

GOVERNMENT
Storage

Y 4
.R 86/2
R 33

Doc. Exp.

[COMMITTEE PRINT]

86TH CONGRESS }
1st Session }

SENATE

REPORT BY THE DEPARTMENT OF JUSTICE
ON TESTIMONY OF DON B. REYNOLDS TAKEN IN
EXECUTIVE SESSION BEFORE THE SENATE
COMMITTEE ON RULES AND ADMINISTRATION
ON DECEMBER 1, 1964



MARCH 2, 1965



Printed for the use of the Committee on Rules and Administration

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1965

43-912

AY
5/28 R.
R 33

COMMITTEE ON RULES AND ADMINISTRATION

B. EVERETT JORDAN, North Carolina, *Chairman*

CARL HAYDEN, Arizona
HOWARD W. CANNON, Nevada
CLAIBORNE PELL, Rhode Island
JOSEPH S. CLARK, Pennsylvania
ROBERT C. BYRD, West Virginia

CARL T. CURTIS, Nebraska
JOHN SHERMAN COOPER, Kentucky
HUGH SCOTT, Pennsylvania

GORDON F. HARRISON, *Staff Director*
HUGH Q. ALEXANDER, *Chief Counsel*

SPECIAL STAFF FOR THE PURPOSES OF SENATE RESOLUTION 212 AND SENATE RESOLUTION 367

LENNOX P. McLENDON, *General Counsel*
W. ELLIS MEEHAN, *Chief Investigator*
BURKETT VAN KIRK, *Associate Counsel (Minority)*
JAMES H. DUFFY, *Associate Counsel*

**CORRESPONDENCE BETWEEN HON. B. EVERETT JORDAN,
CHAIRMAN, SENATE COMMITTEE ON RULES AND AD-
MINISTRATION, AND HON. NICHOLAS deB. KATZENBACH,
ATTORNEY GENERAL OF THE UNITED STATES.**

U.S. SENATE,
COMMITTEE ON RULES AND ADMINISTRATION,
December 10, 1964.

HON. NICHOLAS deB. KATZENBACH,
*Acting Attorney General,
Department of Justice, Washington, D.C.*

DEAR MR. KATZENBACH: I am enclosing with this letter a transcript of the testimony of Don B. Reynolds taken in executive session of the Senate Committee on Rules and Administration on December 1, 1964. I am also enclosing a copy of Senate Resolution 367, authorizing the current investigation being made by this committee. You will observe that the Senate resolution specifically directs "That, in the conduct of this investigation, the Committee is directed to cooperate to the fullest extent possible with the Federal Bureau of investigation, the Government of the District of Columbia, and any other agency having jurisdiction of the subject matter."

At an executive session of the committee held yesterday, December 9, 1964, the committee unanimously directed me to request, on its behalf, that you direct the FBI to make a thorough investigation of all of the testimony given by Mr. Reynolds on December 1, 1964, as it appears in the enclosed transcript of those proceedings.

In addition to the investigation of this testimony, you are respectfully requested to direct the investigation to proceed with dispatch and cause a report of the investigation to be delivered to me, as chairman of the committee, at the earliest possible date. You are also requested to report any information obtained which would affect the credibility of Don B. Reynolds and of any of the individuals who have contradicted him in the hearings before this committee, including Matthew H. McCloskey.

If it should develop that you need any additional information in the files of this committee, it will be furnished to you upon request.

Sincerely,

(Signed) B. EVERETT JORDAN, *Chairman.*



OFFICE OF THE ATTORNEY GENERAL,
Washington D.C., December 11, 1964.

HON. B. EVERETT JORDAN,
*Chairman, Committee on Rules and Administration,
U.S. Senate, Washington, D.C.*

DEAR SENATOR: This refers to your letter dated December 10, 1964, enclosing a transcript of the testimony of Don B. Reynolds taken in executive session by the Senate Committee on Rules and Administration on December 1.

This Department will cooperate fully with the committee's request to conduct an FBI investigation based on the testimony of Mr. Reynolds and we will advise you of the results of that investigation.

In addition, should information be developed in the course of the investigation affecting the credibility of Mr. Reynolds or any individual who may have contradicted him before your committee, we will, as the committee has requested, make such information available to you.

Sincerely,

(Signed) NICHOLAS DEB. KATZENBACH,
Acting Attorney General.

OFFICE OF THE ATTORNEY GENERAL,
Washington, D.C., February 25, 1965.

HON. B. EVERETT JORDAN,
*Chairman, Committee on Rules and Administration,
U.S. Senate, Washington, D.C.*

DEAR SENATOR: This is in further reference to your letter dated December 10, 1964, enclosing a transcript of the testimony of Don B. Reynolds taken in executive session by the Senate Committee on Rules and Administration on December 1, 1964.

Attached is a résumé of an investigation of Mr. Reynolds' testimony summarizing the interviews of those persons whose statements were more than cumulative and which related most directly to the new charges made by Reynolds during the executive session.

Sincerely,

(Signed) NICHOLAS DEB. KATZENBACH,
Attorney General.

INVESTIGATION OF THE TESTIMONY OF DON B. REYNOLDS TAKEN IN EXECUTIVE SESSION BEFORE THE SENATE COMMITTEE ON RULES AND ADMINISTRATION ON DE- CEMBER 1, 1964

THE TESTIMONY OF DON B. REYNOLDS—BACKGROUND

On December 1, 1964, Don B. Reynolds testified under oath before an executive session of the Senate Committee on Rules and Administration. Reynolds was accompanied by his counsel, James F. Fitzgerald. In addition to Chairman B. Everett Jordan, the committee members present were Senator Carl Hayden, Senator Claiborne Pell, Senator Joseph S. Clark, Senator Robert C. Byrd, and Senator Carl T. Curtis. Senator John J. Williams, not a member of the committee, was present at the request of the chairman, and Maj. L. P. McLendon appeared as the committee's general counsel.

To understand the conduct of the executive session it is necessary to know the background of Reynolds' appearance. At the outset of the session Mr. Fitzgerald told the committee that on Friday, November 27, 1964, he and Reynolds met with Major McLendon, members of the committee staff, and Senator Williams. At that time, Mr. Fitzgerald advised that he would interview Reynolds to determine "what he knew of his own personal knowledge" and would notify the major "of the subject matter on which he could testify in this regard."

On Saturday morning, November 28, according to Mr. Fitzgerald, he spent "a substantial period of time with Mr. Reynolds" and on Monday afternoon, November 30, in a telephone conversation with Major McLendon, he "outlined those areas of interrogation which, as a result of my interviews with Mr. Reynolds, I felt he could testify to from personal knowledge." Mr. Fitzgerald noted it had previously been stipulated that Reynolds' testimony would be in response to interrogation by committee counsel or members of the committee "in the areas which I have indicated he does have personal knowledge."

Thus, when the committee met in executive session at 11:30 a.m. on Tuesday, December 1, 1964, its general counsel was aware merely of "areas of investigation." The specifics of the immediately forthcoming Reynolds allegations and accusations were unknown to him and to the members of the committee who were present. Precise questioning was therefore impossible and, indeed, could not even have been contemplated. The only purpose of the session was to "debrief" Reynolds and then go forward with an investigation of whatever he might say that appeared pertinent. The committee was in no position to conduct a serious interrogation of the issues raised or the veracity of the witness raising them. What followed, inevitably amounted to a narrative exposition by Reynolds which could not then be sustained or controverted by a knowledge of the facts.

THE TESTIMONY OF DON B. REYNOLDS—INVESTIGATION

Reynolds' testimony of December 1, 1964, provided, at the most, merely a background for investigation. Specifics as to times, persons, sources of information were sometimes vague and more often absent. As will be seen below, an incident allegedly occurred "along in 1958-59," another related to "the F-100 or F-101 or whatever it is," another was based on what "he" said to Reynolds with "he" never identified. These are but examples.

Reason dictated that Reynolds be interviewed promptly and in depth on the entire gamut of his multiple charges so that it could be defined into something resembling material for investigation.

Although the FBI, beginning on December 8, 1964, made repeated attempts, through Reynolds' attorney, James F. Fitzgerald, to arrange an interview with Reynolds no such interview has taken place. Mr. Fitzgerald was advised that the purpose of the interview was to review the allegations made by Reynolds to the Rules Committee on December 1, 1964.

It is perhaps idle to speculate on why Reynolds would make a series of charges under oath before a congressional committee and then decline to discuss those same charges with the FBI in the presence of his own attorney. However, if Reynolds' attitude appears difficult to understand, it is at least not entirely new. On December 8, 1964, the Department forwarded to Major McLendon, for the use of the Rules Committee, a summary of allegations made by Reynolds in 1952 and 1953 concerning certain immigrants then in the United States involving potential violations of law. These matters were investigated by the FBI and, as a result of the investigation, the Department concluded there was no merit to the charges.

It will be recalled that the Department's summary of Reynolds' 1952-53 allegations shows that the FBI investigation was predicated entirely on unsolicited charges voluntarily made by Reynolds. At the conclusion of the investigation which negated the charges, Reynolds was requested by the interviewing special agents to retell his original story, only this time to put it in the form of a signed statement under oath. Reynolds declined to execute a signed statement under oath or otherwise. He said he wished all his statements to be regarded as "off the cuff." Reynolds then went on to admit item by item that his original allegations were without foundation. (See p. 10 and thereafter of "Summary of Department of Justice File Concerning Allegations Made by Don B. Reynolds.")

Despite Reynolds' continuing refusal to assist in substantiating his own charges and despite the Department's previous experience with charges made by Reynolds, the FBI has conducted an investigation of the testimony of Don B. Reynolds taken in executive session before the Senate Committee on Rules and Administration on December 1, 1964.

What follows is a résumé of that investigation summarizing the interviews of those persons whose statements were more than cumulative and which related most directly to the new charges made by Reynolds.

It should be borne in mind in reading this summary that media of public information have reported that a Federal grand jury in the District of Columbia is inquiring into some of the matters under

consideration by the committee and therefore certain persons, on the advice of counsel, have refused to be interviewed.

REYNOLDS—ALLEGATION No. 1

Reynolds testified that "along in 1958-59" Robert G. Baker showed him a typewritten memorandum "to the best of my recollection, and I could be wrong, it was addressed to Bobby." According to Reynolds, the memorandum was on the stationery of the Preparedness Subcommittee but "whether it was [from] an officer or whether it was a clerk I do not know." Reynolds said the memorandum noted "they had been instructed to inform Baker that a contract would be awarded to the North American Aviation Corp. for the BOMARC missile, and in that same communication, sir, there was a mention of missile sites, the Baltimore contractors would be awarded in the name of Mr. Frankiel who Mr. Black also represented." Reynolds asserted "it [the memorandum] said that Senator Kerr and Senator Johnson had requested that the North American Aviation be given due consideration. I don't remember the exact terminology, but to the best of my memory, and after the evaluation and the interest of the persons concerned it had been agreed that the North American Aviation should be awarded the contract, and the Defense Establishment would be so notified." Reynolds added the final paragraph of the memorandum requested that Fred B. Black, Jr., be contacted.

FBI—INVESTIGATION OF ALLEGATION No. 1

1. *Charles Hart*, Assistant general counsel, North American Aviation Corp. (NAA) told the Bureau that a review of NAA files reflected that the BOMARC missile contract was awarded to the Boeing Aircraft Co., Seattle, Wash., about 1950. Mr. Hart observed, "It would be ridiculous to assume that in 1958 or 1959 NAA would have been exerting efforts to take away a program that Boeing had for 5 years."

2. *James Kendall*, chief counsel, Senate Preparedness Investigating Subcommittee, told the Bureau he has been chief counsel since early 1961 and has never seen or heard of any memorandum in which anyone associated with the subcommittee ever made any recommendation to a governmental agency to award a contract to a specific contractor. Mr. Kendall noted that the subcommittee used no stationery on which "Preparedness Subcommittee" is on the letterhead.

Mr. Kendall caused a review of subcommittee records to be made by members of his staff. He reported that no correspondence pertaining to this matter was located. Mr. Kendall noted that when the subcommittee has finished with the documents and records on a particular program they are promptly returned to the interested agency and that the subcommittee's own records and correspondence are retained for 5 or 6 years at which time they are destroyed because of space limitations.

Mr. Kendall said that Baker never made any contact with him concerning any matter before the subcommittee and that Black, whom he knew to be a representative of NAA, never made any contact on any contracts in which NAA had an interest.

Mr. Kendall pointed out that the BOMARC contract was never awarded to NAA as this was a Boeing project from its inception.

3. *Stewart French*, minority counsel, Senate Preparedness Investigatin Subcommittee, told the Bureau the BOMARC missile contract was awarded during the 1953-54 period to Boeing Aircraft of Seattle, Wash. He had no information that NAA ever bid on this contract. Mr. French advised that a request that a contract be awarded to a specific contractor would never originate from any members of the subcommittee staff. He said that the subcommittee uses no stationery in which the subcommittee's name appears on the letterhead and that the stationery generally used is that of the Armed Services Committee. Mr. French concluded by stating he cannot recall ever seeing a letter addressed to Robert G. Baker in connection with awarding the BOMARC missile contract.

4. *Burl Hays*, administrative assistant to the late Senator Robert S. Kerr, of Oklahoma, for a period of 8 years preceding the Senator's death in January 1963, told the Bureau that upon the Senator's death, he along with Marjorie Banner, personal secretary to the Senator, reviewed all the Senator's records. Senator Kerr's personal records were sent to Robert S. Kerr, Jr., and his official records to the archives of the University of Oklahoma. Mr. Hays stated he did not recall seeing any correspondence relating to a contract for NAA while he was administrative assistant to Senator Kerr or when he and Miss Banner reviewed the Senator's records after his death. Mr. Hays noted that Black had been in Senator Kerr's office on various occasions but he was not aware of the purpose of Black's visits nor did he recall any correspondence in which Black's name was mentioned. Mr. Hays termed the possibility of the Senator sending a memorandum to Baker as "very unlikely" since the Senator would always contact Baker by telephone. These calls were usually concerned with the status of a pending bill in the Senate.

5. *Marjorie Banner*, personal secretary to the late Senator Kerr for a 14-year period until his death, told the Bureau she prepared all the Senator's correspondence and cannot recall any communication from Senator Kerr to Baker concerning NAA contracts. The remainder of Miss Banner's statement confirmed the information given by Mr. Hays.

6. *Leonard Hudson*, executive vice president, Baltimore Contractors, Inc., Baltimore, Md., told the Bureau that the president of this company is Victor Frenkil. Mr. Hudson stated that Baltimore Contractors, Inc., had never received a construction site contract for BOMARC missiles or for any other type of missiles. He had no knowledge of any missile contract being let under the name of "FRANKIEL" or "FRENKIL." Mr. Hudson noted he had personally reviewed his company's Government contracts since 1957 and found the company had never received a Government contract that involved the services of a Fred Black.

7. *James N. Davis*, Deputy Assistant Secretary, Weapons, Acquisition, and Industrial Readiness, Department of Defense, told the Bureau he did not know Black or Baker and had never been contacted by the late Senator Kerr or former Senator Johnson.

8. *Fred A. Payne*, Deputy Director, Strategic and Defensive Systems, Research and Engineering, Department of Defense, told the Bureau he had been in his present position for 3½ years. Prior to that time he had been chief of designs for NAA and had been with that company over 20 years. Mr. Payne related that immediately after

World War II all of the aircraft companies set up missile divisions and each company started work on a different type. Therefore, there was no competition between NAA and Boeing inasmuch as they were working on completely different types of missiles.

9. *T. C. Muse*, Director of Aeronautics, Research and Engineering, Department of Defense, told the Bureau the BOMARC missile was a ground-to-air interceptor missile produced by Boeing. The initial contract was No. AF 33(038)-19589, and was for the period 1951-59. Another contract, No. AF 33(600)-32-832, was given to Boeing for the period 1955-59. Mr. Muse pointed out there was no competition for production of BOMARC since Boeing was the initial developer. Mr. Muse stated he does not know Black or Baker and had no recollection that either of them ever contacted anyone in Research and Engineering. He stated that he never heard that the late Senator Kerr or then Senator Johnson had ever contacted anyone in Research and Engineering regarding missiles.

10. *Elizabeth Shotwell*, secretary to the secretary for the majority U.S. Senate, told the Bureau that Carole Tyler had examined Baker's files which had been left in his office at the time he resigned and removed the material Miss Tyler regarded as being personal. A review of the Baker files which remained, disclosed no records relating to Government procurements.

REYNOLDS—ALLEGATION No. 2

Reynolds testified that Baker had shown him another Preparedness Subcommittee memorandum "directed again to Bobby" saying, "that the Defense Establishment had been informed of Mr. Baker's interest in it, and that the Defense Department had been told to look very favorably upon the North American Aviation presentation of the F-100 or F-101 or whatever it is, and one called the B-70 that was a bomber, experimental bomber, sir, and that they would appreciate his working with, I think it was Senator Russell, someone on the Military Affairs Senate Committee, to insure that they pushed the B-70 program, because of the fact that some people up on the Hill were against this, sir."

[Reynolds' exact language, set forth above, is the only statement in the transcript clearly relating to this particular allegation. The testimony which follows indicates Reynolds' belief that Baker's interest in defense contracts stemmed from Baker's association with Black but it is never really certain when Reynolds is again discussing BOMARC or when he is advancing his belief to include the F-100, F-101, and B-70 contracts as well. A further difficulty arises from the fact that Reynolds never told the committee the date he allegedly saw the purported second Preparedness Subcommittee memorandum. As a point of some reference, it is noted that when Black testified under oath before the Rules Committee on February 17, 1964, he stated he first met Baker during the year 1959.]

FBI—INVESTIGATION OF ALLEGATION No. 2

1. *James Kendall*, identified above as chief counsel, Senate Preparedness Investigating Subcommittee, gave the Bureau the same basic information regarding the Reynolds fighter-bomber allegation

as he gave concerning the BOMARC missile. He reiterated that the subcommittee used no stationery on which "Preparedness Subcommittee" appeared on the letterhead and he had never heard of a memorandum in which anyone associated with the subcommittee ever made a recommendation to a Government agency to award a contract to a specific contractor. He said Baker never contacted him on a matter before the subcommittee and that, while he was aware Black was a representative of NAA, he could not recall Black ever making any contact with the subcommittee on any NAA contracts. He noted that an extensive review of all correspondence by his clerical staff disclosed no information on this matter.

2. *Stewart French*, identified above as minority counsel, Senate Preparedness Subcommittee, reiterated that a request that a contract be awarded to a specific contractor would never originate with the subcommittee staff; that the subcommittee used no stationery in which the subcommittee's title appears on the letterhead; that he could not recall any letter addressed to Baker concerning NAA contracts.

3. *Elizabeth Shotwell*, previously identified as secretary to the secretary for the majority, U.S. Senate, told the Bureau that a review of the files left by Baker disclosed no records relating to Government procurements.

4. *Lee Atwood*, president of NAA, told the Bureau that NAA first became involved with the F-100 around 1951, during the Korean war. He recalled that NAA produced the first F-100 in approximately 1953 and the last of about 2,500 F-100's in 1959. He explained that since the F-100 was a successor to NAA's F-86, there had never been any thought of anyone else building it. Mr. Atwood said the B-70 program was started around 1952 or 1953 and that NAA was indirect competition with Boeing on the B-70 and NAA received the first design contract around 1957.

Mr. Atwood pointed out he had never seen Baker until 1960 and that Black became connected with NAA in 1957.

Mr. Atwood had no recollection of ever meeting Senator Russell.

5. *Charles Hart*, previously identified as Assistant General Counsel, NAA, told the Bureau that NAA records showed NAA obtained a contract for the F-100 in 1951 and thereafter, until 1959, produced 2,029 planes.

Mr. Hart pointed out that the F-101 was produced by McDonnell Aircraft Co. and that NAA never even submitted a bid on this plane. He said that NAA records showed that the B-70 development was begun at NAA in 1954 and that in April 1956 NAA and Boeing submitted their proposals.

6. *Lt. Col. R. D. Randall*, Air Force Deputy Director, Procurement and Production, B-70 Systems Program, told the Bureau that the first letter contract with NAA for the B-70 was dated December 9, 1955. Definitive contracts were signed January 6, 1956, and April 16, 1956. Additional production contracts with NAA were then signed in 1958, 1959, 1960, 1961, 1962, and 1963. The last contract, which is still in existence along with a contract awarded July 28, 1961, was signed May 18, 1964. All other contracts have been retired.

7. *James D. Reel*, Pricing Division, Directorate of Procurement, Aero Systems Division of the Air Force, told the Bureau that a review of his files disclosed that the first letter contract with NAA for the

F-100 was dated November 14, 1951. Further production contracts were signed in 1954, 1955, 1956, 1958, and 1959.

8. *Hilda Lindeman*, correspondence control officer, Directorate of Legislative Liaison, Department of the Air Force, told the Bureau that Air Force records of the Office of Legislative Liaison for the years 1963 and 1964 revealed no reference to Black or Baker nor to any communication indicating that Baker had possibly worked with Senator Russell. Miss Lindeman noted that the records for 1956 to 1963 are located at the Federal Records Center and that the 1951 to 1956 records were stored at the World War II Records Division of the Federal Records Center.

8(a). *Howard Baute*, Federal Records Center employee, made available to the Bureau the records of the Air Force Office of Legislative Liaison. These records were contained in 15 boxes and were reviewed with negative results.

8(b). *Mr. Joseph Avery*, World War II Records Division employee, made available to the Bureau the Air Force records entitled "Legislative Liaison Matters." Over a 5-day period, a special agent of the FBI, assisted by Mr. Avery, reviewed these records with negative results.

9. In addition to the interviews set forth above various officials responsible for procurement and legislative liaison matters at the Department of Defense and the Air Force were interviewed. Each of these individuals advised he had no recollection of Baker or Black making any inquiry or recommendation regarding awards of the F-100 or the B-70 contracts. Each of these individuals advised he had no knowledge that Baker ever worked with Senator Russell in support of the B-70 program.

REYNOLDS—ALLEGATION No. 3

Reynolds testified, "I was in Bobby's office, and he said to me, 'Did you see that man going out of the office,' and I said, 'Yes.' And he said, 'That is Mr. Evans,' to the best of my recollection, the president of Grumman Aircraft. And he said 'Do you see this flight bag on my desk, this blue bag,' and I said, 'Yes.' He said, 'Would you like to see what is in it?' I said, 'Open it.' And he opened it up and there were hundred dollar bills that were bound in some brown paper or some sort of thing, and he says '\$100,000 for the TFX contract.' "

Reynolds said that Baker then told him "that the leader had interceded to make sure that TFX was awarded to General Dynamics Corp." According to Reynolds, Baker explained, "that the Grumman Aircraft would be awarded a substantial subcontract amount by the General Dynamics Corp. as a result of Mr. Evans personally bringing money to Baker." Reynolds added, "And while I was in Baker's office, sir, within a matter of 10 minutes or 15 minutes—time after a while stands still—Margaret Tucker came in and said, 'The Vice President is on the phone.' No, she said, 'the leader,' I'm sorry, sir, she said, 'the leader is on the phone, your leader, and he wants you to come up immediately.' So he says, 'I'm sorry, Don, I can't talk to you any more about it. I have got all these things.' And he grabbed the blue bag and left, sir."

Reynolds testified further, "Now subsequent to that, sir, since I do have two and a half years or 3 years at West Point, thank God I had

friends in the Pentagon, sir, and there was a man, not a West Pointer, by the name of 'Speed' Mealaro, Major Mealaro, who was the project intelligence officer on the TFX, sir. And in my home where he came one evening with a Colonel Puchrik who is a West Pointer, he stated to me, sir, and this is hearsay, but I can merely tell you what was told me, that he knew of the irregularities in the TFX because all of the military officers in the Air Force and the Navy, sir, had gone to the White House with a recommendation to award the TFX contract to the Boeing Corp. in Seattle, sir, and that he understood a lot of money had passed under the table, and when they got orders, Secretary of Defense McNamara reversed the decision and said it would be given to General Dynamics Corp., sir."

[Once again the date of an alleged incident in Baker's office was not given by the witness. As a point of some reference, it is noted that Margaret Mary Broome, the former Margaret Tucker, was employed in Baker's Senate office from January 1955 to February 1, 1961, and that the then Senator Johnson became Vice President on January 20, 1961. If Reynolds' first statement, in which he quotes Mrs. Broome as having said, "The Vice President is on the phone," is capable of belief then Reynolds would have narrowed the time of the alleged incident to a date between January 20, 1961, and February 1, 1961, a period of only 12 days. Reynolds may suddenly have realized that Mrs. Broome was Baker's secretary for less than 2 weeks when Mr. Johnson was Vice President and for that reason may have amended "Vice President" to "the leader." As a further point of reference, it is public knowledge that the Defense Department contract with General Dynamics for the production of TFX was not signed until December 21, 1962, almost 2 years after Mrs. Broome left Baker's Senate office. It was not until June 1963 that approval was given for Grumman to be a subcontractor to General Dynamics.]

FBI—INVESTIGATION OF ALLEGATION No. 3

1. *Secretary of Defense Robert S. McNamara* was specifically asked if anyone at the White House, including the late President John F. Kennedy, or anyone on Capitol Hill had, at any time, attempted to influence the awarding of the TFX contract to General Dynamics. The Secretary replied, "Definitely and categorically, No."

Secretary McNamara stated his decision on the TFX contract was based on a study of an evaluation group which consisted of about 250 men. This group submitted a report which concluded that the General Dynamics and Boeing Aircraft concepts were about equal. He said the report was submitted to the top staffs of the Navy Department and the Air Force and that both recommended the Boeing plane, although the Navy indicated either plane would be acceptable. Secretary McNamara said he reviewed the overall picture and personally felt there was a slight advantage to the General Dynamics plane. He believed the Government would get a more reliable airplane which would serve over a longer period of time. Therefore he awarded the contract to General Dynamics.

2. *John Connally*, Governor of Texas, told the Bureau he played no part in the awarding of the TFX contract. The Governor said, "I decided to stay out of it because I had just resigned as Secretary of the Navy and I felt the ultimate decision would be made by Secretary

of Defense McNamara and I had worked with him long enough to know he would be guided by merits and not by politics." Governor Connally concluded, "I have no knowledge of anyone attempting to influence anyone in connection with the TFX contract."

3. *Fred Korth* told the Bureau he was Secretary of the Navy during the awarding of the TFX contract. Mr. Korth stated that in about January 1962, the Evaluation Board considering the various TFX proposals made a report to him and to the Secretary of the Air Force, Eugene M. Zuckert. He noted that the primary responsibility for the determination lay with the Air Force as they would be the larger user of the plane. Mr. Korth recalled that the initial evaluation recommended five concepts and these were subsequently narrowed to two, the proposals of General Dynamics and Boeing. Three subsequent evaluations were made, all of which were rejected by the Navy because of a reluctance by the Navy to accept the same aircraft as the Air Force when demands and requirements differed. However, on the fourth evaluation, the Navy agreed and the contract was awarded to General Dynamics.

Mr. Korth said he had never discussed the TFX contract with Baker.

2. *Margaret Mary Broome* told the Bureau she knew nothing about the TFX contract other than what she read in the newspapers and from what she read in the newspapers she believed she had left Baker's office prior to the negotiating and awarding of this contract. She said the name Evans, as related to the Grumman Co., was meaningless to her. Mrs. Broome pointed out that she was employed as secretary in Baker's Senate office from January 1955 until February 1961 and was the only secretary so employed during this period.

Mrs. Broome knew nothing about any money in Baker's office and added that if she had ever seen a bag of money there she would certainly remember it. Mrs. Broome noted that her office was outside Baker's office and whenever he was wanted by the majority leader she would go into Baker's office and either point to the telephone or tell Baker he was "wanted by the leader." She added that if the majority leader wanted Baker, she would interrupt him regardless of who was in the office and tell him he was wanted. Mrs. Broome noted that Reynolds was frequently in Baker's office.

5. *Llewellyn J. Evans*, senior vice president of Grumman, told the Bureau that in March 1961 he and John B. Rettaliata, vice president of Grumman, traveled aboard a Gulfstream aircraft as official representatives of Grumman from Bethpage, N.Y., to Washington, D.C., en route to Florida to demonstrate the aircraft to the Murchisons. He said that at the Washington stopover the Murchisons came aboard and after they were introduced to those present they in turn introduced their guests, among whom was Baker. Mr. Evans said that including the introduction he spoke no more than 50 words to Baker during this meeting in March 1961.

Mr. Evans said he met Baker on only one other occasion. This meeting took place in an open anteroom adjoining the Senate Chamber in the Capitol Building in about March 1962. The meeting had been arranged by John B. Rettaliata, vice president of Grumman, for the purpose of furnishing to Baker a letter contract to then Vice President Johnson setting forth the leasing terms under which Grumman would make available one of the company's Gulfstream aircraft for

use of the Vice President during the 1962 political campaign. Mr. Rettaliata accompanied Mr. Evans to this meeting. [The FBI was furnished a copy of a letter contract dated March 19, 1962, addressed to "The Vice President" and signed by E. Clinton Towl, president of Grumman. The letter contract sets forth the charges for flights at \$295 per flight-hour and details the methods by which flight time is computed.]

Mr. Evans stated he had never been to Baker's office and never paid Baker \$100,000 or any other sum of money for any purpose whatsoever.

6. *Corwin Henry Meyer*, director of program development of Grumman told the Bureau he had met Baker on only one occasion when he and John B. Rettaliata visited Baker's office in the Capitol to discuss Grumman's leading arrangements for the use of a Gulfstream aircraft by then Vice President Johnson. Mr. Meyer recalled that this meeting occurred in either February or March 1962. He stated that he and Mr. Rettaliata were in Baker's office for approximately 10 to 20 minutes but due to numerous interruptions they had spoken to Baker for a total of about 5 minutes. Mr. Meyer pointed out that the provisions of the leasing agreement addressed to the Vice President were the same as would have been provided in any other leasing agreement with any other person or concern. He noted that nothing ever came of the proposed leasing of the Gulfstream.

7. *John B. Rettaliata*, vice president of Grumman, told the Bureau he recalled the Gulfstream demonstration for the Murchisons in 1961 and meeting Baker during the Washington stopover. Mr. Rettaliata said he exchanged pleasantries with Baker and had nothing further to do with him at that time. Mr. Rettaliata said he met with Baker on two other occasions. The first was in late February or early March 1962 when he and Corwin Meyer met Baker in Baker's Capitol office for the purpose of outlining the proposed terms of a contemplated leasing of a Gulfstream to the then Vice President for use during the 1962 political campaign. On the second occasion he had accompanied Llewellyn Evans to Washington, D.C., where they met with Baker in an open anteroom of the Senate Chamber. This meeting had been for the purpose of delivering to Baker the formal letter contract which had been drawn up by Grumman's legal department relative to leasing a Gulfstream aircraft.

Mr. Rettaliata advised that the negotiation concerning the aircraft had its inception in 1962 when he was contacted by Alwyn Matthews, public relations, Feeder Lines Operators, Washington, D.C., later executive secretary, Majority Senate Campaign Committee. The purpose of the contact was to determine if Grumman could furnish airplanes for the 1962 political campaign. Mr. Rettaliata then spoke to Mr. Evans and to E. Clinton Towl, president of Grumman, and a draft letter contract was prepared setting forth leasing arrangements for a Gulfstream aircraft. Mr. Rettaliata recalled that he and Mr. Matthews then went to see Walter Jenkins about the Grumman proposal.

8. *Alwyn F. Matthews*, executive secretary, Majority Senate Campaign Committee told the Bureau that he was employed by Grumman in 1960 and left the company for his present position with the Majority Senate Campaign Committee in 1961. He recalled that while with Grumman he and John B. Rettaliata had a discussion with Walter Jenkins concerning the feasibility of renting a Gulfstream aircraft.

Mr. Matthews noted he had never heard of TFX until he saw newspaper publicity about it.

9. *E. Clinton Towl*, president of Grumman, told the Bureau he had never met Baker. He said he was aware that Mr. Evans and Mr. Rettaliata had met Baker in a Senate anteroom to deliver a letter contract covering the proposed leasing of a Gulfstream aircraft to the then Vice President. Mr. Towl stated this was the only meeting of Grumman officials with Baker of which he was aware. He said he never gave Mr. Evans any corporate money or personal funds to give to Baker for any purpose. To his knowledge no official or representative of Grumman acted as an intermediary in giving any money to Baker for General Dynamics.

10. *Roger Lewis*, president of General Dynamics, told the Bureau that his company had had considerable experience in airplane construction for the Army but no knowledge of Navy requirements. He had therefore suggested to Grumman officials that they work together in seeking the TFX contract. He believed that with General Dynamics' experience in building Army aircraft and Grumman's in building Navy aircraft they would form an unbeatable combination. Mr. Lewis explained that all efforts to secure the TFX contract had been in the nature of selling their experience and capabilities in aircraft construction. At no time was an offer or even a suggestion of a payoff made to obtain the TFX contract.

Mr. Lewis stated he knew Baker, having met him in Washington, D.C., on several social occasions. He said that he never had any business contacts or discussions with Baker.

11. *Maj. Horton J. M. Melaro*, U.S. Air Force, was interviewed by the FBI at Ramstein Airbase in Germany. Major Melaro told the Bureau he first met Reynolds in 1953 at the Pentagon where he replaced Reynolds as Assistant Chief of Clearance. He said that this type of clearance had to do with clearing foreign officials, embassy personnel, and attachés for visits to various installations in the United States. After Reynolds left the service they remained friends since they lived near each other.

In the summer or fall of 1963 the major and Maj. Augustine Puchrik went to Reynolds' home one evening to discuss a screenplay which Major Melaro had written. The major said an old college friend, then a Hollywood producer, wanted to produce the film. Reynolds was quite interested. He said he would raise the necessary money, which at that time was one-quarter of a million dollars, and would put in \$20,000 himself.

During the evening Reynolds mentioned there would be something nasty coming out in congressional hearings in which he was going to be involved. Major Melaro said Reynolds talked "about a big investigation that would make even the TFX look small."

Major Melaro noted that at the time of the above conversation he was a reviewing officer for testimony "given to Congress by witnesses in the TFX inquiry." His assignment, along with other service officers, was to review the testimony and cross out the classified parts so that the testimony could then be published. He pointed out that the TFX inquiry was receiving wide publicity at the time but that he had no personal inside information on the award of the TFX contract which had been granted prior to his review assignment. Therefore, Major Melaro said, he could not have made any statement about payoffs or improper pressures. He stated, "I do not recall making

such statements to anybody and cannot conceive that I would have since I had no such information.

As to Major Puchrik, Major Melaro noted that "Puchrik, to my knowledge had nothing to do with TFX at any time."

12. *Lt. Col. Augustine S. Puchrik*, U.S. Air Force, told the Bureau he recalled going to Reynolds' home in late 1963 with Major Melaro. Their purpose in going was to discuss financial backing for a film to be made from a script written by Major Melaro. During the evening one of the subjects discussed was the publicity in the newspapers about the TFX contract. Colonel Puchrik noted, "I recall that something was said about rumors, stories or speculation about White House pressure being applied in the awarding of the contract. I do not recall who mentioned the possible pressure and I now feel that Reynolds or I could have mentioned it but I do not believe Melaro did as he did not enter much into the conversation. I feel sure that whoever mentioned it was merely speculating on stories which had appeared in the newspapers and was not commenting from any personnel knowledge or belief. I recall nothing being said about the possibility of any payoff in connection with awarding the contract."

Colonel Puchrik noted that he "had no information relative to the TFX contract other than what I had read in the papers and had no official contact with it."

REYNOLDS—ALLEGATION No. 4

Reynolds testified, "I saw a memorandum in Bobby Baker's office from Riddle Airlines to the effect that they appreciated Baker and Senator Cannon's help in obtaining Government contracts for Riddle Airlines, and that any time they needed an airplane or anything that Riddle Airlines had, to feel free to call on them but to do it very discreetly."

[The above quotation is the complete allegation by Reynolds on this matter. No further details and no dates were given by the witness.]

FBI—INVESTIGATION OF ALLEGATION No. 4

1. *Senator Howard W. Cannon* told the Bureau he never attempted to help Riddle get a contract, Government or otherwise. He never had a conversation with Baker concerning Riddle and knows of no help Baker has been to the company. He never called the Military Air Transport Service (MATS), the Small Business Administration (SBA), or anyone else on behalf of Riddle and he knows of no such calls being made by others.

The Senator stated that he first met James Carmichael, chairman of the board of Riddle, in the spring of 1963 when a dinner was given in the Senator's honor at Las Vegas, Nev. Subsequently he learned that Riddle had flown a charter flight taking congressional employees and others from Washington, D.C., to Las Vegas to attend that dinner. Later in 1963 when the flight became the subject of press comment he learned for the first time what the arrangements for the flight had been.

The Senator noted that he had received letters from Mr. Carmichael and columnist Jack Anderson concerning the flight and the public comment concerning it. Mr. Carmichael assured him that Baker had nothing to do with arranging the flight and Mr. Anderson ex-

plained that the idea of presenting the bill to Baker had been his (Anderson's) as it was his belief that the Democratic Party paid for such arrangements.

Senator Cannon concluded by saying that he never had an offer of the use of an airplane from Riddle nor has there ever been any occasion for him to request such service.

2. *Stanley Sommer* told the Bureau he is in the public relations business in Washington, D.C., and has never been employed by, or associated with, Riddle Airlines. He has known James Carmichael for about 10 years and shared office space with him for the past 5 years. Mr. Sommer said that he arranged with Mr. Carmichael for the charter flight to Senator Cannon's dinner and that neither the Senator nor Baker had anything to do with it. He stated that Baker's only connection with the flight was to accept an offer to ride back from Las Vegas to Washington, D.C. Mr. Sommer knew nothing about the billing for the flight but recalled that money was "informally collected" from the group which flew from Washington and this was turned over to Riddle. Mr. Sommer recalled he himself contributed \$300 to \$400.

Mr. Sommer said he was aware of the newspaper publicity concerning the billing for the flight being made to Baker. He considered this to be a "publicity stunt" because Baker had nothing to do with arranging the flight.

3. *James H. Carmichael* told the Bureau he became chairman of the board of Riddle Airlines in September 1962 and that he is also owner of J. H. Carmichael Associates, a public relations firm in Washington, D.C. He shares office space with Stanley Sommer. Mr. Carmichael said that early in 1963 Mr. Sommer mentioned the possibility of a charter flight from Washington to Las Vegas in connection with a dinner honoring Senator Cannon and that he (Mr. Carmichael) arranged the flight. His agreement with Mr. Sommer was that the passengers on the flight would pay the costs of the flight. He noted that "partial pay" was obtained in this way. Mr. Carmichael never talked to Baker or Senator Cannon about the flight. His purpose in arranging the flight was to "bring the company to the attention of the group and make friends for the company."

Mr. Carmichael noted he had never called upon Baker or Senator Cannon to take any action for the purpose of assisting Riddle to obtain Government contracts. He added he never heard of any letter to Baker or the Senator such as described by Reynolds and he pointed out that a search of company records failed to disclose a copy of the purported letter. Mr. Carmichael said he wrote a letter to Senator Cannon dated November 20, 1963, explaining the circumstances of the April 1963 flight from Washington to Las Vegas. Following is a copy of that letter:

MY DEAR SENATOR: I should like to take a moment of your time to discuss the charter flight which we operated last April, taking a group of people from Washington to Las Vegas to attend the appreciation dinner given in your honor.

The current furor in the newspapers relating that trip, representing it to be part of Bobby Baker's programing is, in my opinion, completely uncalled for and conceivably could be further misrepresented. For that reason may I put the record straight on two counts:

First, the flight was a straightforward charter flight on Riddle's part and to my knowledge was conceived and planned with neither contact with you nor knowledge on your part, and secondly, I can categorically state that neither in the con-

ception, planning, nor operation of the charter was Bobby Baker involved in any way. Mr. Baker did ride back from Las Vegas, on the return portion of the charter, as a guest of one of those responsible for the charter.

I should like to close with an expression of my respect for your demonstrated ability in representing your beliefs before the Senate. Those of us in aviation are grateful, not only for your interest in all phases of the aviation and space programs, but for your willingness to champion those programs. May I also add that I was pleased to be a member of the group honoring you at that well deserved dinner.

Sincerely,

(S) J. H. CARMICHAEL,
Chairman of the Board.

4. *Robert Burstein*, Associate Director, Bureau of Enforcement, Civil Aeronautics Board (CAB) told the Bureau that CAB had investigated the Washington-Las Vegas flight to determine whether there had been a tariff violation which occurs when a carrier operates a flight at less than full rates. In this matter Riddle had been found to be in violation and fined approximately \$500.

The CAB investigation showed that Baker had been a passenger on the return trip from Las Vegas but, Mr. Burstein pointed out, there was no indication that Baker or Senator Cannon had been involved in arranging the flight. Mr. Burstein stated that the CAB investigation disclosed that Stanley Sommer was prime organizer of the flight. Mr. Burstein said that newsman Jack Anderson was a director of Riddle and had been instrumental in submission of the flight bill to Baker but that Mr. Anderson could furnish no satisfactory reason for this action.

5. *Ernest W. Reisner*, Director, Office of Production Facilities, Small Business Administration (SBA), told the Bureau that SBA issued certificates of competency on behalf of contractors applying for such certificates after a company has been successful in obtaining a Government contract. If the SBA, after investigation, issues such a certificate the Government is then obligated to proceed with the contract, utilizing the successful bidding company. In the case of Riddle, SBA has issued nine certificates and declined to issue one. All certificates issued related to Military Air Transport Service (MATS) contracts.

Mr. Reisner noted that if Senator Cannon or Baker had even inquired of SBA concerning Riddle, a memorandum of the inquiry would have been forwarded to him (Reisner). He added he had no knowledge of any such contacts by Senator Cannon or Baker. [A review of pertinent SBA records by the Bureau showed no contacts on behalf of Riddle by either the Senator or Baker.]

6. *Lt. Col. Claude L. Duke*, Deputy Director of Procurement and Production, Military Air Transport Service, made available to the Bureau the files on international and domestic contracts pertaining to Riddle. A review of these files reflected no information that any inquiries were ever made by Senator Cannon or Baker concerning Riddle contracts.

7. *Elizabeth Shotwell*, previously identified as secretary to the secretary for the majority, U.S. Senate, made available the files left by Baker. No records relating to this matter were found.

REYNOLDS—ALLEGATION No. 5

Reynolds testified that in 1949 he had been "escort officer for the then Congressman, now majority leader, Senator Mike Mansfield

on his trip to western Europe." Reynolds said it was "an inspection, I think they call it, ECA in the DP program, sir." Reynolds claimed that on this trip through France, Germany, Austria, and Italy that "for the first time I knew about counterpart funds, because during this trip Mike and Maurine (Mrs. Mansfield), while I was with them, sir, picked up several, I'd say, many articles that they wished, but one of which was a statue called 'Dawn'."

FBI—INVESTIGATION OF ALLEGATION No. 5

1. *Senator Michael J. Mansfield* told the Bureau he and his wife were on a tour of certain countries in the fall of 1949. The Senator stated that the purpose of the trip was to make a survey of political and economic developments in France, Western Germany, Austria, and Italy for the House Foreign Affairs Committee of which he was then a member. Prior to the tour he served as a congressional delegate to a UNESCO conference in Paris. The Senator did not recall how Reynolds had been chosen to be his escort officer but did recall that Reynolds arrived in Paris in his automobile at the conclusion of the UNESCO conference.

Senator Mansfield produced a small notebook and advised it had been kept by his wife and himself during their 1949 trip. This notebook contained informal but fairly detailed records of their expenses and the Senator went over it page by page pointing out which notations were his and which had been made by Mrs. Mansfield. He explained each item as best he could after pointing out that 15 years had elapsed since the trip.

Senator Mansfield said that he and his wife had taken personal cash as well as American Express travelers checks on the trip. He estimated the amount of cash as at least a few hundred dollars. A perusal of the notebook showed that it included details of the cost of meals, hotels, tips, automobile expenses, souvenirs, and other personal expenses. These expenses were totaled on each page and a running total was carried forward. The grand total reflected that \$2,544.70 was spent and Senator Mansfield pointed out that, while very small expenses are detailed, it is possible the total may not be absolutely accurate. Two pages in the notebook listed traveler's checks cashed on the trip and they reflected a total of \$1,490.

Senator Mansfield pointed out an entry dated October 11 at Vienna in the amount of \$110 for a statue. He said that, while he did not know the name of the statue, he felt certain it was the one which Reynolds stated he purchased. He recalled that he personally carried it on many occasions later in the trip to prevent getting it broken. The Senator told the Bureau that he and his wife both remember that the statue was purchased by Mrs. Mansfield with her own personal funds.

Senator Mansfield did not recall definitely whether counterpart funds had been built up to the point where they were available during his 1949 trip. He believed some had been available and that he would have used them to pay his own hotel costs and any other legitimate expenses for himself. He stated he and his wife were certain no such funds were used for personal purchases of any kind.

2. *Boyd Crawford*, staff administrator, House Committee on Foreign Affairs, told the Bureau he had been with the committee since 1939. Mr. Crawford said he remembered very well the trip to

Europe taken in the fall of 1949 by then Representative Mansfield, who was at that time a member of the House Foreign Affairs Committee. He recalled that Congressman Mansfield had been required by the committee chairman, the late John Kee, to give very valid reasons for the trip and that Congressman Mansfield filed a 23-page report on December 10, 1949. This report constituted a summary of political and economic developments in France, West Germany, Austria, and Italy.

Mr. Crawford said Chairman Kee was very strict about authorizing trips and required each committee member who traveled to furnish a financial accounting, including receipts, relative to the use of counterpart funds or any other Government funds during his trip. These reports were received by Chairman Kee personally, and when finally approved were retained for a reasonable period and then destroyed. Reports presently on file date back about 5 or 6 years.

3. *Walter E. Besser*, Chief, Financial Analysis, Foreign Currency Branch, Accounts Division, Agency for International Development, told the Bureau that prior to 1953, counterpart funds and some other local currency funds were disbursed through the agency to which they had accrued; namely, the Economic Cooperation Administration or its successors, the Mutual Security Agency and the Foreign Operations Administration (FOA). In 1953, the disbursement was changed and began to be handled through the disbursing officer in the American Embassy in the five countries involved. The following year the vouchers which had accumulated in the FOA missions in the five countries were sent en masse to the United States and were retired to the Federal Records Center, Alexandria, Va. The vouchers were not broken down into types of disbursement and many are multiple and show a number of disbursements. Mr. Besser said the only way to determine how much was drawn by any Congressman would be to go through all of the vouchers for the period involved, and, in this instance, for all four countries in which travel was performed. He said he felt this would be a tremendous task and believed it would involve locating and reviewing approximately 10,000 vouchers.

[In view of Senator Mansfield's statement and the personal record supporting his 1949 trip, this Department did not request the FBI to attempt a review of these vouchers.]

REYNOLDS—ALLEGATION No. 6

Reynolds testified, "I was in the city of Hong Kong and after I came back from Hong Kong, why I had occasion to be discussing counterpart funds because I wanted to know what was going on, and the so-called question of junketeers were around the Congress, how much personal use there was made of the funds and how much came from their own funds. He said, 'Well, I don't mind telling you one of the people used 150,000 Hong Kong dollars in a period of 14 hours in buying gifts, personal gifts for people that were loaded' and I think he said 'two planes,' sir." [The "he" who allegedly talked to Reynolds was never identified.]

Reynolds went on to say that the 150,000 Hong Kong dollars were counterpart funds and that the person spending them was then Vice President Johnson and that the time was 1961. Reynolds added that

he had seen "a little memorandum that was written. I assume this is an interoffice memorandum of Mr. Crockett of the State Department" which referred to the Hong Kong counterpart funds. The memorandum was made available to him, said Reynolds, "by a person in the State Department."

FBI—INVESTIGATION OF ALLEGATION No. 6

It was not necessary to request FBI investigation of Reynolds' sixth allegation since, even before he testified on December 1, 1964, the story he then told was known to be untrue.

On October 19, 1964, the Bureau had interviewed William J. Crockett, Deputy Under Secretary of State. Mr. Crockett told the Bureau that a rumor came to his attention on October 17, 1964, concerning the misuse of counterpart funds during the Vice President's visit to Hong Kong in May 1961. Mr. Crockett advised he had been a member of the Vice President's party during the visit and knew from his own personal knowledge that the rumor was false. However, on October 17, 1964, he had dispatched a telegram to the American consul general in Hong Kong setting forth the rumor and requesting a check of the fiscal records concerning any possible misuse of counterpart funds. The consul general at Hong Kong replied on October 18, 1964, that the only counterpart funds available in Hong Kong as of May 1, 1961, amounted to \$37,642.75 in Hong Kong dollars and that this entire fund had been specifically earmarked for the use of the Department of Agriculture.

Mr. Crockett advised that Sam P. Gilstrap, now U.S. Ambassador to Malawi, had been consul general in Hong Kong at the time of the visit. On October 17, 1964, Mr. Crockett wired Ambassador Gilstrap and asked for a report on the rumor. The Ambassador replied by telegram on October 19, 1964, that he had personally accompanied the Vice President on a shopping tour and that U.S. dollars were used exclusively and that the Vice President did not possess any Hong Kong dollars. The Ambassador noted that he could think of no employee previously assigned to Hong Kong capable of this mischievous gossip.

REYNOLDS—ALLEGATION No. 7

Reynolds testified that he was at a party in a New York City hotel (not identified) at which Senator Smathers, another Senator (not named but described as "now deceased") and other persons including Baker and Scott Peek were present. Reynolds said that also at the party was the wife of a Signal Corps contractor. Reynolds did not know the wife's name but her husband's name was "George." The wife was at the party, asserted Reynolds, to "get intercession" by the two Senators and Peek and Baker "to make sure that the Signal Corps put pressure on the local naval inspector of the New Jersey district." This pressure was necessary because, "she had been unable to obtain from the naval inspector in New Jersey certification of a Signal Corps contract," and this certification was needed "to permit her to have a draw because evidently the company was in financial straits." The above purportedly took place "just before or just after" the 1960 election.

FBI—INVESTIGATION OF ALLEGATION No. 7

1. *Senator George A. Smathers* told the Bureau he had never seen Reynolds in his life and "would not know him if he walked into my office this very minute." He noted it was conceivable he may have attended a social function where Reynolds was present and may even have met him but he had no such recollection whatsoever. With respect to the party described by Reynolds, the Senator said the testimony was "totally and completely untrue. There is not a word of truth in the statement."

Senator Smathers stated he had no recollection of being any place or having any request come to his attention concerning a Signal Corps contractor, and certainly he had no knowledge of putting pressure, or being requested to put pressure, on any naval inspector. He had no information that Scott Peek ever received a request in such a matter.

The Senator noted he had been campaign manager of John F. Kennedy in 11 Southern States in 1960 and did not go to New York prior to the election. After the election, the Senate went back into session and the Senator did not recall making any trip to New York City.

2. *Scott I. Peek* told the Bureau that he flatly denied each and every allegation made by Reynolds in his testimony with reference to an alleged party in a New York hotel. He had no recollection of ever having been in New York with Reynolds.

3. *Kenneth M. Napier*, business analyst, Fort Monmouth Procurement Office, Fort Monmouth, N.J., told the Bureau there are in excess of 5,000 contractors on the approved bidders list at Fort Monmouth. The principals of these firms are identified only in the file maintained on the firm. Mr. Napier pointed out that a firm which awarded a contract need not be on the approved bidders list since contracts are publicly advertised and any firm is eligible to submit a bid. Thus a bidder may be approved for a specific contract on the basis of a particular bid and not necessarily be added to the approved bidders list. Mr. Napier stated that the files on pending and closed cases at Fort Monmouth are maintained at a minimum of six locations within Fort Monmouth, such as the Research and Development Laboratory, Coles Laboratory, and Evans Laboratory. [It should be noted that Fort Monmouth is Signal Corps headquarters.]

4. *Lt. Comdr. George Gobble*, Office of the Inspector of Navy Material, Newark, N.J. (INSMAT), told the Bureau that INSMAT covers 11 counties in northern New Jersey and that Fort Monmouth is within this area. Any and all U.S. Government contracts (including Army, Navy, Air Force, and Signal Corps contracts) being performed in any plant within the area are inspected by INSMAT inspectors.

[From the above information given by Mr. Napier and Lieutenant Commander Gobble it appears that, in the absence of more adequate identifying data, it would be impossible to identify a Signal Corps contractor with the first name "George" whose wife was allegedly present at a party in an unidentified hotel in New York City in 1960.]

REYNOLDS—ALLEGATION No. 8

Reynolds testified that he was at a party in Black's apartment at the Sheraton Carlton and heard a discussion between Black and Edward Bostick, president of Melpar, Inc. According to Reynolds

the two men were discussing "Melpar getting a subcontract from North American Aviation" and Black said "he felt sure he could control it because Baker and his friends had done an excellent job in getting North American a tremendous contract." Others at the party, said Reynolds, were "several women, females" including one Linda Morrison. Reynolds added that Baker and Senator Cannon were present. Reynolds could not tell the committee whether the Senator heard any part of the purported conversation between Black and Bostick. [The date of this alleged party was not given by Reynolds.]

FBI—INVESTIGATION OF ALLEGATION No. 8

1. *Senator Howard W. Cannon* told the Bureau that he had never seen Reynolds in his life to his knowledge and had never been introduced to Reynolds. He stated that Reynolds did not see him at Black's apartment at the Sheraton Carlton, and the Senator did not even know Black had such an apartment. He has never been at any apartment of Black's. The Senator said he had never been present on any occasion at any time or any place where Black, Bostick, or Linda Morrison were present. He never met Linda Morrison in his life; would not know her if he saw her. The Senator said he had never been present in the company of Baker, Bostick, Black, and Reynolds and never heard a discussion among any part of such a group regarding the awarding of contracts as alleged by Reynolds.

Senator Cannon noted that in every instance where Reynolds mentioned his name in testimony before the Rules Committee it was at a time when he, Senator Cannon, was not present.

2. *Edward M. Bostick*, president, Melpar, Inc., told the Bureau he never met Reynolds and never saw him at Black's apartment. He noted that the only time he saw Senator Cannon "off the Hill" was at a cocktail party they attended with their wives several years ago. Mr. Bostick stated that he knew Black and Baker. He said he would take the same position he took before the Rules Committee and decline to discuss Linda Morrison, stating she had no connection with the Baker matter and he would not talk about her or any girls. [On this last point see the executive session testimony of Mr. Bostick on December 6, 1963, which was made public by the Rules Committee on February 25, 1964. In this testimony Mr. Bostick took the same position as noted here.]

Mr. Bostick concluded by saying that the relationship between Black and Melpar, Inc., is all in the testimony he has already given to the committee.

REYNOLDS—ALLEGATION No. 9

Reynolds testified that he saw a memorandum to Baker "that Bobby got from Senator Kerr's office" written on Senator Kerr's stationery. Reynolds said he did not recall whether it was from the late Senator or the late Senator's administrative assistant (not named) but "It said that because of his influence in trying to get Federal participation of funds interstate in the State of Oklahoma, that he was being given consideration for helping those persons interested in Howard Johnson, and there was one other chain mentioned, I don't remember the name of it, sir, for ownership or franchise is the word it used, sir. The Senator could name people that he was interested in

helping obtain the franchises, sir, and that the interstate—we are talking about Oklahoma, sir—that went into Texas and in turn the same privilege would be extended to Senator Johnson.” Reynolds gave no date on this one.

Reynolds testified concerning Howard Johnson franchises in North Carolina. He said that a Kidd Brewer, former Gov. Luther Hodges, a Seab Jones “and, in turn Senator Jordan knew where highways were going before the public and they are the ones to have profited by the franchise.” He said, “That Bobby intimated that Senator Jordan and himself had interceded to make sure that Kidd Brewer and Seab Jones and Bobby was buying an interest, and he offered me a share of the Howard Johnson in Raleigh, N.C., and in Charlotte, N.C., sir, and there was to be one other one that Bobby said he didn’t think he had money enough to indulge in that Mr. Jones and Senator Jordan was interested, in, sir.” Reynolds said that the above “had to do with the expenditure of highway funds in the State, sir” and “from what Baker indicated to me, the highway funds, they got some department in Government that gives funds, allocates funds for Federal participation, sir, and the State puts up so much money and the Federal Government puts up the majority of it, sir.”

Reynolds testified that he saw yet another memorandum. This one was from a William C. Daffron to Baker. Reynolds described Daffron as “a former adviser, assistant to Senator Collins of Florida.” He said the memorandum set forth, “That if Bobby and Senator Smathers and Scotty Peek could help obtain the participation of the Federal funds, that he could insure that the franchise—and this is where I think it is Hot Shoppes instead of Howard Johnson, sir, it is vague because it was not important at the time I read it but I think it was Hot Shoppes, Mr. Marriott here in Washington, who was the president, would be contacted, and that Bobby should do it to see to their interest.” Reynolds said the memorandum said that, “Daffron himself could guarantee that they could name the people who were given franchises.”

FBI—INVESTIGATION OF ALLEGATION No. 9

1. *Howard B. Johnson*, president, Howard Johnson Co., Inc., told the Bureau that neither the late Senator Kerr nor anyone else outside of his company ever had the privilege or right to name or designate persons for Howard Johnson franchises in Oklahoma, Texas, or anywhere else. He knew of no contact ever made with his company by the late Senator Kerr or by former Senator Johnson.

Mr. Johnson explained that his company operates approximately 700 installations throughout the United States and of this number approximately 340 are operated by franchised representatives. He advised that the company itself operates about 360 outlets. Mr. Johnson noted that there are eight Howard Johnson outlets in Oklahoma and only one of these is a franchised operation. He pointed out that there are five restaurants on the Oklahoma Turnpike in operation over 10 years; that there are two restaurants in Tulsa in operation over 8 years and one restaurant and motor lodge in Oklahoma City in operation approximately 1 year. This Oklahoma City operation is the only franchised outlet of the Howard Johnson Co. in all of Oklahoma.

Mr. Johnson stated that the final decision concerning the location, setting up, and operation of all types of Howard Johnson outlets rests solely with him personally except that he, as president, must obtain the approval of the board of directors in the case of a company-operated establishment when the value of the lease involved is over \$750,000.

Mr. Johnson advised that his company has nine restaurants (one of which is franchised) and two motor lodges (both of which are franchised) in the entire State of Texas. There are four company-operated restaurants in Dallas in existence for approximately 8 years; one company-operated restaurant in Fort Worth in existence approximately 8 years; one company-operated restaurant in Houston in existence approximately 8 years; two company-operated restaurants in San Antonio, one in existence 2 years and the other in existence approximately 8 years; one franchised restaurant in Longview in existence about 10 years, one franchised motor lodge in Dallas in existence about 7 months and one franchised motor lodge in San Antonio in existence about 2 years.

Mr. Johnson stated he never met Baker personally but has talked to him on the telephone on two occasions. He explained that Baker had been a limited partner in the Howard Johnson Motor Lodge in Charlotte, N.C., until approximately 1 year ago. He noted that the actual licensee on the franchise was a C. B. Jones but about a year ago Mr. Jones indicated he wanted to sell out his interest. At that time Mr. Johnson received a telephone call from Baker in which Baker explained that Mr. Jones was getting out of business and that he, Baker, wanted to buy out Mr. Jones' interest in the motor lodge. Mr. Johnson said that the company gave Baker permission to buy out Mr. Jones' interest and that shortly thereafter Baker did this and became the licensee of the franchised premises. Mr. Johnson advised that his only other telephone conversation with Baker occurred near the end of November 1964, when Baker called him to propose a site for a new Howard Johnson outlet in Washington, D.C. Mr. Johnson said he had individuals from his company inspect the proposed site and that they rejected it and Baker had been so advised.

Mr. Johnson advised his firm has 67 company-operated restaurants and 2 franchised restaurants in Florida. One of the franchised restaurants, located in Palm Beach, is operated by Howard Cummings, who is the president of Howard Johnson, Inc., of Florida. The other franchised restaurant, located in Fort Lauderdale, is operated by Mr. Johnson's stepbrother, John Burgin. In addition, there are 31 franchised motor lodges throughout Florida.

Mr. Johnson said that in North Carolina his company has 21 franchised restaurants and 15 franchised motor lodges. In addition there are two company-operated restaurants, one in Raleigh and the other in Asheville. He noted that many of his firm's restaurants and motor lodges throughout the United States are located adjacent to the Federal Interstate Highway System. These highways are constructed to a large extent by Federal funds. He stated that there are no restaurants or motels located on the new Federal Interstate Highway System, as all these facilities are located on sites adjacent to these roads. These sites are acquired by buying or leasing the property from the private individuals who own them. Mr. Johnson explained there would be no necessity to contact Federal authorities

concerning the location of one of these facilities as its site would not be located on property owned either by the Federal Government or the State.

Mr. Johnson pointed out that the Howard Johnson Co. has a staff of people who do nothing but drive the roads throughout the United States looking for new sites. He said that the company usually maintains contact with the State agencies having jurisdiction over the highway construction and that these State agencies furnish information on existing highways, highways under construction, and contemplated highways. This information, he said, is of "a very public nature and the State agencies are only too glad to furnish this information upon request." Mr. Johnson advised that his firm and all its competitors secure the same information concerning State highways, interstate highways, and public roads of all description.

Mr. Johnson noted that there is nothing secret concerning any of the proposed locations for Federal interstate highways. He advised that years before construction is even begun, anyone who has any interest in determining the location of roads, is very well aware of where they will be situated.

Mr. Johnson pointed out that if his firm erects a restaurant or a motor lodge adjacent to a Federal interstate highway there is nothing in the world to prevent a competitor from buying adjacent property off the same highway and operating its own facility. Mr. Johnson said this has actually happened in numerous instances and that both facilities thereafter have competed directly on one location. He noted that ordinarily it is not even necessary to enter into an agreement with the State or city where a facility is to be located. The only exception arises when a local ordinance or building code restriction requires securing "a variance."

Mr. Johnson said he has been acquainted with Luther Hodges for many years but was unable to recall meeting Kidd Brewer. He is acquainted with Senator Jordan and knew the Senator has had some interests in Howard Johnson facilities and believes he still retains an interest in at least one outlet. Mr. Johnson stated that none of these people had ever given him or his company "advance information" on highway construction or ever attempted to exercise any influence concerning the granting of Howard Johnson franchises.

Mr. Johnson added that in all instances of franchised facilities the approval for the franchise rests solely with his company and that after a franchise is granted, the licensee under the franchise must secure the land and construct the facility out of his own funds.

2. *Richard Graham*, legal department, Howard Johnson Co., Inc., told the Bureau that the company records reflect the following information:

(a) On March 30, 1954, a franchised restaurant agreement was entered into for a facility located on Route 301 in Fayetteville, N.C. The parties involved were Luther Hodges, B. Everett Jordan, Harold Makepeace, and Tri-Angle Enterprises, Inc. On October 1, 1960, this franchise was reissued with only Luther Hodges, Thomas J. Pearsall, and Fayetteville Restaurant, Inc., listed. By letter dated June 26, 1961, Luther Hodges advised the Howard Johnson Co. he had disposed of his interest to Mr. Pearsall.

(b) A franchised restaurant was operated in Fayetteville on Route 87 from October 1, 1957, to December 31, 1958. The parties to that

franchise were B. Everett Jordan, Luther Hodges, Harold Makepeace, and Tri-Angle Enterprises, Inc.

(c) A franchised restaurant was opened in Durham, N.C., on Routes 15 and 501 on July 27, 1953, and Luther Hodges and B. Everett Jordan were the parties to the franchised agreement. By letter dated June 21, 1961, Luther Hodges advised he had disposed of his interest to B. Everett Jordan.

[Mr. Graham advised that the records of the Howard Johnson Co. showed that the above-described facilities were the only ones in which Senator Jordan ever had an interest. In this connection, it is noted that Senator Jordan came to the U.S. Senate on April 19, 1958, and that, therefore, any interest he had or may now have in any Howard Johnson franchised facility was acquired before he entered the Senate.]

(d) On December 31, 1957, a franchised restaurant agreement was entered into for a facility in Charlotte, N.C. The parties involved were C. B. Jones, Kidd Brewer, and Luther Hodges. In September 1960, these premises were leased to the Howard Johnson, Inc., of Florida and in February 1961 were subleased to a Mr. Dardes and a Mr. Hewell and the Charlotte 85 Restaurant, Inc.

(e) On August 9, 1954, a franchised restaurant agreement was entered into for a facility in Raleigh, N.C. The parties involved were Kidd Brewer and Wake Enterprises, Inc. Luther Hodges and H. F. Fitchett were listed as directors of this corporation. On December 31, 1954, a new Howard Johnson franchise was issued for this restaurant to Luther Hodges, H. F. Fitchett, C. B. Jones, and Wake Enterprises, Inc. On August 31, 1962, this franchise was assigned to Harold Makepeace and Clarence Daniel. In July 1964, Wake Enterprises, Inc., leased the premises to the Howard Johnson Co. and this facility is now company operated.

(f) On August 5, 1954, a franchised restaurant agreement was entered into for a facility in Greensboro, N.C. The parties involved were Luther Hodges, H. F. Fitchett, and Mary Stewart. By letter dated June 26, 1961, Luther Hodges advised he had disposed of his interest in this facility.

3. *Senator B. Everett Jordan* told the Bureau he had never interceded with Baker in any matter and had no idea what Reynolds was talking about when he testified that the Senator had "interceded" in connection with the Howard Johnson Co. The Senator pointed out that he became a Member of the U.S. Senate in April 1958, and he did not know Baker before coming into the Senate.

Senator Jordan stated that Baker had at one time asked him about how good Howard Johnson franchises were as investments and the Senator had replied he was satisfied with his Howard Johnson investments but that it was possible to lose money if the location did not work out as expected. As an example, the Senator told the Bureau he had lost money on a Howard Johnson facility located on the Fort Bragg Highway. Senator Jordan said he had no advance knowledge of where any highways were going to be built in the State of North Carolina.

4. *Burl Hays*, previously identified as administrative assistant to the late Senator Kerr for a period of 8 years preceding the Senator's death in 1963, told the Bureau he had never heard not seen any documents indicating that Senator Kerr would name or designate

persons to get Howard Johnson franchises in Oklahoma and that the then Senator Johnson would get the same privileges in Texas. He said he could not actually recall ever seeing a letter or memorandum from Senator Kerr to Baker during the entire period he served as administrative assistant to Senator Kerr.

Mr. Hays stated that there are two turnpikes in Oklahoma, the Turner Turnpike, constructed 7 to 9 years ago, and the Will Rogers Turnpike, opened 3 or 4 years ago. He noted that no Federal funds were involved in the construction of either highway.

5. *Miss Marjorie Banner*, previously identified as personal secretary to the late Senator Kerr for a 14-year period preceding his death in January 1963, told the Bureau she had taken care of his personal and business correspondence and was positive she never took any letters or memorandums to Baker from the Senator "in my life." Miss Banner added that no one else in Senator Kerr's office would have taken his personal dictation other than herself.

Miss Banner stated she had assisted Burl Hays in segregating the late Senator's personal records from his official records after his death and found no documents relating to Howard Johnson franchises.

6. *Elizabeth Shotwell*, previously identified as secretary to the secretary for the majority, U.S. Senate, made available the files left by Baker. No records relating to Government procurements, financial matters, or other activities of Baker were located.

7. *Lionel W. Cooke*, compliance and investigations officer, Bureau of Public Roads, Department of Commerce, told the Bureau that the 1956 Interstate Highway Act provides for Federal funds for construction of highways on a pro rata basis, 90 percent Federal funds, 10 percent State funds. He noted that the Secretary of Commerce apportions among the States the sums authorized to be appropriated based on a formula prescribed by law. Mr. Cooke pointed out that a Member of Congress cannot secure Federal funds for a specific highway project within a particular State. He can vote for or against the legislation which makes funds available to all States according to the prescribed formula.

Mr. Cooke advised that the Federal-aid law specifically precludes automotive service stations, or other commercial establishments for servicing motor vehicle users, to be constructed or located on rights-of-way of interstate highway systems built with Federal funds. Mr. Cooke stated that the Oklahoma Turnpike Authority built both the Turner Turnpike and the Will Rogers Turnpike and that no Federal funds were involved. He added that there are numerous interstate highway routes in Texas, which were built with contributions of Federal funds and that there are no concessions on these highways. Mr. Cooke asserted there might be good locations for restaurants in the proximity of interstate highways and there might conceivably be instances where advance knowledge of the location of a projected highway would be of value. However, he pointed out that most of the final decisions with regard to the choice of a right-of-way and construction are made after public hearings and announcements.

8. *William R. McCallum*, Chief, Highway Finance Branch, Bureau of Public Roads, told the Bureau there were no Federal funds in the Turner Turnpike, opened in 1953, from Oklahoma City to Tulsa and that there were no Federal funds involved in the Will Rogers Turnpike, from Tulsa to the Missouri border, opened in June 1957. Mr. McCallum noted that there is a Southwestern Turnpike in Oklahoma

which was opened in April 1964, which runs from Oklahoma City to the Oklahoma State line north of Wichita Falls, Tex. There are concessions on the Turner, Will Rogers, and Southwestern Turnpikes. These were built and operated by the Philipps Petroleum Co. The Continental Oil Co. operates other concessions located at the interchanges. Mr. McCallum advised that there is an interstate Route 40, running east and west in Oklahoma which was constructed with Federal-fund contributions and that there are other interstate routes in Oklahoma so constructed. There are no concessions on these rights-of-way. Mr. McCallum added that there are roads in Texas which are part of the Interstate Highway System of which Federal funds were contributed and there are no concessions on these roads.

9. *J. Willard Marriott*, chairman of the board, Hot Shoppes, told the Bureau he had never met Baker; that the name William C. Daffron is unknown to him; that he is acquainted with Senator Smathers but does not recall the name Peek. He advised he had no knowledge of the purported memorandum from Daffron to Baker and did not know how Federal funds could be connected in any way with the Hot Shoppes organization.

10. *William C. Daffron* declined to discuss the matter with the Bureau unless he could be furnished more specific information. He advised he had not seen Baker or been in Baker's office since approximately 1958, except for a chance meeting at Laurel Race Track 4 to 6 weeks prior to his December 10, 1964, interview by the FBI. Mr. Daffron recalled being in Baker's office on one occasion and that was to obtain personal financial assistance. He recalled that Baker loaned him \$400 at that time. Mr. Daffron advised he was never officially connected with former Governor Collins, of Florida, but had been in the Governor's office on many occasions during approximately 1954 to 1958. He noted that in those years he had been employed by a private engineering company in Tallahassee, capital of Florida.

11. *Foster Kunz*, vice president in charge of industrial relations, Hot Shoppes, told the Bureau that a check of the personnel files of the company showed no record of a William C. Daffron ever having been employed or connected in any way with the Hot Shoppes organization. He added he had no personal knowledge of Daffron.

12. *Frank C. Kimball*, vice president and general counsel, Hot Shoppes, told the Bureau his duties with the company are concerned with real estate acquisition and administration, restaurant leases, contracting concessions, and related activities. He noted that due to the nature of these duties he is the representative of Hot Shoppe in any negotiations in these areas. Mr. Kimball stated he does not know William C. Daffron and never heard of him.

REYNOLDS—ALLEGATION No. 10

Reynolds testified that he was at a party at the Drake Hotel in New York City "where a bevy of beauties and whiskey and money flowed freely." Reynolds named a prominent film actor and a prominent actress as being present. He described the gathering as a "big sex party." [This may be as good a place as any to note that Reynolds' entire executive session testimony is replete with references to wild parties. The FBI has investigated these allegations and they have been denied. We see no point in matching Reynolds' allegations with these denials in this report. The potential damage to private

lives and public reputations cannot be justified on the basis of Reynolds' unsupported charges.] Reynolds testified further that he had been invited to the party by the Murchisons in connection with the "stadium plus trying to help him establish contacts with insurance companies, sir." Reynolds alleged that "Mr. Baker had written Mr. Shantz, president of the Prudential Life Insurance Co., and had arranged an appointment for me to go see him because I had made the million dollar round table a couple of times in succession, sir."

Mr. Reynolds continued, "Sir, I thought I would see him because I was with Murchison, and later when I got up there I found out that Murchison was using me as an avenue through Bobby having arranged it, to talk about financed shopping centers and other projects where Murchison would not put up any money at all, but would finance the thing out through funds, and if the Prudential wouldn't make a loan, under the State of New Jersey, sir, I believe the law permits 75 percent of the appraised value of the valuation, whichever was lower, and then for the additional amount between that 75 and 100 percent, that they should purchase the stock for these projects he wanted."

FBI—INVESTIGATION OF ALLEGATION No. 10

1. *Clint Murchison, Jr.*, told the Bureau that in early April 1959 he checked into the Fountainbleau Hotel in Miami Beach, Fla. There he met Thomas Webb, an employee of one of Murchison's companies known as the Tecon Corp. Mr. Webb introduced Mr. Murchison to Reynolds. Mr. Murchison said that the following day he told Mr. Webb he was flying up to Duke University in his private plane and that he and Reynolds were welcome to accompany him to the Raleigh-Durham Airport where they could catch a commercial plane back to Washington. During this plane ride to the Raleigh-Durham Airport, Reynolds told Mr. Murchison that the next time Mr. Murchison was in New York he would be happy to introduce him to the presidents of the Prudential and Metropolitan Life Insurance Cos. since Mr. Murchison might be doing business with them from time to time. Reynolds told Mr. Murchison that he was a member of the Million Dollar Round Table Insurance Club and was personally acquainted with these individuals.

Mr. Murchison said he returned to Dallas from North Carolina and about 4 weeks later, prior to going to New York City, he telephoned Reynolds and Reynolds said he would meet him at the Drake Hotel. The day following Mr. Murchison's arrival in New York he and Reynolds went to Newark, N.J., where they met the president of the Prudential Life Insurance Co. Later in the day they met the president of Metropolitan Life in New York and an official, not the president, of New York Life. Mr. Murchison stated that no specific business propositions were discussed at these three meetings since they were introductory meetings with high officials. Mr. Murchison stated he had no connection with Reynolds since that time and never discussed the District of Columbia Stadium with him.

2. *Carrol M. Shanks*, president, Universal Controls, Inc., told the Bureau he had been president of Prudential Life from 1946 to 1961. He did not recall ever meeting Clint Murchison, Jr., but recalled that 5 or 6 years ago he met Clint Murchison, Sr., at a social affair in Dallas. Mr. Shanks stated that to his best knowledge that was the

only contact he has had with the Murchison family on either a social or business basis.

Mr. Shanks advised that he cannot recall meeting Reynolds and is definitely not acquainted with him. He pointed out that there is the possibility that he might have been introduced to Reynolds or even to Clint Murchison, Jr., but if he was, he is unable to recall the incident. Mr. Shanks explained that, as president of Prudential Life, he constantly met people from all over the country. He stated categorically, however, that he is certain he never had business dealings with either Reynolds or Clint Murchison, Jr., for if he had he most assuredly would be able to recall them.

Mr. Shanks said he was in Washington, D.C., in 1957 or 1958 probably in connection with proposed tax legislation affecting insurance companies. He recalled that he testified before congressional committees on this legislation. At that time he met Robert G. Baker and he remembered that he asked Baker a question on some point of importance at the time. A day or two later he received a telephone call in his office in Newark from Baker and Baker supplied him with the answer to whatever was of pertinency to him at that time.

Mr. Shanks said that his meeting with Baker in Washington and his subsequent telephone conversation with him are the only two instances where he has ever been in touch with Baker. Mr. Shanks stated that if Baker ever wrote him a letter he does not recall it.

REYNOLDS—ALLEGATION No. 11

Reynolds testified, "Bobby told me the same day that I was talking with Clint, Jr., on the phone about Tecon, sir, Bobby discussed with Clint Murchison, Jr., surplus wheat of the Commodity Credit Corporation.

"I was on the other extension in Bobby's office, and Clint told Bobby that he had a flour mill in Port au Prince, I think Haiti, and they had a shortage of dollar currencies in Haiti, and that they had to find somebody who was buying bauxite or some such stuff from Haiti that can furnish the dollar instruments, and it was determined that Louie Reynolds of Reynolds Metal was buying bauxite from the Haitian Government, and could furnish dollar instruments, so the Haitian Government could buy surplus wheat, and I don't know whether a third, a half, or a fourth, sir, but some ridiculous fee in comparison with worldwide markets.

"Mr. Murchison would take and in turn produce that flour and market it through the Caribbean, and Bobby would be handsomely rewarded."

When asked if Bobby got anything out of the transaction, Reynolds testified, "I can't answer. The only thing that Bobby showed me to brag about was the star sapphire ring that Bob Thompson gave him. Whether he received money or not, but Bobby told me Clint was very generous with him, sir."

FBI—INVESTIGATION OF ALLEGATION No. 11

1. *Francis A. Woodling*, Deputy Manager for Planning and Administration, Office of Barter and Stockpiling, Department of Agriculture, made available the file containing offers made to his office by

the Reynolds Metals Co. [hereinafter referred to as "Metals Co." to avoid confusion since Don B. Reynolds has no connection with this firm] and by Caribbean Mills, Inc. The file reflects that on December 31, 1958, Metals Co. made an offer for a bilateral barter of Caribbean bauxite for surplus U.S. wheat. Metals Co. offered to commit itself to ship from Haiti an average of 400,000 tons of bauxite a year for a 5-year period for an equivalent exchange of agricultural commodities. Base price for the bauxite was to be \$11.68 per long dry ton. This offer was rejected by the Commodity Credit Corporation (CCC) on the grounds that CCC did not desire to enter into 5-year contracts.

On September 1, 1959, Metals Co. made a second offer. Metals Co. proposed to exchange 440,000 tons of Caribbean bauxite in return for surplus wheat. The terms and conditions were generally the same as in Metals Co.'s first offer but the 5-year period was changed to 1 year. On September 29, 1959, CCC accepted this offer.

On October 1, 1959, Caribbean Mills, Inc., of Dallas, Tex. (Mills, Inc.) offered to barter 400,000 long dry tons of Haitian bauxite for surplus wheat. This offer was rejected by CCC on November 23, 1959, on the grounds that Mills, Inc. was not a producer of bauxite and could meet its end of the offer only by buying the bauxite from Metals Co. in Haiti. CCC pointed out that it was its policy not to award more than 400,000 tons to any one producer during a program year and that Metals Co. already had a contract for that amount.

Mr. Woodling told the Bureau the file does not reflect the relationship between Mills, Inc., and Metals Co., but he said that Mills, Inc., was the receiver of the wheat shipped to Haiti under CCC's contract with Metals Co. Mr. Woodling stated the file does not reflect any interest in the barter contract by Robert G. Baker and he had no recollection that Baker ever contacted him on this matter.

2. *Thomas Robert Rawlings*, Office of Barter and Stockpiling, Department of Agriculture, told the Bureau that his records showed that on November 10, 1959, Baker had called him from 5:22 to 5:25 p.m. to ask about the status of the Mills, Inc., offer which had been made, as noted above, on October 1, 1959. Mr. Rawlings said he explained to Baker why this offer would not be accepted and added that he heard nothing further from Baker concerning the matter.

3. *Walter L. Rice*, vice president, Reynolds Metals Co. (Metals Co.) told the Bureau he is in charge of all mining operations for his company including the bauxite mines in Haiti. Mr. Rice said that in approximately 1958 or 1959 the United States was stockpiling bauxite and Metals Co. signed an agreement with the Government to furnish some 500,000 tons of bauxite in exchange for surplus wheat obtained from the CCC. Metals Co. negotiated with Arthur Haas, president of Mills, Inc., for the sale of the entire amount of this wheat to Mills, Inc. Mr. Rice noted that officials of CCC approved this subcontract.

Mr. Rice stated he never met Baker or any of the Murchisons and at no time was any pressure brought to bear to consummate the barter agreement or subcontract.

4. *J. Louis Reynolds*, executive vice president, Reynolds Metals Co. (Metals Co.) told the Bureau that approximately 6 years ago Metals Co. opened bauxite mining operations in Haiti. Prior to that time Clint Murchison, Sr., opened a flour mill in Haiti. Mr. J. Louis Reynolds referred the Bureau to Walter L. Rice for details on Metals Co.'s barter agreement with the Government and to Metals Co.'s subcontract with Mills, Inc. Mr. J. Louis Reynolds said he was acquainted with Clint Murchison, Sr., but had met Clint Murchison, Jr., on only one occasion and that was prior to the time Metals Co. opened its bauxite mine in Haiti. J. Louis Reynolds did not know Don B. Reynolds and never transacted any business with him. He did not know Robert G. Baker and never transacted any business with him.

5. *Arthur D. Haas*, president, Caribbean Mills, Inc. (Mills, Inc.) told the Bureau that Mills, Inc., is a Haitian corporation which operates a flour milling facility in Haiti. He said that 75 percent of the stock of Mills, Inc., is owned by the Murchison brothers and 20 percent by himself. The remaining 5 percent is owned by the attorneys for the corporation. Mr. Haas stated that Robert G. Baker has never owned any stock in the corporation, has no interest whatever in it, and never received any payment for any purpose from the firm.

Mr. Haas noted that, in about 1958, Mills, Inc., entered into a "bilateral" barter which had previously been entered into by Metals Co. with CCC. Mills, Inc. executed a wheat purchase agreement with Metals Co. to purchase surplus wheat which Metals Co. would receive from CCC in exchange for bauxite. Mr. Haas said he later learned that the Government had increased the amount of bauxite it wanted for stockpiling by 400,000 tons and on October 1, 1959, he submitted an offer to CCC on behalf of Mills, Inc. The terms of this offer were similar to those contained in the prior barter agreement between CCC and Metals Co.

Mr. Haas advised his file contained a letter, dated October 12, 1959, from Robert G. Baker, reading as follows:

DEAR ARTHUR: I do not know of any reason your second application should be turned down by Commodity Credit Corporation.
If you have any difficulty, please let me know.
My warmest wishes always.

(S) Bobby,
(T) ROBERT G. BAKER.

Mr. Haas said he had no recollection of any other contact with Baker on this matter and his file discloses no further information. He said he is certain he asked for no assistance from Baker in connection with the offer to CCC but he acknowledged he might have mentioned to Baker that the offer was being submitted.

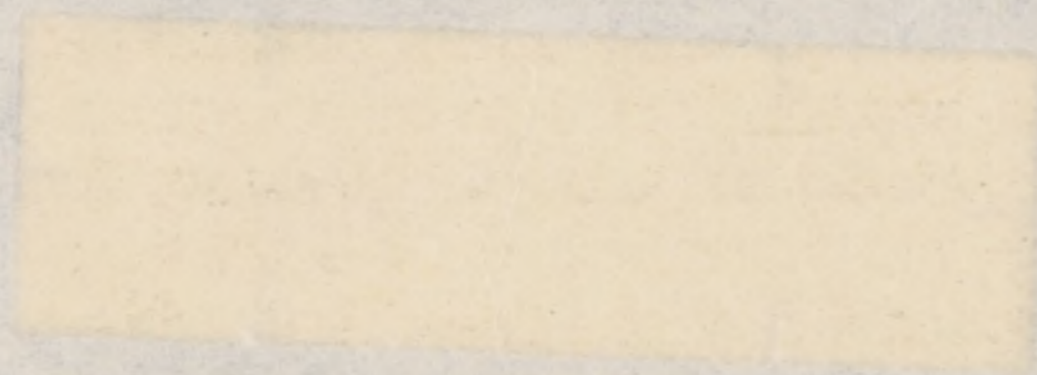
In any event, said Mr. Haas, his offer was rejected by the Commodity Credit Corporation on November 23, 1959.

6. *Robert Thompson*, executive vice president, Tecon Corp., told the Bureau he gave Baker cuff links one Christmas and a black star sapphire ring on another Christmas. He did not remember whether he gave the ring in Christmas of 1961 or 1962. Mr. Thompson said he paid \$325 for the ring at Neiman Marcus and that it was a gift to

a personal friend and not remuneration for services by Baker. Mr. Thompson stated that he did not know Don B. Reynolds and never had any connection of any kind with Reynolds. [Testimony concerning the star sapphire ring was previously given by Boyd Richie and Walter J. Stewart at a public session of the Rules Committee on March 9, 1964.]

7. *Dudley Ransden*, vice president, Neiman Marcus Speciality Store, told the Bureau that Robert Thompson purchased a star sapphire ring on December 14, 1961, and that the ring cost \$325.







A11600 763784

