interim balance sheets and profit and loss statements as may be required by us.

9. *Waiver of Redemption.*—If the status of the state in which the Real Property is located provided a right of redemption but permit the mortgagor to waive that right, such provision shall be incorporated in the mortgage documents.

10. *No Material Change.*—Except as may be otherwise provided herein, the Loan, the income and expenses of the Real Property, the occupancy leases, and all other features of the transaction shall be represented in the mortgage loan application without material change.

Prior to date of closing no part of the Real Property shall have been damaged and not repaired to our satisfaction, nor taken in condemnation or other similar proceeding, nor shall any such proceeding be pending. Neither the mortgagor or any tenant under any lease to be assigned as security nor any guarantor of the Loan or any such lease shall be the subject of any bankruptcy reorganization, or insolvency proceeding. No default shall have occurred and be continuing in the performance of any obligation in the instruments evidencing or securing the Loan or incidental thereto.

11. *Title Insurance.*—Title insurance, in form and issued by title company (ies) satisfactory to us, in the amount of the Loan shall be delivered to us, insuring us as a holder of the indebtedness secured by the first mortgage or deed of trust provided for herein, subject only to such exceptions as shall be approved by our Office of the General Counsel. The title policy shall show no delinquent taxes and assessments affecting the Real Property or any part thereof on the date of closing.

12. *Compliance with Law.*—Evidence satisfactory to us shall be furnished certifying that all improvements and their use comply fully with all applicable zoning and building laws, ordinances and regulations, and all other applicable federal, state and municipal laws and requirements. The Loan and our making or purchase thereof shall be in all respects legal and shall not violate any applicable law or other requirement of any governmental authority.

13. *Survey.*—Within a reasonable time prior to date of closing a survey of a licensed surveyor satisfactory to us and the title company prepared after completion of improvements and dated not more than 30 days prior to closing shall be furnished us. The survey shall show dimensions and total square foot area of the Real Property; interior lot lines, if any; dimensions and location of improvements; parking areas; easements, if any; location of adjoining streets; and the distance to and names of nearest intersecting streets; and such other details as to the Real Property as may be requested by us.

14. *Estoppel.*—If we are to acquire the Loan by assignment, we must be furnished with estopped affidavit of the mortgagor or interim mortgagee stating the amount then unpaid on the evidence of indebtedness and that no defenses or set-offs exist with respect thereto. A Certificate as to disbursement of the full amount of our Loan and such other documents and certificates as we shall require shall also be furnished.

15. *Street Dedication.*—All streets necessary for access to the Real Property must be completed, dedicated, and accepted for maintenance and public use by the appropriate governmental authorities and satisfactory evidence thereof submitted to us.

16. *Assignability.*—Neither this commitment nor the Loan proceeds shall be assignable without our prior written consent and without such consent there shall be no right to designate a payee of such Loan proceeds. Any attempt at assignment without such consent shall be void. It is understood, however, that consent will not be withheld to assignment of the commitment to a bank or other financial institution for the purpose of obtaining interim financing. This commitment cannot be changed, discharged, or terminated orally but only by an instrument in writing signed by the party against whom enforcement of any change, discharge, or termination is sought.

17. *Expenses.*—Your acceptance of this commitment shall constitute your unconditional agreement to pay all fees, expenses, and charges in respect to the Loan, or its making or transfer to us or in any way connected therewith including, without limiting the generality thereof, the fees and expenses of local counsel, should local counsel be employed by us in connection with this transaction, title insurance and survey costs, recording and filing fees, mortgage taxes, documentary stamps, and any other taxes, fees and expenses payable in connection with this transaction. We shall not be required to pay any premium or other charge or any brokerage fee or commission or similar compensation in connection with this transaction, and by your acceptance of this commitment you agree to defend, indemnify, and hold us harmless against and from any and all claims for any fees, charges, commissions, taxes, and compensation in connection with the Loan or its making or transfer to us or in any way connected therewith. Your obligation for such expenses, fees, charges, compensation, and taxes shall be in addition to your obligation to pay the amount of liquidated damages, if any, hereinafter referred to.

18. *Liquidated Damages.*—In consideration of our making this commitment and holding ourselves willing and ready to acquire the Loan within the time hereinafter stated, and in further consideration of the substantial services which we as prospective mortgagee have rendered and will be required to render and incur in preparation for the closing, and in view of the difficulty of ascertaining the amount of damages which would be sustained by us should this Loan not be acquired by us, your acceptance of this commitment shall constitute your unconditional obligation to pay New York Life Insurance Company as liquidated damages the sum of \$25,350, on our demand if the Loan has not been acquired by us on or before the expiration date of the commitment as herein set forth in full compliance with the conditions of this commitment. If the Loan has not been acquired by us by the said expiration date or if you have defaulted prior to said date in any of the terms or conditions of this commitment, unless we have waived such default in writing, our obligations hereunder shall cease as of said expiration date or as of such earlier date but your obligation for the payment of damages by reason of such default shall survive until fully paid and satisfied. Your acceptance of any other loan commitment with respect to the Real Property except for said interim financing shall be deemed a default hereunder.

19. *Security Deposit.*—Concurrently with your acceptance hereof, and so long as this commitment shall remain in effect, you shall maintain on deposit with us as security for the performance of your obligations hereunder \$25,350 (we have received your check for such deposit) in cash, which we shall hold but not in trust and without interest. If for any reason the transaction contemplated hereby is not consummated and the Loan is not acquired by us within the time herein set forth for such consummation and acquisition by us, we shall have the right, in our absolute discretion, and without the requirement of any notice to you, to apply said amount in payment of the liquidated damages provided for in the preceding paragraph. It is further understood that if the Loan herein contemplated shall have been acquired by us as herein provided, we shall return the aforesaid deposit to you.

20. *Expiration Date—Date of Closing.*—The acquisition of the Loan by us shall take place as soon as all of the conditions of this commitment have been met but not earlier than January 15, 1967 and not later than March 1, 1967. Our obligation under this commitment to make (or purchase) this mortgage loan and your obligation to accept (or sell) may be extended by us beyond the last mentioned date in writing, from time to time, in our sole discretion, if the conditions of this commitment have not been met by said date.

Your acceptance of this commitment must be indicated by your signing and returning to us the enclosed counterpart within 10 days from the date hereof. Until receipt thereof by us, we will have no obligation hereunder. This commitment supersedes any and all previous commitments with respect to this trans-

action and may be modified only in writing signed by the parties hereto. See page 4 for supplementary conditions which are incorporated herein and made a part hereof.

NEW YORK LIFE INSURANCE CO.,
By R. H. ATTLESEY, *Assistant Manager.*

DECEMBER 22, 1966.

To New York Life Insurance Company:

The undersigned hereby unconditionally accepts the foregoing commitment in accordance with the terms and conditions therein contained and agrees to be bound thereby, and in accordance therewith agrees that the mortgage loan which you have agreed to make (or purchase) will be accepted (or sold) by the undersigned on the terms and conditions set forth herein.

NORTHERN LIGHTS SHOPPING CENTER, INC.,
By VERNON W. HICKEL, *President.*
R. M. WINSLOW, *Secretary.*

Attest:

SUPPLEMENTARY CONDITIONS

21. There shall be leases in existence with the following tenants on the following terms:

Tenant	Term of lease	Square feet, area	Annual rent
Safeway Stores, Inc.	15	34,231	\$110,000
Caribou-Wards, Inc.	10	75,780	180,000
Pay'n Save Corp.	10	22,000	87,000
Apparel Shop.	5	4,500	24,300
Shoe Store.	5	3,240	17,496
Gift Shop (Burt's)	5	3,150	17,010
Jewelry.	2	2,025	10,935
Total.	--	144,926	446,741

Senator JORDAN. Part of the original commitment?

Governor HICKEL. That is right. I was going to ask the question for someone to show me what good New York Life did me.

Mr. CREMO. If I may, Governor, they did you some other harm at the same time. The additional \$200,000 was needed because one of the tenants, I think it was Montgomery Ward, decided that it wanted even more space than it had talked about in the first place. If I recall correctly, the whole requirement for additional funds was more like \$400,000, but New York Life Insurance Co., was stubborn and would only loan \$200,000 and Montgomery Ward itself loaned the other \$200,000.

Incidentally, both of those rates were very much ball park rates in August and December of 1966, very much.

Senator GRAVEL. Mr. Chairman, I know the center from an economic point of view. It is a good center, well located. I was aware of the expansion and all this. I think the letter of commitment does lay to rest, because even the slight difference, forgetting the interest rate, the slight difference, that New York Life had a commitment.

The CHAIRMAN. What was the date of that commitment?

Senator GRAVEL. The first one was August 16.

The CHAIRMAN. I know, but was there a letter of commitment prior to that?

Governor HICKEL. Negotiations.

The CHAIRMAN. It was finalized, but what was the date? I mean they normally give a letter.

Mr. CREMO. That is the commitment.

Senator GRAVEL. August 16.

Governor HICKEL. Commitment is August 16.

The CHAIRMAN. This is the loan?

Mr. CREMO. That is the commitment to loan, sir.

The CHAIRMAN. Mortgage loan commitment?

Senator GRAVEL. It is binding for that amount.

Governor HICKEL. When we changed it they penalized us.

Senator GRAVEL. But the key thing for the record, and also to be released to the press is that he got the commitment, the loan, before he became Governor.

The CHAIRMAN. Prior to his election or prior to his taking office.

Senator GRAVEL. The coincidence is not related. This is the point that should be made clear.

The CHAIRMAN. I think that is very helpful.

Senator ALLOTT. Senator, would you yield? I would like to ask you just one question. There is background to this. You did not just apply for this?

Governor HICKEL. Oh, no.

Senator ALLOTT. And get it on August 16. How long in rough terms would you say you had been negotiating for that loan?

Governor HICKEL. On and off for a year.

Senator ALLOTT. For a year?

Governor HICKEL. Yes. They are tough to get those loans up in Alaska, oh, my. You have got to give all kinds of national leases, and they are tough.

Senator ALLOTT. I think this is significant as well as the very valid point the Senator made.

The CHAIRMAN. Anything further on this?

Senator JORDAN. One other point.

You were not in the legislature, were you, Governor?

Governor HICKEL. No.

Senator JORDAN. You had no knowledge—

Governor HICKEL. No.

Senator JORDAN (continuing). Of the insurance entanglement that confronted you after you took office in December?

Governor HICKEL. Absolutely not.

Senator JORDAN. You had no knowledge of that?

Governor HICKEL. No. We had been working with New York Life since 1960 I think it was.

The CHAIRMAN. Is there any further discussion on this point so we keep this record straight?

Now the Chair was just handed by a clerk of the committee—

Senator GRAVEL. I am sorry, sir. Could there be some way to release this into the public record probably on Monday's public hearing?

The CHAIRMAN. Which?

Senator GRAVEL. This point of the letter.

The CHAIRMAN. Oh, yes. We are going to sanitize the record and go over as much of this record as possible to be made public.

Senator FANNIN. Mr. Chairman, we are not going to have a public hearing Monday, are we?

The CHAIRMAN. No, not so far. I said we are going to sanitize the record, because we have matters in here that will have to and should be made public in light of what was said in public.

The Chair just received the following wire from F. J. Keenan, director of State division of lands addressed to the Chair at the Senate Office Building:

ANCHORAGE, ALASKA, *January 18, 1969.*

Senator HENRY M. JACKSON,
Chairman Interior and Insular Affairs Committee,
U.S. Senate Office Building,
Washington, D.C.:

Alaska law does not permit a negotiated oil or gas lease. All leases are issued on a competitive or noncompetitive basis. Records indicate that Walter J. Hickel had one noncompetitive lease which was dropped in 1965. Records further reveal that no leases now exist in the name of Walter J. Hickel or Thomas E. Kelly. British petroleum leases on North Slope acquired only for competitive bid.

F. J. KEENAN,

Director of State Division of Lands.

This is on the North Slope, but we still do not have the answer, you understand, and that is signed by F. J. Keenan, director of State division of lands. We still do not have from them whether there were—wait a minute here. “British petroleum leases on the North Slope acquired only by competitive bid.” But what about elsewhere in Alaska?

Senator GRAVEL. That is it. The only other thing we have would be offshore leases.

The CHAIRMAN. There is no other place where a lease could be made?

Senator STEVENS. There are State university grant lands that they might have a lease on but I do not think they have any. I can see there is a gap there.

The CHAIRMAN. That is right.

Senator STEVENS. And I will ask Mr. Keenan to close it. All those leases were issued in 1966 on the North Slope, and that was competitive bid.

The CHAIRMAN. Let us get the details in view of the previous testimony this morning. I think it is important that this be filled out.

Senator Metcalf?

Senator METCALF. Mr. Chairman, categorically and without equivocation Governor Hickel has said that none of the companies which he owned, wholly owned, or manages, have any oil or gas leases. This statement does not include any of these companies that we know about, and I think that if we are going to get a complete written record on it, would also find out whether any oil or gas leases are issued to the investment company or some of these other areas.

Governor HICKEL. There will be no problem.

The CHAIRMAN. Senator Metcalf, this request that you have made was a request that I made to BLM. It has not been made of the State. I think the State ought to have that answered too so we have covered the whole area of possible financial interests that the Governor might have. And any details about any of them that show up. We ought to have that ready for Monday morning.

Governor HICKEL. The only one embarrassing thing is when you asked me if I had any State leases I really didn't know I had one. It is dropped. I do not have one now.

Mr. CREMO. These are drawn out of a hat, Senator.

The CHAIRMAN. I understand, but don't you have to pay something for them?

Senator STEVENS. \$10.

The CHAIRMAN. I would know what I would owe or have.

Senator JORDAN. I would hate to answer any questions whether I had a State lease or not at any time.

The CHAIRMAN. This is 3 or 4 years ago.

Senator JORDAN. Whether I could recollect it over that long time. (Discussion off the record.)

The CHAIRMAN. Back on the record.

Are there any further questions?

All right.

The committee will stand—

Senator ALLOTT. Before the Senator does that, Mr. Chairman, and I do not want to assume any of his prerogatives anyway, but I would like to make the motion here today that the nominee be confirmed.

The CHAIRMAN. The Chair would ask that that matter be deferred.

Senator ALLOTT. There is nothing wrong with making the motion.

The CHAIRMAN. You can make the motion, I have it pending.

Senator BIBLE. Hold the motion until Monday morning.

The CHAIRMAN. I assume that you do not want to push it to a vote. It can be pending as a motion.

Senator ALLOTT. I would like to have it go to a vote, but I understand what the situation is.

Senator BELLMON. Is it in order to second the motion?

The CHAIRMAN. You can. It is debatable and discussable.

Senator BIBLE. Not to dispose of it today anyway.

The CHAIRMAN. That is right. I told a couple of Senators who were away that we would take it up for a vote on Monday morning.

Senator ALLOTT. We will take it up for a vote on Monday morning.

The CHAIRMAN. That is right, 8:30, and the Senate convenes at 10:30. There are 2 hours of time.

Mr. VERKLER. I have requested the reporting firm to do their best to get us a record Sunday morning.

(Whereupon, at 3:30 p.m. the executive session of the Committee on Interior and Insular Affairs was recessed, the committee to reconvene at 8:30 a.m., Monday, January 20, 1969.)

NOMINATION OF GOV. WALTER J. HICKEL, OF ALASKA, TO BE SECRETARY OF THE INTERIOR

MONDAY, JANUARY 20, 1969

U.S. SENATE,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D.C.

The committee met, pursuant to recess, at 8:45 a.m., in room 3112, New Senate Office Building, Senator Henry M. Jackson (chairman) presiding.

Present: Senators Jackson, Anderson, Bible, Church, Moss, Burdick, McGovern, Nelson, Gravel, Allott, Jordan, Fannin, Hansen, Stevens, and Bellmon.

Also present: Jerry T. Verkler, staff director; Stewart French, chief counsel; Bill Van Ness, Jr., special counsel; Charles Cook, minority counsel; Dan Dreyfus, Jim Gamble, Denny Miller, Porter Ward, and Roy Whitaker, professional staff members.

The CHAIRMAN. The meeting will come to order.

Pending at the last hour was a motion to report the nomination. It will have to be modified at the appropriate point because at present there is no nomination before us, but that is a detail. The motion was appropriately seconded.

In addition, there were a number of matters that were to be clarified in connection with requests that had been made for information from Juneau and Anchorage on these leases.

I think the best way to keep things in proper order here would be to ask Mr. William Van Ness, special counsel, to give a summary of what has transpired since our last meeting.

Mr. Van Ness has been working with Mr. Cook, counsel for the minority, and with the Governor's attorneys. You have all been in constant touch here on this matter as I understand it. Is that right, Mr. Cook?

Mr. Cook. That is right.

The CHAIRMAN. All right, Mr. Van Ness, why don't you give the committee a summary of developments since our last meeting on Saturday morning and Saturday afternoon?

Mr. VAN NESS. Yes, sir. And Mr. Cook might comment on the summary. We met yesterday morning, Carl McMurray, the Governor's administrative assistant, Roger Cremo, his attorney, Chuck Cook and myself, to discuss matters that were left unresolved on Saturday.

The first thing that you should be advised of is the three letters you have in front of you. The first one I believe is what we referred to as the "addendum" letter. This letter refers to the letters of January 12 sent to the chairman, in which the assets were listed, approximately

20 of them. There were two errors in there—relatively minor errors—and in addition there were two items that they were not aware of at the time that was sent to the committee, and that they were not aware of on Saturday when the committee recessed.

They had been requested to provide additional financial information on questions that were not resolved in the financial statements, and in searching out this information they discovered that the Governor has an interest in a mining claim. A gold placer claim as I recall. I think it is called Fairview Mines. It was carried under one of these "other stocks" or open categories in one of the financial statements. Its value at cost was \$200. It still is an existing right as I understand it. It has not been extinguished. However, it is described in the letter and it is apparently a very speculative thing and, in their judgment, is of no value.

The CHAIRMAN. I will interrupt at that point. You will recall that I thought it was important that we know what these miscellaneous items were in the financial statement, so that we did not run into anything in the miscellaneous category that might raise some question of a technical conflict of interest. It does not matter whether or not it was a small sum of money. In fact, I think the total in the item that was included was only \$1,200.

Go ahead.

Mr. VAN NESS. The background on that, I think perhaps the Governor himself or his people could clarify. But, briefly, as I understand it, some person in Anchorage who was speculating in these mining claims encouraged approximately 90 or 100 people to each put in some money. The Governor put in \$200. This person would apparently go out and stake the claims as agent for the principals who put forth the money. Then the principals granted the agent the right to subcontract assessment work.

There is some question as to whether the assessment work has been done in the last few years and the right itself very well may be extinguished.

The second matter relates to an interest that they discovered in an oil royalty, as I recall. I have not looked at the letter carefully, but in discussions of yesterday they said that to their best information a group of 78 people in Anchorage all filed for, as I understand it, one oil lease each in the amount of 2,560 acres.

Apparently they deeded the lease back to the partnership as an entity, so that they shared ownership in common in everybody else's lease. If oil were ever found on one lease they would all share equally.

The CHAIRMAN. What was the total acreage, 2,560 per person?

Mr. VAN NESS. Per person. I think the total came close to 200,000 acres as they described it.

Mr. COOK. Right.

Mr. VAN NESS. At the present time it only applies as to 60,000 acres. Apparently the rental fees were not paid on some of the leases and they terminated. The interest was extinguished. But it was kept up as to 60,000 acres. There is some controversy as to who has rights in this 60,000 acres now but apparently it was assigned to, I think they said, Pure Oil Co., who later assigned it to Humble or Union, or it was taken over by Union.

Senator BIBLE. It says Union.

Senator ALLOTT. Yes, it says Union.

Mr. VAN NESS. The 78 people retained an override royalty, I guess they call it, of $2\frac{1}{2}$ percent.

Now half of the $2\frac{1}{2}$ percent, $1\frac{1}{4}$ percent, was vested in, as I understand it, two individuals or the individual Koslosky. I think there was another individual mentioned. They held 50 percent of the remaining right and the other 78 persons participated in the $1\frac{1}{4}$ percent that was left over. That right as far as they have been able to determine is still a valid right, but again it is their understanding that potentially it is of no value.

I think they finally located the records on this and they are supposed to be in a trust account with a bank in Anchorage. Mr. Cremo says he could put his hands on those instruments if for any reason the committee should need them and make them available and supply a more detailed statement.

Senator ALLOTT. This says here that they were supposed to expire in 1968, but there was a 2-year extension on them. So that makes one seventy-eighth of one and a quarter percent.

Mr. VAN NESS. That is right.

Senator BIBLE. The interest is one seventy-eighth of $1\frac{1}{4}$ percent royalty, is that a correct statement?

Mr. VAN NESS. Yes.

Senator BIBLE. And he is quit claiming this. He offers to quit claim it?

Mr. VAN NESS. He offers to divest himself of that.

Senator ALLOTT. Chuck tells me that there has been no activity there at all, so it probably is a quit claim of nothing.

Mr. VAN NESS. Yes. I think at one time there was an attempt to get activity and they set up a development unit. That is apparently how Pure Oil and Union Oil got involved, but nothing ever came of it.

In addition there are two minor items clarified there. First, the Valley Development Corp. We were informed in the letter of January 12 that it held real estate. They have since discovered it does not hold real estate. It is a local development corporation in which there is stock. They do grant loans and they do perform the function of trying to procure EDA loans, and loans of this nature for community development.

What was the second thing, Mr. Cook?

Mr. COOK. Barrow Realty. Instead of owning one building it owns two.

Mr. VAN NESS. Yes, that is on the first page, the second paragraph. It was formerly item 15 of the January 12 letter. It owns two buildings rather than one.

The second letter—perhaps we should discuss this one last, because Senator Allott has some questions on that. We can go to the third letter. This is what they referred to as the "disposative" letter, indicating the intent of the Governor to dispose of the stocks listed under the three numbered paragraphs. He includes within that these two most recent interests that came to light, Koslosky Development Co. and the placer mining claim.

(The letters referred to follow:)

JANUARY 19, 1969.

Hon. HENRY M. JACKSON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR JACKSON: This is to supplement the statement transmitted to you by my letter of January 12, 1969. In a continuing effort to determine whether I own anything, regardless of its size, that might cause a conflict of interest, I have had my assistants scouring every available record. This search will continue, even beyond my taking office, to insure that nothing is missed. Particularly, the specific information which you have requested, including year-end financial statements, will be furnished. If any divestiture or other remedy is indicated, appropriate steps will be taken.

Referring to the item numbered (15) in the above-mentioned statement, it has been learned that Barrow Realty Corporation owns two, rather than one, commercial buildings in Anchorage. Neither of these is occupied by a federal agency.

The information you requested with respect to the statement of assets contained in the Consolidated balance sheet of Hickel Investment Company and subsidiaries has been furnished to you by telegrams from my accountants. It reads:

Hickel Investment Company and subsidiaries, report on examination of consolidated financial statements, year ended December 31, 1967, prepared by Molitor, Doremus and Hanlin, Certified Public Accountant. The "other common stocks" in the amount of \$16,091.47 listed in the balance sheet under investments at cost is comprised of the following:

Alaska Pacific Corp.....	\$10,000.00
Northern Plaza Development.....	4,754.86
Bush Lanes, Inc.....	1,336.61
Total	16,091.61

You will note that the \$10,000 common stock in Alaska Pacific Corporation is in addition to the \$10,000 common stock owned by Walter J. and Ermalee Hickel in the same corporation. The Investment in Northern Plaza Development has been returned because a proposed project was discontinued. The Bush Lanes, Inc. stock was received by the subsidiary, Alaskan Plumbing & Heating Company, Inc., in payment of an account.

With respect to the statement of investments in securities contained in the financial statement for Walter J. and Ermalee Hickel:

Walter J. and Ermalee Hickel, Report on Examination on Balance Sheet, dated December 31, 1967, prepared by Molitor, Doremus and Hanlin, Certified Public Accountants. Investments in securities, common stock, at cost—the miscellaneous item of \$2,794.50 is comprised of the following:

Mountain Mining Co.....	\$1,837.50
Captain Cook Hotel, Inc.....	40.00
Life Insurance Co. of Alaska.....	17.00
Cordova Investment Corp.....	900.00
Total	2,794.50

Other, at cost—The miscellaneous items of \$1,201.00 is comprised of the following:

Presbyterian Community Hospital Association, Inc.....	\$1,000.00
Fairview Mines.....	200.00
American Roofing.....	1.00
Total	1,201.00

The \$1,000 amount in securities of Presbyterian Community Hospital Association, Inc., refers to a bond previously mentioned. I understand that the \$200 amount represents an investment in one or two gold placer mining claims located west of Talkeetna, Alaska. The claims were not located by me but for me by one Frank Brink or one Ann Van Dolah of Anchorage, probably more than ten years ago. This claim, together with adjacent claims, owned by eighty (80) other persons, are leased to Ann Van Dolah who, reportedly has failed to perform annual assessment work, causing a forfeiture of the claims. The \$1 stock amount

represents a written-down investment of \$100 in American Roofing, an Anchorage roofing company. A copy of this telegram has been sent you.

Valley Development Corporation, mentioned in item number (17), of my statement transmitted to you on January 12, is not the owner of undeveloped real estate in the Matanuska Valley but a local development corporation formed to cooperate with federal agencies in providing funds for business development in the Matanuska Valley.

It appears that I am one of 78 persons who have equal interests in a 1¼ percent royalty in oil leases owned by Pure Oil Company or its successor, Union Oil Company. The leases were obtained in approximately 1958 and were to expire in 1968. Apparently, because of a two year extension, they have not yet expired. Although originally there was a greater number of acres involved, I understand that the present acreage is either 60,000 acres or 78,000 acres. My interests, which is 1/8 of the 1¼ percent royalty probably has no value.

There has been some confusion concerning the trust arrangement which I made when I became Governor of Alaska. Enclosed is a copy of the trust agreement. At the same time that the agreement was made, I resigned in writing as an officer and director of all corporations. By the trust arrangement my trustee, Roger Cremo, in effect replaced my wife and me as shareholders. By voting the corporate stock, providing my personal guarantee in connection with financing, and otherwise, the trustee caused the business to continue.

Your patience and understanding are appreciated.

Sincerely yours,

WALTER J. HICKEL.

(Enclosures.)

JANUARY 19, 1969.

HON. HENRY M. JACKSON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR JACKSON: Based on the decision of your Committee, I have agreed to do the following:

- (1) Dispose of assets in accordance with my letter to you of even date.
- (2) Refrain entirely from doing any business with, and from making any investment in the securities of any company that does business with the Federal Government.
- (3) Execute and deliver such other instruments as may be necessary to effect the purposes of this agreement.
- (4) Refrain from divulging to managers, officers, employees, attorneys, and accountants, information concerning the activities of the Department of the Interior.
- (5) Provide the persons mentioned in the previous paragraph with instructions to abide by this agreement.

I will be pleased to comply with any further suggestions or requirements that you may have.

Sincerely yours,

WALTER J. HICKEL.

JANUARY 19, 1969.

HON. HENRY M. JACKSON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR JACKSON: Based on the decision of your Committee, I will accomplish the following within a reasonable time and not later than six months after taking office:

- (1) My stock in Transamerica Corporation, Alaska Interstate Company, and Wakefield Seafoods, Inc., will be sold.
- (2) To the extent that I may have an interest in the placer mining claims and Koslosky Development Company, referred to in my letter to you of January 19, I will sell, quit-claim, or relinquish the same.
- (3) Mountain Mining Company will be dissolved and its sole asset distributed to the shareholder, La Vake Renshaw.

In addition to the above, I have under active consideration the divestiture of all assets except undeveloped real estate and those relating to the hotel, motel, and shopping center business.

Any assets located through the continuing efforts of my counsel and accountants will be reported to you and, where appropriate, promptly divested.

Sincerely yours,

WALTER J. HICKEL.

The CHAIRMAN. Can you elaborate on that, on the placer claim?

Senator ALLOTT. That is the first one he discussed there.

Mr. VAN NESS. A number of people in Anchorage put in \$200.

The CHAIRMAN. I thought that was the oil.

Mr. VAN NESS. No sir; that was as to the placer mining claim. We do not know, I do not believe they know, how much was put in on the oil.

The CHAIRMAN. That was on the public domain?

Mr. COOK. Yes.

The CHAIRMAN. On Federal land?

Mr. COOK. Yes, sir; they were mining claims.

The CHAIRMAN. Yes. Unpatented mining claims?

Mr. COOK. Yes.

The CHAIRMAN. What about the oil?

Mr. VAN NESS. I do not know whether any money was ever put in that venture. I assume probably not. What they were all tendering was their share in the oil leases that they had. They pooled them and I assume the developer, Mr. Koslosky, or whoever it was, then took all of the oil leases, and they were blocked up in a unit for development, and he bargained with Pure Oil or somebody else to go in and put down some wells or do geological work.

I do not assume that there was any investment at all. They do not know and they said they will find that out if the committee deems it relevant.

Senator ANDERSON. Is there any provision about family holding corporations? Would this be troublesome?

Mr. VAN NESS. These dispositive letters?

Senator ANDERSON. A family-owned corporation.

Mr. VAN NESS. Not that I am aware, sir.

Senator ANDERSON. There are several million dollars, I believe. It is important, as I understand it.

Mr. VAN NESS. I should think it would be. His attorneys could answer that question.

Senator ALLOTT. What is the question, Clint? I don't understand it.

Senator ANDERSON. I don't know myself, Gordon. I know that when I had a certain corporation and started out, my lawyers spread out more paper, up to 35 percent, which I gave to others. It was a family holding corporation.

Senator ALLOTT. Isn't that for tax purposes?

Senator ANDERSON. Yes.

Senator BIBLE. What would be the problem involved, Senator Anderson?

Senator ANDERSON. I do not know that there is anything against a family holding corporation.

Senator BIBLE. I understand that. What is wrong with having a family holding corporation?

Senator ANDERSON. They give out all the dividends right quick.

Mr. VAN NESS. I think Senator Anderson is referring perhaps to the retention of earnings within the corporation. There are corporate laws—I do not know how this would apply to the family corporation—but in a public corporation you cannot retain all the earnings of course.

Senator BIBLE. If he had a family corporation is it your point that he had to pay these dividends out?

Senator ANDERSON. That is right.

Senator BIBLE. According to Federal law certain percentages each year.

Senator ANDERSON. That is right.

Senator ALLOTT. I do not think he has to pay them out but insofar as they reflect profits.

Senator BIBLE. Yes.

Senator ALLOTT. They would have to be reported in his income tax.

Senator JORDAN. There is a provision of the law if there are less than 10 corporate stockholders.

Senator ANDERSON. I know.

Senator JORDAN. Small business, reported as a partnership.

Senator BURDICK. Mr. Chairman, can I ask Bill a question? In the third letter here I do not see any reference to the Union Oil leases. It is a very minor one, but there should be an agreement to dispose of whatever interest there is.

Senator ALLOTT. That is in the Koslosky.

Senator BIBLE. I think that is Koslosky.

Senator BIBLE. I do not know whether you have clarified Senator Anderson's inquiry yet.

Senator BURDICK. It is not described as such in the first letter.

The CHAIRMAN. That is why we want to nail these two points down. We have the placer mining lease and the oil lease.

Senator BIBLE. I do not think you have satisfied Senator Anderson. I am not completely clear myself as to the exact question he has, but I do not think he has had a satisfactory answer as to what it is.

The CHAIRMAN. Let us just see if we can go through this again. What is the name, so we will have it for the record. On page 2 of letter one, that is the three-page letter that is before us, what is the name of the entity that owns the oil leases?

Mr. VAN NESS. The entity is Koslosky Development Co. As I understand it, it is a partnership composed of 78 individuals. Its assets consisted at one time of 78 oil leases covering approximately 200,000 acres. At the present time the holdings of the partnership consists of an interest of one and one-quarter percent in an oil royalty in 60,000 acres remaining from those original 200,000 acres. The 60,000 acres currently are being held, as we understand it, by Pure Oil Co., or by Union Oil Co.

Senator ALLOTT. Excuse me, you did not finish. And his interest is one-seventy-eighth of that?

Mr. VAN NESS. That is correct.

The CHAIRMAN. Why doesn't that appear in his books now?

Mr. VAN NESS. It did not appear in his books because they had not discovered this information. It must have been discovered late Saturday evening, because they did know about it when we met at 9 o'clock. We immediately discussed it.

The CHAIRMAN. Nine o'clock yesterday morning?

Mr. VAN NESS. Yes, 9 o'clock Saturday morning.

The CHAIRMAN. Sunday?

Mr. VAN NESS. Sunday. I am confused on my days, sir.

The CHAIRMAN. But that was just one of those things that had eluded his records. I mean the records that we had here. And the current status of that lease? Those leases have been extended for 2 years?

Mr. VAN NESS. That was apparently new information they ascertained last night after I talked to them. Mr. Cook, is that correct? I didn't recall having—

Mr. COOK. My understanding was that it would expire next year, Bill.

The CHAIRMAN. So it is active as of now?

Mr. COOK. It is still active as of now.

The CHAIRMAN. It has not expired.

Mr. COOK. They have no control, Senator. The company pays the deferral rental, so when it expires depends upon what the company decides to do.

The CHAIRMAN. What is this, a limited partnership?

Mr. VAN NESS. They don't know, sir.

Mr. COOK. They do not know. They think, from the conversation, that Mr. Cremo had with Mr. Koslosky on Sunday, he said that Koslosky owned one-half of the royalty in his own name, and the rest of it was an equal participation in that other one-half interest. Now this came about as a result of a development agreement, and since that time the companies have let go 140,000 acres of it as not being prospective.

The CHAIRMAN. How was this discovered?

Mr. COOK. Actually his people found it I think through discussion with some of the people on the street, because there is no record anywhere.

Mr. VAN NESS. They apparently discovered it in telephone conversations with people up there. They are conducting a very intensive, a very diligent search to comply with the committees request that they supply all the information necessary to fill out the open portions of the financial statement and to pick up any of these other interests that may still be viable, but upon which he is not able to furnish us a record or does not have any personal recollection.

The CHAIRMAN. Is there any development work going on in connection with this?

Mr. VAN NESS. My understanding is that there is not.

The CHAIRMAN. This leasehold area?

Mr. VAN NESS. I do not recall that they said there was any there either.

The CHAIRMAN. We do not have that information yet, whether there is development work underway now on it?

Mr. VAN NESS. Mr. Cremo, in light of subsequent discussions he has had with the people in Alaska, may be able to furnish more information.

Senator CHURCH. May I ask a question?

The Governor is going to divest himself of that share in any event?

The CHAIRMAN. No question about that.

Senator ALLOTT. Because it pertains to public lands and he would have to.

The CHAIRMAN. There is no question about that. The problem is trying to get the record straight. I do not want to go to the floor finding myself in the situation that another deal or potential conflict of interest has been discovered even if it is a small amount. The

necessity here, as I see it, is to clarify this record. It is like Saturday. I felt very strongly, it was just intuition, that it would be unwise and unfair to the Governor not to have a complete record. You remember, his statement that he did not have any interest in a lease, then it turns out that he did have. It is unfair to him to have an incomplete record. You know, that afternoon we got confirmation back that he had had an oil lease. So the last thing, I think, gentlemen, we want to do is to go on the floor with an incomplete record. A lot of questions may be asked. Senator Allott and myself, I assume, will be carrying the main burden of responding to questions, and I want to be in the position of being able to say that the record has been thoroughly searched and contains the best information on all relevant questions.

Now we will have a letter before the record is finished in which he will agree to divest himself of anything that does show a potential or real conflict of interest, but I think we must establish that we have made that diligent search as a condition precedent to saying that we are now prepared to act on the nomination.

Go ahead.

Senator BURDICK. Just a minute, Mr. Chairman.

The CHAIRMAN. Excuse me.

Senator BURDICK. This information you have about this minor interest, did that come from the Hickel people?

Mr. VAN NESS. That came from the Hickel people. They uncovered it with this diligent search that they have made, and they immediately disclosed it to us.

The CHAIRMAN. They have been most cooperative.

Mr. VAN NESS. There is no question about that. In fact his attorney and Mr. McMurray to my knowledge were on the telephone most of the night, and I think that has been the case for the last four nights. They have been trying to run down and identify these things, and they have been doing an outstanding job. Of course there are just the two of them, and part of the problem is on some of these things, as I understand it, the Governor has dealt with other attorneys on some of his transactions. He has dealt with a number of people in the Anchorage area of Alaska who do speculate in these types of things, and some of the interests have been very casual. It was described to me that the reason there is no record is that the Governor probably gave someone \$200 as a flyer, and did not think anything of it.

Mr. VERKLER. As a grubstake.

Mr. VAN NESS. Yes, and the other party retained all the records. This is why he does not know about it. I think this is the case with respect to one of the previously described interests. He gave \$5,000 to a young geologist to do some work on the development of a mining interest.

Senator ANDERSON. An oil company on a grubstake basis?

The CHAIRMAN. But it started out as a grubstake, you see. That is what he is saying. He put \$200 in it.

Mr. VERKLER. This might have been other than oil that he is talking about, Senator.

The CHAIRMAN. What is the other item that the placer—

Mr. VAN NESS. The second item begins at the bottom of page two.

The CHAIRMAN. Of the first letter?

Mr. VAN NESS. Of the first letter.

The CHAIRMAN. The first letter consisting of three pages.

Mr. VAN NESS. Referred to as the "addendum" letter. He is here describing the \$200 entry above there beside Fairview Mines. This was made available to us yesterday in a copy of a telegram from the certified public accountants that prepared the financial statements which were reviewed.

The CHAIRMAN. Fairview Mines?

Mr. VAN NESS. That is \$200.

The CHAIRMAN. The Presbyterian Hospital, I see, Fairview Mines is \$200.

Mr. VAN NESS. And then at the bottom there starting with "I understand that the \$200 amount," the background of this transaction is described, continuing over to page 3, four lines down. We did receive a copy of this telegram yesterday, and they advised me this morning that a second telegram from the certified public accountant is currently in transit. It also closes up another one of these miscellaneous or other entries that were in the financial statement. They are currently working trying to close off any others that may exist.

The CHAIRMAN. What is the status of Fairview Mines?

Senator BIBLE. It tells in here. It says "forfeiture."

The CHAIRMAN. Has that been checked out that there was a forfeiture?

Mr. VAN NESS. As far as I know it has not, because they became aware of it again only on Sunday morning.

The CHAIRMAN. That has to be checked out yet?

Mr. VAN NESS. That is correct, and they are working to check that out.

Mr. COOK. Senator, I understand he has agreed to divest that, too.

The CHAIRMAN. Yes, there is no question about the divestiture on any of these matters. As I understand it, he will divest himself of these interests. I just want to be sure we have the complete record of everything that has come up, so we can be responsive. Of course one way to cover all these things for the future is that there will be a commitment to divest himself of anything in which he has an interest involving—

Senator ALLOTT. The public domain.

Senator ANDERSON. These figures here, this is a mining company, \$1,000, the hotel \$40, \$17. Here is a man with \$5 million and he is talking about \$17 investments.

The CHAIRMAN. What is that? Can you comment on that, Bill?

Mr. VAN NESS. Yes. The Mountain Mining Co. was listed in the original materials, and it is one of the things that he has agreed to get rid of. I think this is—

The CHAIRMAN. That is the coal, the iron ore.

Mr. VAN NESS. I think this represents the depreciated value perhaps of that original investment, which I though was described to us as \$5,000 given to a young geologist. The second entry is Captain Cook Hotel, Inc. at \$40. You will recall that the Captain Cook Hotel is a partnership. It is listed in the financial statement given to us as a joint venture, but in fact is a partnership with 50-percent ownership in the Governor and two 25-percent ownerships as I understand it.

The Governor has an interest in the name "Captain Cook Hotel," and the \$40 apparently represents filing fees to preserve this name. He has preserved it in Australia, South America, and other places.

The CHAIRMAN. But Captain Cook Hotel, Inc., has no assets.

Mr. VAN NESS. No assets.

The CHAIRMAN. And the only thing he has put a value on—

Senator ANDERSON. No assets?

The CHAIRMAN. Captain Cook Hotel, Inc., as I understand it has no connection of ownership with the Captain Cook Hotel, which is a partnership. But he is doing this to preserve some copyright?

Mr. VAN NESS. A copyright on the name as I understand it. It is an asset in the event that he opened a chain of Captain Cook Hotels or something under this name. This process would preserve the name. The reason he did this, is that he is apparently very interested in Captain Cook's travels and has all his logs and records and has read up on it. The places where he has preserved the name bear some relationship to Captain Cook's travels.

Senator BURDICK. Mr. Chairman, one more question. The information on the placer mines, did that also come from the Hickel people?

Mr. VAN NESS. Yet, it did. All of the information disclosed in this letter and which was not previously available has come from them. In addition to that there has been no effort on the part of any of the committee staff to seek out or try to develop new information, or conduct any form of investigation. If we had questions we told them that we thought they should clarify this for the record or check that out. They were supplied a copy of a fairly long memorandum prior to Saturday's meeting, some time ago in fact, questioning the other stock listings, these miscellaneous listings in the statements, and asking for clarification. This is the result I think of their search in response to that memorandum.

The CHAIRMAN. All right, let us turn to the next item.

Mr. VAN NESS. One thing that you should know in connection with this letter. It confirms what the attorney told Mr. Cook and me yesterday, that they would like to have the original trust instrument which governed his activities while he was Governor of Alaska made a part of the files or hearing record, inasmuch as questions were raised on the nature of the instrument. They provided copies for the record and we have those copies. At the same time I believe they also requested that the proposed trust instrument, which was initially transmitted to Senator Jackson on January 15, also be incorporated into the record if there were any questions concerning that. But that is not stated in the letter.

The CHAIRMAN. All right.

(The instruments referred to follow.)

TRUST AGREEMENT

This trust agreement is made this day of January, 1969, between Walter J. Hickel of Anchorage, Alaska, and his wife, Ermalee Hickel, hereinafter referred to as settlor and the co-settlor, respectively, and , hereinafter referred to as the trustee.

The settlors hereby transfer to the trustee all of their interests in the assets described in the annexed Schedule A, in trust and subject to provisions of this agreement.

The settlors agree to execute and deliver such other instruments as may be necessary or proper to effectively transfer to the trustee all of their interest in the property described in said schedule.

1. The trust hereby created shall be irrevocable and terminate at the conclusion of the settlor's service as Secretary of the Interior, or at his death, whichever first occurs.

2. Settlor has taken office as Secretary of the Interior. The purpose hereof is to avoid any conflicts between the private interests of the settlors and the public interest. Accordingly and notwithstanding any law to the contrary governing the administration of trusts, trustee shall manage the property which is the subject hereof without the participation of the settlor or the co-settlor and without divulging to the settlor or the co-settlor, in any manner, information concerning the existing investments, contemplated investments, and activities of the trust. In addition the trustee, generally, shall avoid all such conflicts and, particularly, shall—

(1) refrain from making investments in the securities of corporations which might have any dealings with the Department of the Interior and which might be regulated by the Secretary of the Interior, and

(2) as to controlled corporation and partnerships, require them to refrain from doing any business with the Department of the Interior and with any industry regulated by the Secretary of the Interior.

The settlor will refrain from divulging to the trustee, in any manner, information concerning the activities of the Department of the Interior.

3. Subject to above-stated limitations, the trustee is empowered—

(1) to acquire by purchase, by exercise of options, or otherwise, or retain so long as the trustee deems advisable, any kind of realty and personality—or undivided interests therein—including stocks of any class, unsecured obligations, interests in investment trusts and discretionary common trust funds—all without diversification as to kind or amount, without being restricted by any statute or rule of law concerning fiduciary investments;

(2) to sell for cash or on credit (at public or private sale), exchange grant options to purchase or otherwise dispose of any real or personal property;

(3) to join in, consent to or become a party to any reorganization, merger, consolidation, dissolution, readjustment, exchange, or other transaction and any plan or action thereunder or in connection therewith, to deposit any such property with any protective, reorganization or similar committee; to delegate discretionary powers thereto and to share in payment of its expenses and compensation and to pay any assessments levied with respect to such property and to receive property under any reorganization, merger, consolidation, dissolution, readjustment, exchange or other transaction whether or not the same be authorized by law for the investment of trust funds;

(4) to exercise all conversion, subscription, voting and other rights of whatsoever nature pertaining to any such property and to grant proxies, discretionary or otherwise, with respect thereto;

(5) with respect to any real property (including real property acquired on foreclosure or by deed in lieu thereof) at any time held hereunder, to sell, exchange, partition, lease, sublease, mortgage, improve, or otherwise alter upon such terms as it may deem proper, and to execute and deliver deeds, leases, mortgages, or other instruments relating thereto. Any lease may be made for such period of time, including a lease beyond a five-year period, as it may deem proper and without the approval of any court;

(6) to extend the time of payment of any bond (or other obligation) and mortgage held by it, or of any installment of principal or interest or hold such bond (or other obligation) and mortgage after maturity as past due; to consent to the alteration or modification of any terms thereof; to foreclose any such mortgage or compromise or settle claims thereunder; to take over, take title to or manage the property, or any part thereof affected by any such mortgage, either temporarily or permanently, and in partial or complete satisfaction of any claim thereunder; to protect such property against or redeem it from foreclosure or nonpayment of taxes, assessments, or other liens; to insure, protect, maintain, and repair such property; and generally without limitation by the foregoing specification to exercise with respect to such bond (or other obligation) and mortgage or such property all rights and powers as may be exercised by a person owning similar property in his own right;

(7) to borrow money from any person or corporation for any purpose without resorting to the sale of any assets; and for the purpose of securing the payment thereof, to pledge, mortgage, or otherwise encumber any and all such property upon such terms, covenants, and conditions as it may deem proper and also to extend the time of payment of any loans or encumbrances which at any time may be encumbrances on any such property irrespective of

by whom the same were made or where the obligations may or should ultimately be borne on such terms, covenants, and conditions as may deem proper.

(8) to register property belonging to the trust in the name of its nominee, or to hold the same unregistered, or in such form that title shall pass by delivery;

(9) to abandon, settle, compromise, extend, renew, modify release, adjust or submit to arbitration in whole or in part and without the order or decree of any court any and all claims whether such claims shall increase or decrease the assets held hereunder;

(10) to determine whether or to what extent receipts should be deemed income or principal, whether or to what extent expenditures should be charged against principal or income, and what other adjustments should be made between principal and income, provided that such adjustments shall not conflict with well-settled rules for the determination of principal and income adjustments;

(11) to do all such acts, take all such proceedings and exercise all such rights and privileges, although not hereinbefore specifically mentioned, with relation to any such property, as if the absolute owner thereof, and in connection therewith to make, execute and deliver any instruments and to enter into any covenants or agreements binding the trust.

4. Nothing contained herein shall require the trustee—

(1) to retain any of the assets described in Schedule A, or

(2) to cause any controlled corporation or partnership to retain any of its present assets.

5. The trustee shall pay to the settlors the net income derived from the property which is the subject hereof at such times as it deems appropriate, but not less often than quarter-annually.

6. If the income of the trust is insufficient to meet what the settlors in their judgment regard as important personal needs, the trustee shall, upon the written demand of the settlors, provide to the settlors out of trust principal such amounts in cash as they may have specified. No such invasion of trust principal shall be permitted by the trustee, however, if the trustee determines that to do so would be detrimental to the trust estate. Liquidity requirements and other factors deemed important by the trustee shall be relevant to such determination.

7. Upon the expiration of the term of the trust the trustee shall, unless otherwise provided by written amendment of the provisions of this paragraph, distribute all remaining trust principal and any undistributed trust income to the settlors jointly.

8. Notwithstanding any provision to the contrary contained herein, the settlors shall be provided by the trustee with all information needed by them for the preparation and filing of federal, state, or other income tax returns, including any information needed in connection with the audit thereof and any related proceedings.

9. The settlor shall have the right, with the consent of the trustee, to deliver additional property to the trustee which thereupon shall become a part of the trust, subject in every respect to the terms and conditions of this agreement.

10. The trustee shall be compensated by an annual fee, computed annually, equal to _____ of the market value of the principal of the trust.

11. The validity, construction and administration of this trust shall be governed by the laws of the State of Alaska.

IN WITNESS WHEREOF this trust agreement has been signed, sealed and delivered as of the date first above written.

WALTER J. HICKEL,
ERMALEE HICKEL,
_____, *Trustee.*

TRUST AGREEMENT

The undersigned, Walter J. Hickel, of Anchorage, Alaska, has been elected Governor of the State of Alaska for a four year term commencing December 5, 1966. Presently he is the owner of extensive business enterprises in the hotel, motel, shopping center, general contracting mechanical contracting, painting contracting, and other fields. In order that he will be able to function effectively and fairly as Governor, without criticism or embarrassment and without actual or suspected conflict between the aforementioned private interests and the public interest, he desires to remove himself from and terminate his connection with such private interests. Recognizing that divestiture of such interests

either is not possible or at least is impractical, he intends, nevertheless, by this instrument, to so sever his connection with the same that they will not demand or require his participation or attention during the period that he serves as Governor.

The undersigned, Walter J. Hickel, hereby designates Roger Cremo, Esq., of Anchorage, Alaska, as his trustee to serve in such capacity throughout the entire period that he holds the aforementioned public office. Generally, the subject of the trust shall be all property, real and personal, owned by Walter J. Hickel, alone or jointly for business purposes; and the trust shall be governed and administered in accordance with the following provisions:

1. Legal title to the property which is the subject hereof, but only to the extent that it is necessary to enable the trustee to function in accordance herewith, is hereby transferred to the trustee. Nothing contained herein transfers to the trustee any equitable interest in such property.

2. The powers and authority hereby conferred upon the trustee shall terminate at the end of the period that Walter J. Hickel holds office as Governor of Alaska, or, if he dies in office, at the time of his death.

3. Nothing contained herein shall affect any bequest and devise, or the descent and distribution, of any of the property of Walter J. Hickel upon his death. If necessary to perfect their title, trustee shall transfer any legal interest acquired hereby to the legatees, devisees, heirs, and distributees of Walter J. Hickel.

4. The trustee is authorized for and in behalf of Walter J. Hickel to do the following:

(a) Vote corporate stock for the election of directors and for such purposes (including, without limitation, dissolution, reorganization, consolidation, merger, sales, and mortgages) as the directors may, from time to time, propose and recommend to stockholders.

(b) Guarantee payment of any indebtedness of any corporation, or any subsidiary of any corporation, or any partnership a member of which is any corporation, in which Walter J. Hickel, alone or jointly, owns forty per cent, or more of the outstanding common stock, but only when requested to do so by the directors of the corporation so owned.

(c) Agree to indemnify any bonding company which provides a payment, performance, or other bond for any such corporation or subsidiary or partnership, but only when requested to do so by the directors of the corporation so owned.

(d) Request and receive from Walter J. Hickel any document further defining the authority conferred hereby.

(e) Request and receive from Walter J. Hickel any document separately stating any part of the authority conferred hereby.

(f) With respect to property which is not corporate stock, transfer, convey, mortgage, and otherwise deal with the same but only upon the request of and as directed by the directors of Hickel Investment Company, which will care for and manage the same as hereinafter provided.

(g) With respect to partnership interests, such as the interest of the undersigned in the general partnerships Clark's Painting and Decorating and Traveler's Inn of Anchorage, transfer and otherwise deal with the same and exercise the authority of a partner, but only upon the request of and as directed by the directors of Hickel Investment Company, which will, for care and management purposes, function in his stead as hereinafter provided.

5. (a) Although it is for the trustee to determine how stock should be voted in elections for directors, it is the suggestion of the undersigned that the following persons be elected directors of the following corporations:

Hickel Investment Company, Vernon W. Hickel, Richard L. Silberer, and Roger Cremo.

Northland Pipe and Supply Company, Inc., Vernon W. Hickel, Richard L. Silberer, and L. E. Jeffs.

Alaskan Plumbing and Heating Company, Inc., Vernon W. Hickel, Richard L. Silberer, and L. E. Jeffs.

Travelers Inn of Fairbanks, Inc., Vernon W. Hickel, Richard L. Silberer, and Hans J. Beckerwerth.

Northern Lights Shopping Center, Inc., Vernon W. Hickel.

Mountain Mining Company, Vernon W. Hickel.

Barrow Realty Corporation, Vernon W. Hickel.

(b) Although it is for directors to determine who should serve as president and general manager of such corporations, it is the suggestion of the undersigned that Vernon W. Hickel be elected to that position, and that Richard L. Silberer be elected vice-president and assistant general manager of such corporations.

6. Most of the property which is the subject hereof is corporate stock. As to that property which is not corporate stock, including, without limitation, partnership interests and real estate, Walter J. Hickel has heretofore provided for the care and management of the same by an arrangement with Hickel Investment Company, one of the corporations in which he owns stock.

7. The undersigned has resigned as director and as president or other officer of several corporations. Nothing contained herein shall be deemed to require the trustee to seek, accept, or serve in, any office which is vacant because of such resignations.

8. The trustee shall incur no liability for loss, destruction, diminution in value, failure to insure, failure to pay taxes and assessments, inadequacy of profits, failure to correctly prepare and file income tax returns, inadequacy of management, and all other causes adversely affecting the property which is the subject hereof, and, in general, the aforementioned private interests; but nothing contained herein shall limit the responsibility of the trustee for his wilful misconduct. Nothing contained in this paragraph shall be deemed to enlarge the function or authority of the trustee.

9. Nothing contained herein shall prevent the current distribution of income to the undersigned.

10. The function of the trustee shall not include filing noncorporate federal and state income tax returns.

11. The trustee shall receive no compensation.

12. Acceptance of the authority conferred hereby is indicated by the execution hereof by the trustee.

13. Ermalee Hickel joins herein: and all of the authority hereby conferred upon the trustee shall in all respects apply to her and her business property, including, without limitation, corporate stock and partnership interests.

Dated: December 1, 1966.

WALTER J. HICKEL
ERMALEE HICKEL

ROGER CREMO

UNITED STATES OF AMERICA
State of Alaska, ss:

Walter J. Hickel and Ermalee Hickel appeared before me on the 1st day of December, 1966, at Anchorage, Alaska. I know them to be the persons described in and who executed the foregoing trust agreement. They said they knew the contents thereof and acknowledged the same to be their act.

JOE S. HOWARD
Notary Public for Alaska.

My commission expires: January 24, 1968.

Mr. VAN NESS. The other letter which was originally the third letter was what they called the "disposative" letter.

Senator ALLOTT. What does that word mean? I never heard of it before.

Mr. VAN NESS. Disposition of.

The CHAIRMAN. Disposal.

Mr. VAN NESS. Perhaps there isn't such a word.

Senator CHURCH. There probably is a simpler word.

Senator BIBLE. Letter No. 2?

Senator ALLOTT. Letter two or three?

Mr. VAN NESS. It was letter three.

The CHAIRMAN. As we have been going through them.

Mr. VAN NESS. The second numbered paragraph, which is the third paragraph of the letter, confirms the statement in the January 12 letter, indicating that he would dispose of stock in Trans-America Corp., Alaska Interstate, and Wakefield Foods, Inc. The second num-

bered paragraph relates to the placer mining claim, and the Koslosky Development Co.'s interest in the oil well, indicating that he will sell both.

The third relates to Mountain Mining Co., and indicates that that will be dissolved.

The CHAIRMAN. There is going to have to be a catchall in here.

Mr. VAN NESS. That is the final paragraph which is open-ended to take care of anything that might arise in the future in the nature of a potential conflict of interest.

Senator BIBLE. How about the paragraph immediately before the last?

Mr. VAN NESS. This wasn't requested but I think Mr. Cremo indicated yesterday that it was his advice that the Governor dispose of all his assets except the real estate and those relating to hotel, motel, and shopping center business. In effect, this would be the Alaska Plumbing and the Northland Plumbing. I think at that time it was made clear that the chairman of the committee and other members of the committee did not want the committee to direct that, but that was dependent on their own business judgment.

The CHAIRMAN. We discussed, I think, Mr. Van Ness, an election, and I discussed it with him personally. Either he could divest those businesses or he could—

Senator ALLOT. Instruct them.

The CHAIRMAN. Allow them to retain the business, but instruct them not to do business with the Federal Government. I think that is the way we discussed it.

Senator ALLOTT. It is a matter for him to elect. I assume that there will may be a problem for those firms to be prohibited from doing business with the Federal Government, because there is a lot of business with the Government in Alaska. I mean there are a lot of Federal undertakings, and it is pretty hard for a construction firm not be involved at some juncture in a substantial Federal effort. Anyway it is understood that that is his election.

Mr. VAN NESS. The only remaining thing in the letter is in the first paragraph, he indicates he will accomplish any disposals necessary within a reasonable time and in any event not later than 6 months after taking office.

The CHAIRMAN. That was the date the Chair suggested, you will recall. I think 6 months is a reasonable period of time.

Senator ALLOTT. Yes.

Mr. VAN NESS. Letter No. 2, or No. 2 in the original package, the remaining letter. This was a letter that we had considerable difficulty with because it has not been decided what type of arrangements are going to be made. Mr. Cremo is currently talking in terms of a very broad power of attorney, apparently to him from the Governor, under which he would have authority to sell, manage, do anything necessary concerning the assets. I think he was talking in terms of including all the assets within that, but I am not certain.

Senator ALLOTT. May I ask a question there. That is as a result, I believe, of the comments of the chairman who dislikes any type of trust agreement, because he had tendered a trust agreement to the committee previously, and this new broad general power of attorney, this is an alternative to a trust agreement.

Mr. VAN NESS. That is correct.

Senator ALLOTT. Which the chairman has indicated he looks at in any instance with a jaundiced eye.

The CHAIRMAN. Well, I just question trust agreements that simply, you know, attempt to place the problem in a trust. I do not care what you call it. I think there should be, of course, in the best interests of the nominee and the public as well, an explicit understanding as to how they are going to manage their affairs. If they want to do it in a trust I won't object to that. But I was saying earlier, that I do not think you can just transfer the problem and put it over here. One is a trust and the other is not.

Senator ALLOTT. What I was trying to explain, Scoop, was how the power of attorney thing came about.

The CHAIRMAN. Right.

Senator ALLOTT. It really came about because of your statements repeatedly, there is a lot to justify it I agree, that you did not like trust agreements.

The CHAIRMAN. Go ahead.

Mr. VAN NESS. Concerning the terms or the items of agreement that the Governor and the committee are going to reach a mutual understanding upon, these are the five things listed here. We went through the transcript or rather I went through the transcript of Saturday's session, pulled things out that were referred to by members of the committee, and put those on a list. In addition we discussed the proposed trust instrument and took things out of the trust instrument that we thought perhaps should go into the letter or the agreement, and this is what we came up with, the five items listed here.

Since then I have suggested a sixth one to Mr. Cremo, and while I am not sure it is appropriate, I will convey it to you. He thought it would be an appropriate clause.

In light of the history of these assets involving speculative interests in mining leases or royalties, I suggested to Mr. Cremo that there perhaps should be a clause to cover an asset that—unknown to the Governor—might represent a conflict of interest and might later mature and have great value. It would be, I think, embarrassing for him serving as Secretary to have this happen. So perhaps there should be a provision indicating that the proceeds or any increase in value would go to a charity of his choice or something like this. But that was just a suggestion subsequent to our discussions of yesterday.

The first paragraph here I dictated in substance to Mr. Cremo. I talked to Senator Jackson on the phone yesterday and indicated to him that we discussed another paragraph; he made some suggestions to that, and this is the final form.

I understand Senator Allott has some questions concerning the first paragraph in its present form.

Senator ALLOTT. I just have this suggestion, gentlemen. I think that there is an aspect of degradation in that first paragraph.

Senator BIBLE. I think you are right.

Senator ALLOTT. And I would suggest that we leave out part of it and say "based on the decision of your committee I have agreed to do the following."

Senator BIBLE. Knock out that other part.

The CHAIRMAN. That is all right.

Senator BIBLE. It hit me exactly the same way.

Senator ALLOTT. The same thing is true of the first letter in the first paragraph.

Mr. VAN NESS. Again I dictated this to him and indicated that it was my understanding that—

The CHAIRMAN. The Chair used the word "conditioned." I think you will find it in the transcript.

Senator BIBLE. Maybe you did.

The CHAIRMAN. That is right, so I am just trying to explain where the staff probably picked it up.

Senator MOSS. Bill, in this search for all of these details, has examination ever been made of the Governor's income tax return?

Mr. VAN NESS. Not to my knowledge.

The CHAIRMAN. He has answered that.

Senator BIBLE. I asked the question myself and he said he had no problems and was completely current with them.

Senator JORDAN. Except with respect to the earthquake.

Senator BIBLE. There was an earthquake problem.

The CHAIRMAN. There is some litigation pending on that, isn't there?

Senator BIBLE. That is what he testified.

Mr. COOK. The question of how to handle it, how it should be treated.

Senator BIBLE. A reportable loss on the income tax.

Senator ALLOTT. That question is still pending.

Mr. COOK. That is still pending and it has been noted in your letters.

The CHAIRMAN. But I think in response to Senator Bible's question, he did say that he was current. He had paid all his taxes.

Senator BIBLE. So he has no problems as of now. That is his testimony.

The CHAIRMAN. I remember this question came up with a nominee some time ago for one of the District of Columbia positions, wasn't it?

Senator BIBLE. Oh, many of them. For several years they just refused or forgot to file returns.

Mr. VAN NESS. Paragraph 2 of letter No. 2 does not contain the \$10,000 de minimis rule, which I had conveyed to them. That was their decision to leave that out.

The CHAIRMAN. I suggested we have the rule; it has all been modified again, however, in connection with the Packard matter, but the Packard thing involves gifts to charity and so on. There is a \$10,000 de minimis rule.

Senator ALLOTT. What is that?

The CHAIRMAN. Well, it is that he can invest in any company that does less than \$10,000 worth of business with the Federal Government in a given year.

Senator ALLOTT. Let me ask you this question.

The CHAIRMAN. This is just a thing that started—

Senator ALLOTT. This is a tough one and it involves all of us in a way. The way this is stated in one of these letters, "In the securities of any company that does business with the Federal Government," what do you do in other cases like that? For example, you put your money in mutual funds. Suppose some of those companies in those portfolios are doing business with the Federal Government. Is there a de minimis rule? Suppose he were to put—he had some money and he put it in Allied Chemical. I do not know whether there is such a thing.

Senator ANDERSON. Oh, yes; very good.

Senator BIBLE. That is a good stock. Do you want us to check it?

The CHAIRMAN. The chemical industry has been in bad straits right now for 5 or 6 years. Isn't it the question of control? Isn't this the key?

Senator ALLOTT. Isn't there the question of the relationship of his investment versus the whole thing?

The CHAIRMAN. Yes. I think there are two different things here. One thing is for his wholly owned business.

Senator ALLOTT. That is clear.

The CHAIRMAN. To be doing business. The other thing is the question of whether he will invest in securities, companies that are broadly held, over which he has obviously no control. He has 100 shares or 300 shares in something where there are several million shares outstanding.

Senator STEVENS. Isn't that really the facility of the trust arrangement in terms of the developments we are talking about right now? They could be made and the trustee could be authorized to invest in these types of stocks.

The CHAIRMAN. I think that is the way it should be done. I think it ought to be done by someone with instructions to avoid any investments that would be in conflict with his duties as Secretary, and with the Federal Government. I do not know whether you want to apply the de minimis rule that they follow in the Armed Services Committee of \$10,000.

Senator BIBLE. Would you spell that out, Mr. Chairman? Spell out the \$10,000?

The CHAIRMAN. Yes, and that is fairly stringent. It may be unfair, I do not know. The rule is that they cannot invest or hold stock, that is in the defense industries.

Senator BIBLE. Any appointee subject to Senate confirmation?

The CHAIRMAN. That is right, subject to Senate confirmation. Those that do \$10,000 or less in business with the Federal Government, they can still hold those stocks or buy them. Now, I am afraid, as a realistic matter, it knocks out about every company.

Senator CHURCH. I think we are pushing an open door. He has said in his letter that he would refrain entirely from doing any business with, or from making any investment in securities of any company that does business with, the Federal Government outside of Alaska Interstate. He has very little nonfamily stockholdings of any consequence. The companies he owns are not likely to be involved with the Federal Government. Why don't we just leave it up to him?

The CHAIRMAN. But I think he needs a guideline in fairness. You will have over \$1 million here.

Senator BIBLE. U.S. bonds are a good investment.

The CHAIRMAN. I think he has a right to know from the committee.

Senator CHURCH. Has he asked us for a guideline, Mr. Chairman?

The CHAIRMAN. No; he has not.

Senator CHURCH. I think that nobody would ever raise a question if he had five shares of stock in Trans-America Corp. or something like that. I just do not think that this constitutes a realistic problem, and if we try to write a guideline, we could really get into trouble. I mean that is pretty difficult to do.

The CHAIRMAN. I would just suggest that as to his noncorporate businesses, that they follow the same general rule to avoid investments

in stocks or other types of investments that will be in conflict with his responsibilities and let it go at that. That should cover it.

Senator CHURCH. He said he would do that.

The CHAIRMAN. Obviously they are not going to go out and invest in Anaconda or other companies that are dealing specifically with the Department of Interior.

Senator CHURCH. I think you have to leave it to his discretion, and it is very unlikely that he will invest in such a company after this experience. I think he will be very careful.

The CHAIRMAN. I would just leave No. 2 there.

Senator ALLOTT. Except for the first paragraph.

The CHAIRMAN. Yes.

Senator ALLOTT. I think it is all right.

The CHAIRMAN. I would just leave it that way.

Senator CHURCH. Yes.

The CHAIRMAN. That covers it.

Senator JORDAN. I think so.

The CHAIRMAN. Now we have these wires. Let us try to move along here, gentlemen, because we are going to have to—

Senator BIBLE. What time do they convene?

The CHAIRMAN. Ten-thirty. May I say it is my understanding, I talked to Senator Mansfield this morning, that we will be in recess until 3 o'clock. There will be a live quorum at 3 when they will start on some of the nominations.

Senator ALLOTT. Oh, there will?

The CHAIRMAN. Yes, sir. It is going to be hard to get back here.

Senator ALLOTT. I was supposed to go down and see the parade.

The CHAIRMAN. At 3 o'clock there will be a live quorum and there may be some rollcalls.

Senator CHURCH. This afternoon, rollcalls?

The CHAIRMAN. Yes, sir.

Senator BIBLE. There may be a lot of activities.

The CHAIRMAN. I wanted you to know this. I talked to Senator Mansfield a little after 8 o'clock this morning. All right, let us move along here so that we can get this thing along the road here.

Mr. VAN NESS. The remaining items are telegrams received yesterday.

The first one is from the accounting firm of Molitor, Doremus, & Hanlin. At the request of the Governor they clarified some of the matters which we had discussed Saturday on the financial statement. That telegram is, I believe, the same one that is in his letter No. 1.

The CHAIRMAN. Do you want to read it into the record?

Mr. VAN NESS. I think it is already in the letter, and I think everyone has read it.

Senator ALLOTT. It is in letter No. 1.

Mr. VAN NESS. Yes.

The CHAIRMAN. That will go in the record.

(The telegram referred to follows:)

ANCHORAGE, ALASKA, *January 19, 1969.*

Senator HENRY M. JACKSON,
Chairman, Senate Interior Committee,
New Senate Office Building, Washington, D.C.:

We submit the following information as requested by Gov. Walter J. Hickel. Re Walter J. and Ermalee Hickel, report on examination of balance sheet, dated December 31, 1967, prepared by Molitor, Doremus & Hanlin, certified public accountants.

Page 5, investments in securities: Common stocks, at cost, the miscellaneous item of \$2,794.50 is comprised of the following:

Mountain Mining Co.....	\$1,837.50
Captain Cook Hotel, Inc.....	40.00
Life Insurance Co. of Alaska.....	17.00
Cordova Investment Corp.....	900.00
Total	2,794.50

Other, at cost, the miscellaneous item of \$1,201 is comprised of the following:

Presbyterian Community Hospital Association, Inc.....	\$1,000
Fairview Mines.....	200
American Roofing.....	1
Total	1,201

Re Hickel Investment Co. and subsidiaries, report on examination of consolidated financial statements, year ended December 31, 1967, prepared by Molitor, Doremus & Hanlin, certified public accountants.

Balance sheet: The "other common stocks" in the amount of \$16,091.47 listed in the balance sheet under investments at cost is comprised of the following:

Alaska Pacific Corp.....	\$10,000.00
Northern Plaza Development.....	4,754.86
Bush Lanes, Inc.....	1,336.61
Total	16,091.47

MOLITOR, DOREMUS & HANLIN,
S. H. MOLITOR, *Partner.*

Mr. VAN NESS. The second telegram is from Mr. F. J. Keenan, State division of lands. This is dated January 19 and is a follow-up to the January 18 telegram that we had previously received.

The CHAIRMAN. Which we received on Saturday afternoon. Now, let us read the two together.

Senator BIBLE. Why don't you read both of them.

The CHAIRMAN. Read the January 18 first and then the January 19th wire. This is important, gentlemen. If you will read the wire again that we received Saturday afternoon, just as we were breaking up.

Mr. VAN NESS. Addressed to Senator Henry J. Jackson, chairman, Interior and Insular Affairs Committee, U.S. Senate Office Building, Washington, D.C.:

Alaska law does not permit a negotiated oil or gas lease. All leases are issued on a competitive or noncompetitive basis. Records indicate that Walter J. Hickel had one noncompetitive lease which was dropped in 1965. Records further reveal that no leases now exist in the name of Walter J. Hickel or Thomas E. Kelly.

British Petroleum Leases on North Slope acquired only by competitive bid.

F. J. KEENAN,
Director of State Division of Lands.

(The telegram referred to follows:)

ANCHORAGE ALASKA, *January 18, 1969.*

Senator HENRY M. JACKSON,
Chairman, Interior and Insular Affairs Committee,
U.S. Senate Office Building, Washington, D.C.:

Alaska law does not permit a negotiated oil or gas lease. All leases are issued on a competitive or noncompetitive basis. Records indicate that Walter J. Hinkle had one noncompetitive lease which was dropped in 1965. Records further reveal that no leases now exist in the name of Walter J. Hinkle or Thomas E. Kelly.

British petroleum leases on north slope acquired only by competitive bid.

F. J. KEENAN,
Director of State Division of Lands.

Mr. VAN NESS. The second telegram from the State is dated January 19, addressed again to Senator Henry M. Jackson:

Pursuant to request of Mr. Van Ness, counsel for Interior Committee, you are advised that the Alaska law does not permit a negotiated oil or gas lease. All oil and gas leases are issued on a competitive or noncompetitive basis. Records show that Walter J. Hickel acquired a noncompetitive or lottery type lease on April 1, 1962, covering sections 5, 6, 7 and 8 TWP 25N R6W SM.—

Relating to Meridan. That is my insertion.—

Pursuant on application signed by Walter J. Hickel. The lease was issued on May 1, 1962 and terminated on May 1, 1965 due to nonpayment of rental.

Exploration in this area indicated no potential thus no drilling was undertaken. British Petroleum leases in Alaska total approximately four hundred and twenty thousand acres. British Petroleum has acquired no leases since the January 1967 competitive sale at which time fifteen thousand two hundred and fifty nine acres of the total was acquired on the North Slope. Therefore no leases have been issued to British Petroleum since Thomas E. Kelly has been Commissioner of Natural Resources Division of Lands, records reveal that no other lease has been issued to Walter J. Hickel and that no leases have been issued to the following: Ermalee Hickel, Hickel Investment Company, Hickel Enterprises, Alaska Plumbing and Heating, Northland Pipe and Supply Company, Inc., Travelers Inn of Fairbanks, Inc. Northern Lights Shopping Center, Inc. Captain Cook Hotel, Travelers Inn of Anchorage, Clarks Painting and Decorating, Thomas E. Kelly.

F. J. KEENAN,
Director State Division of Lands, Anchorage Alaska.

Mr. Chairman, those perhaps should be put in the record.

Senator ALLOTT. The final wire clears it up.

(The telegram referred to follows:)

ANCHORAGE, ALASKA, January 19, 1969.

Senator HENRY M. JACKSON,
*Old Senate Office Building,
Washington, D.C.*

Pursuant to request of Mr. Van Ness, counsel for Interior Committee, you are advised that the Alaska law does not permit a negotiated oil or gas lease. All oil and gas leases are issued on a competitive or noncompetitive basis. Records show that Walter J. Hickel acquired a noncompetitive or lottery type lease on April 1, 1962, covering sections 5, 6, 7 and 8 TWP 25N R6W SM pursuant on application signed by Walter J. Hickel. The lease was issued on May 1, 1962 and terminated on May 1, 1965 due to nonpayment of rental.

Exploration in this area indicated no potential thus no drilling was undertaken. British petroleum leases in Alaska total approximately 420,000 acres. British petroleum has acquired no leases since the January 1967 competitive sale at which time fifteen thousand two hundred and fifty nine acres of the total was acquired on the North Slope. Therefore no leases have been issued to British petroleum since Thomas E. Kelly has been commissioner of natural resources division of lands. Records reveal that no other lease has been issued to Walter J. Hickel and that no leases have been issued to the following: Ermalee Hickel, Hickel Investment Company, Hickel Enterprises, Alaska Plumbing and Heating, Northland Pipe and Supply Company, Inc., Travelers Inn of Fairbanks, Inc., Northern Lights Shopping Center, Inc., Captain Cook Hotel, Travelers Inn of Anchorage, Clarks Painting and Decorating, Thomas E. Kelly.

F. J. KEENAN,
Director, State Division of Lands.

The CHAIRMAN. Let us finish. What is this last wire?

Mr. VAN NESS. The third telegram is dated January 19, 1969, from Mr. Burton Silcock, State director of the Bureau of Land Management, Anchorage, Alaska. This is the telegram that was requested on Friday evening, again Saturday morning and Saturday noon.

The CHAIRMAN. Who is this from?

Mr. VAN NESS. Mr. Burton W. Silcock.

The CHAIRMAN. Burton of the land management?

Mr. VAN NESS. BLM, addressed to Senator Henry M. Jackson:

This acknowledges receipt of verbal request received at approximately 2:30 p.m. AST this date from William J. Van Ness, Jr., Special Counsel for the Senate Interior and Insular Affairs Committee, acting under the direction of Senator Jackson, Chairman, the following information in supplied pursuant to Mr. Van Ness request:

1. Of the twenty-seven companies discussed in the phone conversation we did not find any oil and gas lease applications or leases in our active files.

2. There was only one instance where lease had been issued in the name of Hickel as follows: Walter J. Hickel c/o Yakutat Development Company 439 Wyatt Building Washington 5, D.C. Serial Number A-025122. Application filed on August 3, 1953, lease issued April 11, 1956. Portion of this lease was later segregated and a new lease issued in the name of Walter J. Hickel % Colorado Oil and Gas Corporation Denver Club Building, Denver, Colorado. Serial Number 05893 effective June 12 1962. Both of the above leases were closed on March 31, 1963. Copies of serial pages being air mailed. Colorado Oil and Gas Corporation has oil and gas leases in Alaska and is actively exploring on the North Slope.

3. Roger Cremo we were unable to find any oil and gas leases in his name.

4. We are sending air mail copies of the serial pages purchased by Ken Smith on January 17, 1969 from the Anchorage Land Office. These offers in connection with these serial pages involving Hickel Investment Company and Walter J. Hickel were withdrawn and no leases issued.

That is the close of the telegram.

Let me clarify two points.

In our discussion with Mr. Silcock on the telephone I asked him to take a run through his files under the name of Mr. Roger Cremo because Mr. Cremo served as trustee while the Governor was in the office, and certain assets were held in his name. I felt it was appropriate to do so and I so advised Mr. Cremo.

(The telegram referred to was received on January 19, 1969, and follows:)

BUREAU OF LAND MANAGEMENT,
Anchorage, Alaska, January 17, 1969.

Senator HENRY M. JACKSON,
Chairman, Interior and Insular Affairs Committee,
Washington, D.C.

(Attention of William J. Van Ness, Jr.):

This acknowledges receipt of verbal request received at approximately 2:30 p.m. A.S.T. this date from William J. Van Ness, Jr., special counsel for the Senate Interior and Insular Affairs Committee acting under the direction of Senator Jackson, chairman. The following information is supplied pursuant to Mr. Van Ness' request:

1. Of the 27 companies discussed in the phone conversation we did not find any oil and gas lease applications or leases in our active files.

2. There was only one instance where lease had been issued in the name of Hickel as follows: Walter J. Hickel, care of Yakutat Development Co., 439 Wyatt Building, Washington, D.C., serial No. A-025122. Application filed on August 3, 1953, lease issued April 11, 1956.

Portion of this lease was later segregated and a new lease issued in the name of Walter J. Hickel, care of Colorado Oil & Gas Corp., Denver Club Building, Denver, Colo. Serial No. A-058593 effective June 12, 1962. Both of the above leases were closed on March 31, 1963. Copies of serial pages being airmailed. Colorado Oil & Gas Corp. has oil and gas leases in Alaska and is actively exploring on the north slope.

3. Roger Cremo. We were unable to find any oil and gas leases in his name.

4. We are sending airmail copies of the serial pages purchased by Ken Smith on January 17, 1969 from the Anchorage Land Office. There offers in connection

with these serial pages involving Hickel Investment Co. and Walter J. Hickel were withdrawn and no leases issued.

BURTON W. SILCOCK,
State Director,
Bureau of Land Management.

Mr. VAN NESS. A few minutes ago we received the special delivery mail package from the bureau of land management and included is a copy of the telegram which I had requested to be placed with the letter.

Senator BIBLE. The one you just entered into the record?

The CHAIRMAN. Yes.

(The original copy of the telegram referred to for inclusion in the record at this point follows:)

BUREAU OF LAND MANAGEMENT,
Anchorage, Alaska, January 17, 1969.

Senator HENRY M. JACKSON,
Chairman, Interior and Insular Affairs Committee,
U.S. Senate Office Building, Washington, D.C.

(Attention: William J. Van Ness, Jr.):

This acknowledges receipt of verbal request received at approximately 2:30 p.m. AST this day from William J. Van Ness, Jr., special counsel for the Senate Interior and Insular Affairs Committee, acting under the direction of Senator Jackson, chairman. The following information is supplied pursuant to Mr. Van Ness' request:

1. Of the 27 companies discussed in the phone conversation we did not find any oil and gas lease applications or leases in our active files.

2. There was only one instance where lease had been issued in the name of Hickel as follows: Walter J. Hickel, c/o Yakutat Development Co., 439 Wyatt Building, Washington 5, D.C. Serial No. A-025122. Application filed on August 3, 1953, lease issued April 11, 1956.

Portion of this lease was later segregated and a new lease issued in the name of Walter J. Hickel, c/o Colorado Oil & Gas Corp., Denver Club Building, Denver, Colo. Serial No. A-058593 effective June 12, 1962. Both of the above leases were closed on March 31, 1963. Copies of serial pages being air mailed. Colorado Oil & Gas Corp. has oil and gas leases in Alaska and is actively exploring on the North Slope.

3. Roger Cremo. We were unable to find any oil and gas leases in his name.

4. We are sending air mail copies of the serial pages purchased by Ken Smith on January 17, 1969 from the Anchorage land office. These offers in connection with these serial pages involving Hickel Investment Co. and Walter J. Hickel were withdrawn and no leases issued.

BURTON W. SILCOCK,
State Director,
Bureau of Land Management.

Mr. VAN NESS. The second thing concerns copies of the applications for leases which terminated in 1963. The applications apparently were withdrawn by Governor Hickel.

Senator BIBLE. These are Thermofaxes of that?

Senator STEVENS. The top filing?

Mr. VAN NESS. Yes. The third matter is a copy of the oil lease that was in fact issued and the serial numbers are again given.

Here is again another copy, and the note on it reads "As far as our records disclose, this is the only lease issued to Mr. Hickel."

And then I also asked for information from their files on the Tallman case.

You will recall that was how they initially ran on to the Hickel name in connection with the top filings. I told them it might be relevant to have a copy to show how they picked it up and they have provided the file.

The CHAIRMAN. These will all be either filed or incorporated by reference, properly identified, and made a part of the committee records, so they are identifiable.

(The materials referred to are in the committee's official files.)

Is there objection?

Senator ALLOTT. You could do that in ink so they would always be identified with the record, couldn't you?

Mr. VAN NESS. Yes, sir.

The CHAIRMAN. All right.

Mr. VAN NESS. There are a couple of other matters that occurred over the weekend. We had trouble getting the telegram from BLM. We requested it initially Friday evening, but it was not received. Yesterday I had John Crow, associate director of BLM, get in touch with Mr. Silcock to take the telegram over the telephone and provide us with a signed transcript of it so we would have a copy in the event we did not receive the telegram.

The CHAIRMAN. We do not need to file that because we have the wires now.

Mr. VAN NESS. Yesterday, prior to meeting with Mr. Cook, Mr. Cremo, and Mr. McMurray, I had reviewed portions of the hearing record and I had other members of the staff, Mr. Dreyfus and Mr. Miller, go through the hearing record to pick out things that were not resolved, that perhaps required further clarification, in the event questions were raised on the floor on some of these matters. In addition I had them go through a file, a relatively comprehensive file, of press clippings that we have maintained on this nomination and pull out any issues that were reported in the press or any allegations made in the press concerning the Governor. I thought that material would be relevant information for the committee to have for purposes of completing the record.

I have prepared a list of those things that either were not mentioned in the transcript to date or were only partially covered. I provided that list to Mr. McMurray and Mr. Cremo, and told them that in my judgment they should be prepared to provide further information or clarification on those matters insofar as they could, and perhaps the Governor could be advised that some of these matters might be brought up and he could respond to them. That list consists of 13 items right now, I believe.

Senator STEVENS. Mr. Chairman, I think I can clarify one of them raised to me on Saturday, the question was whether there was a recall petition filed against Governor Hickel when he served on the city planning commission. I have a telegram here that is signed by Mr. Vic Gill, who is a member of that commission now, Frances Mayer, a member, Donald K. Hill, a past chairman, and William J. Sheffield, past chairman, which states that no such petition was ever filed, and it recites that

A petition was talked about and may have been circulated; however, it never was successful. The issue involved was an open space in downtown core open block versus parking structure on same site. Governor Hickel supported open-space concept. Several factions were opposed to his position. The matter was resolved by city of Anchorage voters at a general election and the open-space concept won out.

V. GILL, *Member.*

FRANCES MAYER, *Member.*

DONALD K. HILL, *Past Chairman.*

WILLIAM J. SHEFFIELD, *Past Chairman.*

I would like to have that included.

The CHAIRMAN. That will be included at this point.

(The telegram referred to follows:)

ANCHORAGE, ALASKA, *January 18, 1969.*

Senator TED STEVENS,
Washington, D.C.:

Confirming our telephone conversation regarding Governor Hickel's service on Anchorage City Planning Commission. No recall petition was ever filed. A petition was talked about and may have been circulated; however, it never was successful. The issue involved was an open space in downtown core open block versus parking structure on same site. Governor Hickel supported open-space concept. Several factions were opposed to his petition.

The matter was resolved by city of Anchorage voters at a general election and open space concept won out.

V. GILL, *Member.*

FRANCES MAYER, *Member.*

DONALD K. HILL, *Past Chairman.*

WILLIAM J. SHEFFIELD, *Past Chairman.*

Senator STEVENS. May I ask if one of the items on Mr. Van Ness' list is the Drew Pearson comment about the subcontract with the airport terminal?

Mr. VAN NESS. Yes, sir, it is.

Senator STEVENS. I have a telegram here from prime contractor, M-B Contracting Co., Inc., which reads:

We are the prime contractor on the airport terminal expansion at Anchorage, Alaska. Mr. Drew Pearson has stated that the Hickel company, Alaskan Plumbing & Heating Co., Inc., was awarded a subcontract despite the fact it was not originally the low bidder. I wish to advise you and your committee that this statement is absolutely incorrect.

We received mechanical bids from several contractors, including C. R. Lewis, prior to submitting our bid to the State of Alaska. Alaskan Plumbing & Heating Co., Inc., was the lowest of the bids we received. We used their figure in preparing our bid to the State and, subsequently, we awarded the mechanical subcontract to Alaskan Plumbing & Heating for only one reason, they were the low bidder. Mr. Lewis's bid was not thrown out for any technicality, he simply was not low. Any inference that you or your committee may draw from Pearson's column that the State of Alaska, Governor Hickel, or anyone else applied any pressure on me or our company is unfounded. I personally made the award to Alaskan Plumbing & Heating based on their low bid.

M-B CONTRACTING CO. INC.,

JOHN I. MILLER, *President.*

I would like to have that put in the record also.

The CHAIRMAN. That will be included in its entirety at this point.

(The telegram referred to for inclusion in the record at this point follows:)

SEATTLE, WASH., *January 14, 1969.*

Hon. THEODORE STEVENS,
U.S. Senate, Washington, D.C.:

We are the prime contractor on the airport terminal expansion at Anchorage, Alaska. Mr. Drew Pearson has stated that the Hickel company, Alaskan Plumbing & Heating Co., Inc., was awarded a subcontract despite the fact it was not originally the low bidder. I wish to advise you and your committees that this statement is absolutely incorrect.

We received mechanical bids from several contractors, including C. R. Lewis, prior to submitting our bid to the State of Alaska. Alaskan Plumbing & Heating Co., Inc., was the lowest of the bids we received. We used their figure in preparing our bid to the State and, subsequently, we awarded the mechanical subcontract to Alaskan Plumbing & Heating for only one reason, they were the low bidder. Mr. Lewis bid was not thrown out for any technicality, he simply was not low. Any inference that you or your committee may draw from Pearson's

column that the State of Alaska, Governor Hickel, or anyone else applied any pressure on me or our company is unfounded. I personally made the award to Alaskan Plumbing & Heating based on their low bid.

M-B CONTRACTING CO., INC.
JOHN I. MILLER, *President*.

Senator STEVENS I may have answers to some of the rest of this.

The CHAIRMAN. Run down the list, the topics.

Mr. VAN NESS. The topics are as follows:

The CHAIRMAN. The planning commission allegation has already been covered and discussed, but are there any further questions?

Mr. VAN NESS. Information was requested on the Kuskokwim issue and that has since been submitted this morning by the Governor's people.

The third allegation related to the Wickersham Ferry purchase. There was an allegation that the State paid approximately \$1 million more than the offering price on the ferry a few months previously.

A fourth one related to the trust arrangement. One of the letters received this morning from the Governor requests that the trust instrument be placed in the file, so that is resolved.

The record does not disclose in my judgment a clear statement with respect to what the Governor's interest was in Anchorage National Gas prior to the time it was merged into Alaska Interstate. I thought it was of some relevance because it was often referred to as 2 percent when it was the Anchorage National Gas and it remained 2 percent after the merger with Alaska Interstate. It was not clear how you could effectuate that: merge into a larger entity and still maintain the 2 percent. I thought the record should be clear because there was an extensive line of questioning by Senator Metcalf on that point.

The CHAIRMAN. All right, let us move on.

Mr. VAN NESS. I think Mr. Cremo, the Governor's attorney, could clarify that matter for the committee.

Senator ANDERSON. The charge is that they had a certain amount of property and then raise—

Mr. VAN NESS. There was no charge or allegation whatever in connection with this. It just was not clear in the record, and there was extensive questioning on the point. I thought that perhaps the record should be clarified.

The CHAIRMAN. There was confusion over the percentage that he owned. He owned 2 percent in the smaller company as I understood it. The question was his percentage of ownership, was it not?

Senator ALLOTT. In the original.

The CHAIRMAN. In the original company, and that was never clearly responded to.

Senator ALLOTT. I do not know that it was ever asked him.

The CHAIRMAN. I should correct it. I do not know whether the question was ever asked. The information in the record apparently relates only to the percentage in the company in which he now holds stock, which is the merged company, the Houston Corp.

Go ahead.

Mr. VAN NESS. The sixth item, in my judgment, was one that needed clarification for the committee more than any others. There was a press report that Mr. Michael T. Halbouty and Governor Hickel were partners at one time. Halbouty you will recall is Mr. Kelly's step-

father. In addition he is a person who has speculated in oil ventures and has been involved in a number of corporate arrangements throughout the West, in addition to in Alaska. The question was never brought up as to whether there is any present relationship or anything of this nature. I felt that it should be clarified both because of the oil connection possibility and because of Mr. Kelly's relationship. I am sure there is an explanation to this, and they have indicated to me what it is, but I would rather that they comment on that.

There were press allegations on the oil severance tax, and perhaps Senator Stevens or Senator Gravel can speak to this.

One of the allegations was that he had threatened to or attempted to dismiss a person serving on the North Pacific Advisory Fisheries Commission because this person had proposed an oil severance tax while serving in the legislature. There were other reports relating to what the Governor's position was on this, and the reports generally were to the effect that the Governor opposed an increase in or the imposition of any tax. The inference to be drawn from these articles was that he was favoring the oil industry, and opposing the tax on that basis. I have no comment whatever on the inference to be drawn there, but that was the fair inference.

Senator BIBLE. What was he supposed to have done, threatened the man that he put on the Commission?

Mr. VAN NESS. That is one news report, yes.

Senator BIBLE. News report?

Mr. VAN NESS. Threatened to remove him from an advisory commission. This man was also either a State representative or State senator as I understood it, and had advocated a larger or an increase in the oil severance tax.

Senator BIBLE. I understand the problem. I just wondered what he did.

Senator GRAVEL. He was a Republican legislator, chairman of the rules committee.

Mr. VAN NESS. He was, yes.

Senator BIBLE. Is he still on the commission?

Senator STEVENS. Yes, he is still on the commission. He is still a legislator and still chairman until the new legislature convenes.

Mr. VAN NESS. The next question related to other press reports. As I understood it, the stories went this way: How can this man administer the mine safety laws and the other safety laws he would be charged with administering when he in fact constructed the Captain Cook Hotel in the middle of a very grave, a very serious earthquake fault that was reportedly dangerous.

The next one concerned news reports in connection with the rerouting of a highway after it initially had been established in or near Anchorage. This highway allegedly was rerouted to go past, as I understand it, some Hickel properties.

The next one—

Senator CHURCH. Do you know anything about that?

Senator STEVENS. This Minnesota bypass. It was not rerouted. It was reconstructed.

Senator GRAVEL. No that is not the Minnesota bypass. I believe this is that acreage on Campbell Station Road. There was a move. The highway plan was to have one block off to parallel and have one-way

streets going in either direction and the allegation is that apparently the Governor and some other people, in this other financial statement of 60 acres wanted it further down and that the department of highways was ordered to move the highway down into that area as part of this shuttle. It is an allegation and all I have noticed is that he has the 60 acres and I do not know of anything within the highway department in the way of orders or anything official to any degree. So at this point it is nothing but an unsubstantiated allegation.

Mr. VAN NESS. That is right, all of these are unsubstantiated allegations. They are pulled out of the press clipping file.

Senator CHURCH. The highway department in Alaska—

Senator GRAVEL. Everything in Alaska is subject to the Governor's direction, so there can be no misunderstanding about that. We only elect one person. He is very autonomous and he appoints everybody.

The CHAIRMAN. Senator Stevens, do you have a comment?

Senator STEVENS. The Federal aid highway program is not completely subject to that. That is the one item that the Governor really does not have much control over.

Senator BIBLE. That is because it is the Bureau of Public Roads?

Senator STEVENS. Right.

The CHAIRMAN. He has to comply with Federal laws in regard to standards, civil service, and some other things.

Senator ALLOTT. Our Governor can tell you about that, and so can my colleague.

The CHAIRMAN. Any Governor can.

Senator BIBLE. Which is probably a fairly good thing.

The CHAIRMAN. What is the next item?

Mr. VAN NESS. The next item and I am not sure this is a proper description here, an allegation in connection with the consideration of the North Freight Road.

Senator STEVENS. The North Slope Road.

Mr. VAN NESS. The North Slope Road. The allegation is that State law requires a 50-50 contribution between the State of Alaska and private industry in the construction of this road. The allegation is that the State financed the road insofar as it has been constructed, and I have no information on this, but that there was no private industry contribution as presumably directed by law.

Senator GRAVEL. Mr. Stevens was in the legislature at that time. Maybe he can answer. Was 50-50 required?

Senator STEVENS. No, there is a mixup here in terms of the moneys appropriated by the North Commission and the moneys that the Governor has requested. This next legislature—he polled the next legislature and asked them if they would support the use of State funds to build this winter road to the north. It is an experimental road. It is an ice road as it is called, and they have indicated by poll, the majority of them, they will support it and that the money coming from the next legislature is being spent out of the existing highway appropriations from this year, so there is a conflict there as to what they are talking about. The moneys that they are using are moneys that the legislature has committed in advance. It is just strictly for a winter haul trail to the North Slope.

It is my understanding further that the private companies are going to maintain that road, at least a portion of it. The State is constructing the whole thing. There are no Federal funds involved.

The CHAIRMAN. The next item?

Mr. VAN NESS. The final item is not an item that is raised in connection with any allegation or press report. It is just an item I have not had a chance to check out. Again, in connection with all of this, other than at the direction of the chairman of the committee I have not, and no member of the staff has, been actively investigating and trying to trace down unsubstantiated allegations.

As they came to attention we have advised the Governor's people concerning them and said that this may be a matter of interest to the committee; you may want to be prepared on it, and you are advised of it. It came to my attention that in connection with the oil lease that he did have, and a portion of which was later assigned to Colorado Oil & Gas Corp., I believe, or Development Corp. I had checked one thing out last week. I had gone over to the SEC and reviewed the prospectus on Alaska Interstate, and it is my recollection that one of the major holders in Alaska Interstate was Colorado Oil & Gas, it is Colorado something. I do not see any logical connection between those things, but I will clarify it if you think it is justifiable.

Senator ALLOTT. I do not think there is. I know of the Colorado Oil & Gas Corp. I cannot think of the man who is president of it. They have been interested in Alaskan development a long time.

The CHAIRMAN. Senator Stevens.

Senator STEVENS. The only relationship to Colorado Oil & Gas is on that one lease. It was assigned over to them, and it was obviously for a development purpose and their assignment could not have lasted more than 9 months as I recall the record because the thing terminated in 1963. That is typical of the development pattern in Alaska. Someone gets together and tries to put together enough leases to interest a company to come in and spend the money to invest in it, and it is obvious that they got it put together and assigned them, but then Colorado Oil & Gas did not carry through, was not interested in the area apparently, because the lease expired within less than a year after the assignment was made.

Mr. VAN NESS. Two things. If it is Colorado Oil & Gas that is mentioned in that prospectus, it is probably totally coincidental that there would be the three connections. First the assignment of the lease, the fact that Colorado Oil & Gas is on the North Slope, and third, that it is a shareholder, if it in fact is, that owns stock in Alaska Interstate. But I did want to bring that to your attention, in the event you did want a further look at it.

Senator ALLOTT. I fail to see the significance of it. I wish somebody would spell it out for me.

Mr. VAN NESS. I thought the coincidence of the occurrence made it worth while to bring to your attention.

Senator STEVENS. One of the first companies involved in Alaskan activities was Colorado Oil & Gas. It goes back to the time they were down in Kitella, but when you get into this thing on the North Slope there is every company involved on the North Slope, and I think you will find that the lease that you are talking about is one of a group

of leases that were put together and offered to Colorado Oil & Gas, and they took them and then dropped them. That is it.

Mr. VAN NESS. I did want to make clear again that other than looking at the SEC prospectus on Alaska Interstate, that no active effort has been made toward investigating these allegations other than material already a part of the record in connection with telegrams requested at the direction of the committee.

Senator ALLOTT. But all of these things you talk about with Colorado Oil & Gas occurred 3 years before he became Governor?

Mr. VAN NESS. Yes sir. That is correct.

Senator ALLOTT. And as a result of the lease or modifications of the lease that he took in 1953 which expired in 1963. Is that right, Bill?

Mr. VAN NESS. That is correct.

The CHAIRMAN. Any further questions on this point?

Now, it also should be pointed out, of course, that the staff has not been able, obviously it would take a long long time, to go through the records, the old records on these leases that have expired. I see no need to do that if they are dead. The only files that ought to be checked now are the active files, and as I understand it the active files would show where there is an application pending, or where a lease has been issued. Would it show all current active leases? I just want to make the record here.

Mr. VAN NESS. It would show all current active leases, and in this respect—

The CHAIRMAN. Or would the dead files be ones where they might have to find any active lease?

Mr. VAN NESS. I want to point this out because we discussed it yesterday with Mr. Cremo. The Governor has in the past had a history of grubstaking people and making these casual investments that have since turned up. There may be others of this nature and I suggested to Mr. Cremo that perhaps, on the Governor's behalf, he check these out. They should go through the inactive files and see if he did have a mineral lease. Did it expire, and does he still have an interest in a commonly owned portion of some other leases that have not expired, which he cannot recall, and that he is not now aware of?

Senator ALLOTT. Contingent interests.

Mr. VAN NESS. That would be the case with this override on the oil royalty. Apparently his lease had expired because they had no record at BLM on it. He should do it for his own protection.

The CHAIRMAN. I understand. We are trying to get all the facts out on the table on this subject. What I want to ask is whether it is necessary to go into the inactive files in order to find out whether or not there are still some active leases pending, or can they look in the active files. Is this where you would find all existing leases or applications that are still active?

Senator ALLOTT. Maybe one of our two Senators from Alaska can answer that.

Senator STEVENS. I can answer that, Mr. Chairman.

The CHAIRMAN. Senator Stevens.

Senator STEVENS. The file cannot be closed so long as there is any present interest in the file. This is true in either the State or the Federal land office, and your wire from Mr. Silcock indicates that there

are no applications and no leases in his Alaska office, no record of them. Mr. Keenan says there are no applications, and there are no leases for either Walter J. Hickel or the whole group, and so the same thing for Mr. Silcock. The record is clear there is no present interest in any of these things other than the one thing that carries over on that one royalty from one-seventy-eighth of one and a quarter percent, and I know what that is.

The CHAIRMAN. But there could be, of course, even though a check were made under Hickel and all of his companies. There conceivably could be an interest in an oil lease under another name.

Senator STEVENS. Yes.

The CHAIRMAN. Which would not appear and still be active.

Senator STEVENS. That is true, like the Koslosky Development Co.

The CHAIRMAN. That is right, which did not show up except through the cooperation of his attorney, who picked it up from somebody, I guess, or got some report that this might be an interest that he has. So we want the record clear on this. We now have a situation in which, as I understand it, a faithful check has been made with the Bureau of Land Management office in Alaska, the State office, checking out every known reference to Hickel or to any of his wholly owned companies. It disclosed no active interest in any oil lease or application other than those which have been brought out here.

Secondly, the State records have been checked, and the same thing applies. What the staff cannot report is that he does not have an interest in an oil lease or an application which might appear under another name, some joint venture or some other business entity that is not identified on the surface as Hickel.

Senator BIBLE. He does not to his knowledge.

The CHAIRMAN. To his knowledge, that is right, so I think the members must understand that. We have nothing more to go on other than that. Have I fairly stated the situation now? Is that right, Mr. Cook?

Mr. COOK. Yes, I agree, Senator.

Senator BIBLE. Right on that subject and very quickly right out in our State I have a lot of good old prospector friends and I have helped them and they put my name on a mining claim or discovery. I do not know what claims I am on in Nevada, but up to now I assure you none of them has come in.

Senator ALLOTT. That is one thing you are sure of.

Senator BIBLE. It kind of makes them feel good to have my name there. They have even named mining claims after me, but they are destitute-looking claims.

The CHAIRMAN. Gentlemen, what I want to make sure of here before we decide what we are going to do is that we have everything in the record. I do not want to take the nomination up on the floor until the record is fully complete. I want to ask the staff, both majority and minority, what remains to be presented to the committee and what additional testimony, if any, may be required in order to complete the record, so that we have a complete record.

Senator BIBLE. Mr. Chairman, I think you have done a great job, you and your staff.

The CHAIRMAN. I want to say the minority has cooperated very well.

Senator BIBLE. I understand.

The CHAIRMAN. And the representatives of the Governor. They have worked the whole weekend.

Senator BIBLE. I understand what you are doing. I think you are doing a great job. You could give this to all the title companies in the world and they would not disclose any more. They would spend a lot of time and all they would insure their findings against is known defects.

The CHAIRMAN. First let me ask on these points that have been gone over. Do we need to take testimony on any of the points that have been raised?

Senator BIBLE. The only one that I would think is the one on that partnership, the one that he underscored as being a little fuzzy.

Mr. VAN NESS. I do not think it is necessarily fuzzy. I think it is clear in the Governor's mind. I understand that the Hickel Investment Co., Inc., which is the major holding corporation, was initially a Delaware corporation. I understand also that it was set up and the stock was perhaps wholly owned, perhaps not, by Mr. Michael T. Halbouty.

Later, that was transferred, registration was transferred to the State of Alaska as I understand it, and again this is second-hand information conveyed to me by Mr. Cremo yesterday. He said the Governor knew the facts on it but that he did not. In any event, he has said that Mr. Halbouty is now entirely out of Hickel Development Co. and has no interest whatever in it. I told him that I thought the committee should go into that, should have it clarified, because it was reported in the press, and as I understand it, Mr. Halbouty, as indicated earlier, does speculate in oil.

The CHAIRMAN. I will tell you, gentlemen, there are a lot of things here that under ordinary rules of evidence would be entirely irrelevant and collateral to the issue, but we are in a situation where I would like to have the record as complete as possible.

Senator ALLOTT. I do not care if you call him in, Scoop.

Mr. VAN NESS. A wire just arrived.

The CHAIRMAN. Read the wire.

Mr. VAN NESS. From Molitor, Doremus, & Hanlin, the certified public accountants. I indicated there was a telegram in transit addressed to Senator Jackson. It reads:

In addition to the information wired to you yesterday, we submit the following which was inadvertently overlooked: Re Hickel Investment Co. and subsidiaries, report on examination of consolidated financial statements, year ended December 31, 1967.

The "Joint ventures other" in the amount of \$6,061.38 listed in the balance sheet under "Investments at cost," represent Alaskan Plumbing & Heating Co., Inc., equity in David Kyzer & Associates of which they have a 75-percent interest, December 31, 1967, \$6,061.38.

Signed Molitor, Doremus & Hanlin, S. H. Molitor, partner.

(The telegram referred to follows:)

ANCHORAGE, ALASKA, *January 20, 1969.*

Senator HENRY M. JACKSON,
Chairman, Senate Interior Committee,
New Senate Office Building, Washington, D.C.:

In addition to the information wired to you yesterday, we submit the following which was inadvertently overlooked. Re: Hickel Investment Co. and Subsidiaries, report on examination of consolidated financial statements, year ended December 31, 1967.

The "joint ventures other" in the amount of \$6,061.38 listed in the balance sheet under "investments at cost", represents Alaskan Plumbing & Heating Co., Inc.'s equity in David Kyzer & Associates of which they have a 75 percent interest.

MOLITOR, DOREMUS & HANLIN,
S. H. MOLITOR, *Partner*.

The CHAIRMAN. Who is David Kyzer?

Mr. VAN NESS. I have no idea, sir.

The CHAIRMAN. The Chair would suggest—and I have not had an opportunity to talk to the ranking member of the minority here—that will have everything in the record, will we not, at that time?

Mr. VAN NESS. With the exception of the 1968 calendar year statements on his holdings and assets. The accountants are working on that, but they indicate it may be weeks or perhaps even longer to supply it. And in addition to that, I requested a short statement of any major transactions occurring from January 1 until the time that the statements were supplied.

The CHAIRMAN. You mean since December 31, 1967?

Mr. VAN NESS. Yes, sir. To date.

The CHAIRMAN. To date.

Senator ALLOTT. Mr. Chairman, I preface my remarks again with this remark. I think the Chair has been eminently fair in this matter, and I know that there have been those interests who have tried to bring pressure on almost everybody imaginable. My personal feeling is that we have dragged this thing out as long as we should do it, and I think we ought to vote on it. If it involves bringing in—if there are any questions that really are questions here, we can bring them in, but I think we should vote on this matter.

The CHAIRMAN. Senator Anderson.

Senator ANDERSON. I have tried to watch this as carefully as I could. I had some interests in Alaska for a while up there. I think this fellow has been examined as much as he can be examined reasonably. You cannot trace every piece of property all the way through. For instance, I bought some shares of stock one time in a book publishing firm in New York. I held it for years. It sold out to CBS. They said that I had some stock in that for a while. On the oil properties they could not put this money away. I saw one day where somebody bought land in Mexico. I had a chance to grab it and I did grab it real quick. They said I was going to grab Carlsbad Caverns. They had a lead on it.

This man is a person who dabbles. I would go crazy if I had investments as he did, but that is his business, not mine. I am going to vote for him.

Senator BIBLE. Mr. Chairman, in deference to you, as you know, I think you have done a tremendous job under very difficult circumstances. What is the purpose of your suggesting that we go over until tomorrow morning? What are the main points that are not cleared up? You have the sixth point.

The CHAIRMAN. That is right, and that is about it. I do not think there is anything more.

Senator BIBLE. Do we have anything on this last thing, the telegram suggesting interests in some Kyzer company?

Senator STEVENS. I can explain what that is, Mr. Chairman.

The CHAIRMAN. That raises another one. I never heard of Kyzer in this thing.

Senator BIBLE. Neither did I. I was just wondering if there are any questions. I think in fairness we should dispose of it if we could, but I will defer to what you want. If you want to meet a week from tomorrow that is all right.

The CHAIRMAN. No, I want to get this thing over. Who doesn't. What is this?

Senator STEVENS. An investment in a small company that take equipment from the various contracting companies and refurbishes it and sells it. It is again sort of a grubstake to a guy to set up a business of taking over V-8 Caterpillars or something like that from the contractors after a job is through, refurbishing it and selling it. It is considered just a minor holding for the amount of money that he put in to get that thing started.

Senator ALLOTT. That is not Henry Kaiser?

The CHAIRMAN. No, it is another spelling, K-y-z-e-r.

Now, the item on this check list of major concern that Mr. Van Ness went through is item 6, the Halbouty matter. The other matters I understand can be taken care of by statements. Is there anything else that we are waiting to have in the record that is to be supplied? Especially from either the State land officials or the Federal offices in Alaska?

Mr. VAN NESS. Nothing except the detailed report from BLM confirming the telegram.

The CHAIRMAN. But they have confirmed this?

Mr. VAN NESS. Yes, sir.

Senator BURDICK. Has the witness been asked about the Halbouty matter?

The CHAIRMAN. Well, there were some questions asked, but not specifically in detail about the Halbouty matter.

Senator BURDICK. Is there evidence derogatory to the contrary?

Mr. VAN NESS. There is none. It is an allegation and is unsubstantiated.

Senator ALLOTT. Do you see where it raises a question? I cannot see where it raises a question.

Senator CHURCH. What is the allegation again?

Mr. VAN NESS. The allegation generally—

Senator BIBLE. Restate it.

Mr. VAN NESS. As I understand it there are press reports alleging that Governor Hickel had or has oil interests in connection with Michael T. Halbouty, or Halbouty Alaska Oil Co., and that they have had a long history of business interests. Now the Governor's people have informed me that they were in fact in partnership at one time. They owned property in the city of Anchorage, and planned to build a hotel, I believe to be called Twin Towers. They had plans drafted I believe. They later decided that they would not build it. They split up the partnership or the corporation, or whatever it was, and the Governor retained the real property. Michael T. Halbouty received a commercial radio station I am told and some cash. The Governor's people informed me that that was the only instance he was ever involved in with Mr. Michael T. Halbouty, but again that is second-hand through the attorney.

The CHAIRMAN. Can he supply a statement in which he reveals all of his connections in this regard, and have that in the record for us?

Senator CHURCH. We rely upon his statement with respect to every other part. Why don't we rely upon his statement with respect to this?

The CHAIRMAN. Why don't we let him supply that, a complete statement, however, that we must have before we go to the floor?

Mr. VAN NESS. On all of the open items?

The CHAIRMAN. On all of the items mentioned he should provide a statement and an explanation.

Senator ALLOTT. I think they are all covered except that one.

The CHAIRMAN. Well, on whatever is not covered in the record, he shall supply a statement.

Senator MCGOVERN. Mr. Chairman, could I have a news column by Mr. Braden and Mr. Mankiewicz about this New York matter I asked about put in the record?

The CHAIRMAN. Do you have it for the reporter?

Mr. MCGOVERN. It will be sent over in a minute.

(The article referred to by Senator McGovern for inclusion in the record follows:)

HOW GOVERNOR HICKEL HELPED HIS BANKER

(By Frank Mankiewicz and Tom Braden)

WASHINGTON.—Members of the Senate will doubtless want to know more about a curious sequence of events involving the business interests of Walter J. Hickel, Richard Nixon's nominee as Secretary of the Interior, and the New York Life Insurance Co.

On Jan. 31, 1967, shortly after Hickel took office as Governor of Alaska, New York Life loaned one of Hickel's businesses, the Northern Lights Shopping Center, the sum of \$2.74 million in return for a mortgage on the property and an assignment of its shopping center leases.

Company officials claim that the loan was approved in June, 1966, as Hickel was running for Governor. The original amount was for \$2.535 million. But that December, after Hickel had been elected, an additional loan of \$205,000 was approved.

The proceeds of the loan were not paid and the loan did not become effective, however, until Hickel had taken office.

Possibly, the Governor did not know that the New York Life Insurance Co. held a contract with the state of Alaska covering all state employes for group health. Possibly, he also did not know that the company was complaining about losses under the contract.

If so, the dilemma which confronted him after his inauguration must have worried him considerably during the long Alaskan nights. The dilemma was as follows: He could terminate the agreement with New York Life—by now his banker—and put the contract out for competitive bidding. He could ask the Legislature to raise the state contribution so as to stabilize the benefits and premiums charges to employes. Or he could renegotiate the contracts so as to reduce the benefits available to employes.

He chose the last named course. On May 25, without advance warning or consultation, all employes of the state of Alaska were notified that their insurance benefits had been sliced by 24%. The deductible amount of their health insurance was increased from \$50 to \$100. The family deductible went up to \$300. In addition, the charges for room and board were cut to \$45 per day for all types of accommodations, save intensive care. All this without reducing the premiums. In fact, reductions in benefits were equivalent to a 32% increase in employe premiums.

Naturally, Alaska state employes were up in arms. Members of the State Legislature declared that if the Legislature had been advised it would have appropriated extra money. The Alaska State Employes Assn. called the decision "arbitrary."

It affected approximately 5,500 employes and resulted in a reduction of benefits, without any consideration of either the effect or the wishes of those concerned, the association said.

Whatever else that episode demonstrates, it shows an appalling insensitivity to what is meant by conflict-of-interest. A man who will borrow nearly \$3 million in a business venture after he has assumed public office, and then use the power of that office to benefit his creditor, is one who is bound to raise questions about his fitness to administer the public lands of the United States.

Hickel's own comments since his nomination for the Interior Department post have worried those who care about the public lands. "If we set antipollution standards too high," he has said, "we might even hinder industrial development." And again he has opposed what he called "a policy of conservation for conservation's sake."

When Gov. Hickel was about to be nominated as a favorite-son candidate for President at the Republican National Convention last year, CBS's Walter Cronkite turned to no one in particular and remarked, "I think we're about to hear more about Alaska than we want to know." When hearings on his nominee for interior secretary begin, Nixon may hear more about Gov. Hickel than *he* wants to know.

The CHAIRMAN. The previous motion made on Saturday has to be revised, because we do not have a nomination before this committee. As revised, the motion would authorize the chairman to order the nomination filed when it has been received and that will be this afternoon.

Senator ALLOTT. Second.

The CHAIRMAN. All those in favor of reporting the nomination say "Aye."

("Ayes.")

The CHAIRMAN. Those opposed?

(Nays).

The CHAIRMAN. We will have a rollcall.

Senator STEVENS. What is the file, Mr. Chairman?

The CHAIRMAN. To file it, you have to file it at the desk. I have to sign my name on behalf of the committee; you do not have to, but I do, for members of the committee. We do not have the nomination before the committee, so the motion has to authorize the chairman to file the nomination with the Senate when it is received, and it will be received—

Senator ALLOTT. After the inauguration.

The CHAIRMAN. After the inauguration presumably.

Senator BIBLE. The motion reads this way.

Mr. VAN NESS. In connection with letter No. 2 supplied to us this morning, I indicated to you that in a discussion with the attorney, Mr. Roger Cremo, I expressed the view that perhaps they should consider a new item 6 as part of the agreement. That proviso would be to put into a charitable organization or trust—

The CHAIRMAN. It is up to him if he wants to do so.

All right, before we vote, I want to say this. I want the record and all the information we have requested here today to be in the record before we go to the floor.

Senator BIBLE. I think that should be understood.

The CHAIRMAN. We have to have that. Therefore Governor Hickel and his people must supply the information on this Halbouty and anything else that remains.

Senator STEVENS. Mr. Chairman, I would like to request that if there is anything holding up the record at any time that the staff contact me. I will get it.

Mr. VERKLER. We have done it in record time.

The CHAIRMAN. The members should return, the staff informs me, their corrected remarks for the record.

Mr. VERKLER. If you have any that you want to correct, please let us know right away.

The CHAIRMAN. Call the roll.

Mr. VERKLER. Mr. Chairman.

The CHAIRMAN. Aye.

Mr. VERKLER. Mr. Anderson?

Senator ANDERSON. Aye.

Mr. VERKLER. Mr. Bible?

Senator BIBLE. Aye.

Mr. VERKLER. Mr. Church?

Senator CHURCH. Aye.

Mr. VERKLER. Mr. Moss?

Senator MOSS. No.

Mr. VERKLER. Mr. Burdick?

Senator BURDICK. Aye.

Mr. VERKLER. Mr. McGovern?

Senator MCGOVERN. No.

Mr. VERKLER. Mr. Nelson?

Mr. NELSON. No.

Mr. VERKLER. Mr. Metcalf?

The CHAIRMAN. Aye. I have his proxy here.

Mr. VERKLER. Mr. Gravel?

Senator GRAVEL. Aye.

Mr. VERKLER. Mr. Allott?

Mr. ALLOTT. Aye.

Mr. VERKLER. Mr. Jordan?

Senator JORDAN. Aye.

Mr. VERKLER. Mr. Fannin?

Senator FANNIN. Aye.

Mr. VERKLER. Mr. Hansen?

Mr. HANSEN. Aye.

Mr. VERKLER. Mr. Hatfield?

Senator ALLOTT. I have his proxy in my pocket here, "Aye."

Mr. VERKLER. Mr. Stevens?

Senator STEVENS. Aye.

Mr. VERKLER. Mr. Bellmon?

Senator BELLMON. Aye.

Mr. VERKLER. Fourteen "ayes" and three "nays."

The CHAIRMAN. The nomination will be reported in accordance with the motion.

That completes the matter and it will be brought up as soon as the record is complete.

Senator ALLOTT. Thank you, Mr. Chairman.

(Whereupon at 10:25 a.m. the executive session of the Senate Committee on Interior and Insular Affairs was adjourned, the committee to reconvene subject to the call of the Chair.)

APPENDIX

[On Sunday, January 19, 1969, Mr. Van Ness reported to Governor Hickel's staff and attorney that a review of the hearing record to date disclosed that there were a number of unsupported, undocumented allegations and rumors which had been repeated in the press in some form or another, but which had not been dealt with or discussed in the hearing record. It was suggested that these matters be stated as questions and that Governor Hickel be prepared to respond to each.

The Committee, meeting in Executive Session on January 20th reviewed the questions and to insure as complete a record as possible on all related matters, directed that the Governor's responses be incorporated into the hearing record. In addition, a question to clarify the record as to Governor Hickel's interest in Anchorage Natural Gas prior to its merger with Alaska Interstate is included as the first question.]

MATERIALS SUBMITTED BY GOVERNOR WALTER J. HICKEL IN RESPONSE TO THE COMMITTEE'S QUESTIONS

Question 1. What percentage of Anchorage Natural Gas Company did you own before that company was merged with Alaska Interstate?

Answer. About two percent.

Question 2. It is alleged that you tried to have Representative Clem Tillion removed from the American representation to the International North Pacific Treaty Commission because he favored an increase in the severance tax.

Answer. During the legislative session of 1967, I asked for, and the legislature created, the position of Director of International Fisheries in the Office of the Governor. As I recall it, I requested that Mr. Clarence Pautzke, Commissioner of Commercial Fisheries, Department of the Interior, who I understood made the appointments to the Treaty Commission, replace one of the two Republican legislators I had recommended a year earlier—with the Director of International Fisheries. I recommended that Mr. Tillion be replaced because I believe the other incumbent representative, Senator Jay Hammond, was more knowledgeable about our North Pacific fisheries. I did not take this action on the basis of Mr. Tillion's stand on the severance tax. In fact, Mr. Tillion's voting record in support of my program was, I believe, substantially better than Senator Hammond's.

Question 3. It is alleged that you authorized the construction of an ice road to the North Slope oil field without legislative authorization to spend the funds.

Answer. In 1967, the legislature appropriated \$750,000 to be used for the development, construction, and planning for the transportation needs of the far north. The appropriation was a continuing one and the funds did not lapse at the end of fiscal year 1968. Since this money was available, there were some contention that I might use these funds for construction of a winter trail, in fact, the legislature had recommended this use at one time. I did not follow that course. In order to determine the support for the winter road among the legislators, I sent each of them a telegram asking if they would support the road by approving a supplemental appropriation to cover the cost of constructing the road. I did not authorize construction until a substantial majority of them informed me they would support the program.

Question 4. It is alleged that the Wickersham was offered at a lower price than was paid by the State.

Answer. It is my recollection that the State offered a lower price than that listed by the Swedish owner of the ferry now known as the Wickersham. The final agreed price was, I believe, between the two and closer to the price set by the Swedish owner. I know of no basis, in fact, for this allegation.

Question 5. It is alleged you have done little to help the unemployment situation among Eskimos and Indians in Alaska.

Answer. Nothing could be further from the truth. I created a Rural Labor Task Force with predominantly native members to assist the Governor's Economic Advisory Committee in the development of new programs to assist the unemployed native Alaskan. You may recall that all but one of the members of the latter committee were killed in a plane crash a few weeks ago at Barrow, Alaska, while reviewing employment problems among the Arctic natives. I requested, and received, state funds to train Indian workers for jobs in the lumber industry after a federally funded program was terminated. In this next session, a bill will be submitted that allows entry into certain state civil service positions by persons who lack the necessary educational and experience requirements, but show promise that they can learn while on the job.

Question 6. It is alleged that you opposed the two percent severance tax passed by the Alaska legislature in 1968.

Answer. I believe that the best evidence that I did not disapprove the increase in principle is the fact that I signed the bill into law. My objection to the specific legislation as passed was that it was based on conflicting and inadequate data about the oil industry in Alaska, and its capacity to assume its share of the tax burden in the state. I did believe, and still believe that some tax structure should be devised that would provide for a substantially higher severance tax on unprocessed crude shipped out of Alaska. I asked for, and received, funds from the legislature to conduct a tax study of all taxable resources to determine what would be a fair and equitable distribution of the tax load in the state. I was afraid that any finding calling for a severance tax rate in excess of four percent would enable the oil companies to call "foul" at another increase—a third in three sessions. I had previously requested an increase from one to two percent in the severance tax at a special session in 1967.

Question 7. What was the nature of your past business relationship with Michael T. Halbouty? Did you ever own stock in Halbouty Alaska Oil Co.? Do you have any present business relationship with him?

Answer. I was associated in business with Mr. Halbouty in the late 1950's. Our principle venture was the construction of a proposed twin tower hotel and office building in downtown Anchorage. Land was acquired for the site but the structure was not built. In addition, we had an interest in a radio communications business in Anchorage. When we severed our business connection in about 1960, I kept the real estate and Mr. Halbouty the communication firm.

Neither during our business connection nor since have I had any interest in the oil side of Mr. Halbouty's business activities. His oil company is Halbouty-Alaska.

Despite our business disconnection, Mike Halbouty and I continue to be good friends.

Question 8. It is alleged that you opposed the two percent severance tax passed by the Alaska legislature in 1968.

Answer. I believe that the best evidence that I did not disapprove the increase in principle is the fact that I signed the bill into law. My objection to the specific legislation as passed was that it was based on conflicting and inadequate data about the oil industry in Alaska, and its capacity to assume its share of the tax burden in the state. I did believe, and still believe that some tax structure should be devised that would provide for a substantially higher severance tax on unprocessed crude shipped out of Alaska. I asked for, and received, funds from the legislature to conduct a tax study of all taxable resources to determine what would be a fair and equitable distribution of the tax load in the state. I was afraid that any finding calling for a severance tax rate in excess of four percent would enable the oil companies to call "foul" at another increase—a third in three sessions. I had previously requested an increase from one to two percent in the severance tax at a special session in 1967.

Question 9. It is alleged that you appointed Representative Harold Strandberg to the position of Commissioner of Public Works in spite of a constitutional provision prohibiting the appointment of legislators to posts for which the salary had been raised during their tenure as a legislator?

Answer. The legal question involved is not a simple one. The salary of Commissioner of Public Works was raised as part of a routine salary increase for state employees and is the same as that of other Commissioners in the State of Alaska. The Attorney General has developed what he feels is a strong legal case sustaining the appointment. Attitudes among the members of the bar are divided. It may be that the court will find that Mr. Strandberg's appointment

was not properly made. However, I accepted the best advice I could get and got the best man I could get for one of the toughest jobs in the state.

Question 10. Allegation: Department of Highways, State of Alaska, had couplet plan for Northern Lights Boulevard and 30th Avenue. Hickel bought 16 acres at 36th for a shopping center and instructed the Department to reroute 30th part of couplet to 36th.

Response: The allegation is false. I simply have not done anything to change the plans for a Northern Lights-30th Avenue couplet. My staff has ascertained from officials of the Department of Highways that work on improvement of Northern Lights Boulevard is slated for the 1969 construction season. The same sources have advised my staff that the 30th Avenue portion of the couplet project has already been proposed to B.P.R. and that preliminary surveying is in progress.

(Telegram which was not previously made as part of the record.)

JUNEAU, ALASKA, January 16, 1969.

Senator TED STEVENS,
Old Senate Office Building,
Washington, D.C:

Van Ness called this a.m. representing council for Senate committee calling to obtain my personal portfolio. Thought interrogation by phone improper but his insistence that facts were necessary to clarify questions and show true Hickel record devoid of conflict. Therefore acquiesced. Advised him I do not now or have ever owned any oil leases. Was previously employee of Halbouty, Alaska. Have no financial connection with company or Michael T. Halbouty. Interest relationship is personal. Mrs. Halbouty is my mother. Advised current stock ownership of resource companies in Alaska is as follows: Standard, New Jersey, one share 215-121 M. Outstanding British Petroleum 1,400 shares, 356,760M, outstanding reserve O. & G. 532 shares, 74,111M outstanding, Anaconda 400 shares 21,871M outstanding, Cerro 111 shares 7,357M outstanding; no involvement in Alaska to my knowledge of. Those mining companies total investment approximately 60M; ownership in all companies acquired prior to State employment except BPT; never considered my job in conflict with investments nor discussed ownership with W.J.H. as believed inconsequential. Advise anything I own is open book. My record will speak for itself and I welcome any further inquiries.

THOMAS E. KELLY.



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