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92D CONGRESS }
1st Session }

SENATE

97

FRAUD AND CORRUPTION IN MANAGEMENT
OF MILITARY CLUB SYSTEMS

ILLEGAL CURRENCY MANIPULATIONS
AFFECTING SOUTH VIETNAM

REPORT

U.S. Congress, Senate

OF THE

COMMITTEE ON GOVERNMENT OPERATIONS

^

UNITED STATES SENATE

MADE BY ITS

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

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FRAUD AND CORRUPTION IN MANAGEMENT OF
MILITARY CLUB SYSTEMS

ILLEGAL CURRENCY MANIPULATIONS AFFECTING
SOUTH VIETNAM

Ordered to be printed

Mr. McCLELLAN, from the Committee on Government Operations,
submitted the following

REPORT

I. INTRODUCTION

At the end of World War II, most Americans hoped that U.S. soldiers would come home and that never again would large numbers of GI's be stationed abroad. But just the opposite happened. The American GI remained overseas and, as the postwar years went by, U.S. commitments on foreign soil actually grew.

The strategic implications of this huge foreign-based military presence were debated and analyzed by the executive branch, the Congress, the press and the public as the Nation sought to carry out a foreign policy that relied in part on the potential for armed conflict.

Concerned with matters of war and peace, neither the Department of Defense nor the Congress paid enough attention to a side effect of large foreign-based military reservations. That side effect was the massive—and captive—economic market created by these overseas installations.

The market consisted of what were termed “nonappropriated fund activities.” So big and lucrative was this market that a multibillion-dollar industry grew up around it. Since World War II, the nonappropriated fund industry has grown and prospered as the American military presence abroad tended to stabilize or increase, particularly in Vietnam and other areas of Southeast Asia.

Nonappropriated funds are moneys used by the military that are not appropriated by the Congress. They are self-generating and are returned to the activities from which they came or are used in support of other nonappropriated fund activities. Major nonappropriated fund activities include post exchanges and clubs and open messes.

The post exchanges or PX's of the Armed Forces are discount department stores that sell to active and retired military personnel and their families. PX's are located in the United States and abroad wherever large numbers of American servicemen are encamped.

Exchanges are the third largest American department store chain. In 1969, gross sales for exchanges were \$3.5 billion. That year Sears, Roebuck & Co. gross sales were \$9.6 billion while the J. C. Penney Co. registered \$3.6 billion. Rounding out the top five were F. W. Woolworth, with \$2.3 billion gross sales, and Montgomery Ward & Co. with \$2.2 billion (p. 866).¹

The clubs and messes of the U.S. military are onbase facilities that provide for Armed Forces personnel the services of a bar and grill, nightclub and relaxation center, all located in one establishment. Combined sales of clubs and messes in 1968 were about \$750 million (p. 24).

The post exchange had its origin in an 1895 War Department order. The general order establishing the PX's stated that their primary purpose was "to supply the troops, at reasonable prices, the articles of ordinary use, wear and consumption not supplied by the Government and afford them means of rational entertainment" (exhibit 646, p. 1980).

Regarding clubs and open messes, the concept that servicemen should have a facility on base where they can meet socially among themselves goes back to the American Revolution (p. 7).

While nonappropriated fund activities are not created by statute, the Congress and the courts on numerous occasions have recognized and approved their existence. The Congress has stipulated, for example, that civilian employees paid from nonappropriated funds are not under the U.S. Civil Service. But the Congress has also directed that these employees are to be included in social security and Federal death and disability compensation protection (p. 8).

Moreover, the Congress has recognized and approved the claim of the Departments of War and Defense to regulate and control nonappropriated fund activities (p. 8). Yet the Congress has not authorized its own watchdog agency, the General Accounting Office (GAO), to examine nonappropriated fund expenditures and operations.

It is the duty of this subcommittee to investigate corruption, mismanagement, and inefficiency in Government and recommend reform measures. In late 1968, the staff of the Senate Permanent Subcommittee on Investigations found evidence to indicate that corruption, fraud, graft and mismanagement were prevalent in certain clubs and messes in Vietnam and elsewhere. It was also alleged that similar illicit and irregular practices were taking place in post exchanges in Vietnam and elsewhere.

In addition, some of the vendors and brokers who sold goods and services to exchanges and clubs were alleged to be trading their proceeds in the Vietnamese black market in currency.

¹ Page and exhibit numbers cited in this report refer to pages and exhibits in the printed hearings.

The subcommittee staff recommended to the chairman, Senator John L. McClellan of Arkansas, that a full-scale investigation be conducted. The chairman approved, as did the Committee on Government Operations and the Subcommittee on Investigations. The subcommittee then proceeded under the authorization of Senate Resolution 26, 91st Congress, 1st session; Senate Resolution 308, as amended, 91st Congress, 2d session, and Senate Resolution 31, 92d Congress, 1st session. The inquiry was titled "Fraud and Corruption in Management of Military Club Systems and Illegal Currency Manipulations Affecting South Vietnam."

Senator McClellan designated Senator Abraham Ribicoff of Connecticut to serve as acting chairman for the investigation. Senator Ribicoff had been acting chairman of the Investigations Subcommittee in the 1967-68 inquiry into fraud and mismanagement of American AID programs in Vietnam.

Subcommittee chief counsel Jerome S. Adlerman assigned assistant counsel LaVern J. Duffy and investigator Carmine S. Bellino to lead the investigation. From his own staff, Senator Ribicoff assigned to the case his special assistant, Fred Asselin. Also detailed to the inquiry were Philip W. Morgan, the subcommittee chief counsel to the minority, and John Brick of the subcommittee staff.

Executive hearings were held in early March of 1969. Staff investigations were then conducted in Vietnam, Japan, Hong Kong, Singapore, Thailand, Malaysia, Indonesia, the Philippines, Okinawa, West Germany, and many American cities.

Hearings were held in 1969 on September 30, October 1, 2, 3, 6, 7, 8, 9, 13, 22, and 23 and November 18, 19, 20, and 21.

In 1970, hearings were conducted March 4 and July 13.

In November of 1970, Senator Edward J. Gurney and staff investigators went to Vietnam, Korea, the Philippines and Guam as the inquiry continued. Senator Gurney reported his findings from the trip in a Government Operations Committee report and 1971 hearings were held by the subcommittee on January 27, February 17, 18, 19, 22, and 23, March 1, 2, 3, 4, 8, 9, 10, 12, 15, 16 and 17.

The investigation was concluded March 17, 1971. In the 35 days of hearings, 651 exhibits were introduced in connection with the testimony of 78 witnesses.

Many businesses selling to nonappropriated fund activities of the U.S. military have been honest and fair. It was not the purpose of the subcommittee to make a blanket indictment of all firms in this field.

But many other enterprises providing goods and services to U.S. military exchanges and clubs were neither fair nor honest. They used improper practices as a matter of routine. As broker representatives, for example, they implicated several well known and major U.S. firms in their illicit activities. The subcommittee sought to expose these corrupt and corrupting brokers and the weaknesses in the nonappropriated fund system that allowed such corruption to flourish.

The investigation's most timely revelations had to do with nonappropriated fund activities in Vietnam and the Vietnamese black market in currency. But also examined was evidence that showed cer-

tain vendors, brokers, and military personnel had been involved in questionable activities long before they arrived in Vietnam. Witnesses asserted that U.S. Government files contained information on these people sufficient to have prevented them from gaining a hold on non-appropriated fund activities in Vietnam.

Three organizations in particular were found to have earned a reputation for improper activities long before opening up commercial enterprises in Vietnam. They were the Service Games slot machine syndicate; the several businesses of William John Crum; and the Maredem group.

This report will now discuss the origins of these three organizations as a prelude to their arrival in Vietnam.

II. THE SERVICE GAMES SYNDICATE

THE HISTORY OF SERVICE GAMES

Sega Enterprises of Japan, and its predecessor companies manufactured the slot machines and coin-operated amusements sold and leased throughout the free world by the Service Games syndicate and its distributorships. Most of the Service Games machines were identified as Sega amusements. The name Sega was formed from the first two letters of the words Service and Games (exhibit 569, p. 1755).

Service Games began in Hawaii in 1945 when Irving Bromberg and his son, Martin Jerome Bromberg, formed a partnership with James L. Humpert to manufacture and distribute slot machines and other coin-operated devices (p. 1766).

They called the partnership Service Games and based their operation in Honolulu. Later, as the enterprise prospered, the name Sega began to be used, Humpert sold his share to the Brombergs, and Martin Bromberg, the son, changed his name to Bromley (p. 1766).

Irving Bromberg, the father, brought to the young company a reputation for being an innovator in coin-machine technology. But he was aging and his son assumed much of the management of the business (exhibit 569, p. 1755).

Martin Jerome Bromberg—hereafter referred to as Bromley—and Humpert were employed in the U.S. Navy Shipyard at Pearl Harbor during World War II. The two men also worked in coin-operated enterprises that called upon the technical competence of the senior Bromberg.

Irving Bromberg, born in 1899, was president of the Greenpoint Motor Car Corp. of Brooklyn, N.Y., from 1923 to 1930. From 1930 to 1933, he operated the Irving Bromberg Co. vending machine firm of Brooklyn, Boston, and Washington, D.C. In 1934, Bromberg founded a business known as Standard Games Co. in Los Angeles (exhibit 569, p. 1755).

Martin Bromley, born to Jeannette and Irving Bromberg August 9, 1919, in New York, graduated from high school, went to work with his father in coin-operated amusements and was inducted into the Navy during World War II but was placed on inactive duty because of his employment in the shipyard at Pearl Harbor (exhibit 569, p. 1755).

Honolulu police files indicate Bromley was arrested in 1948 for robbery. Bromley has one conviction for illegal possession of gambling devices, in San Francisco in 1947 (exhibit 569, p. 1755).

AN ACT OF CONGRESS CREATES A SLOT MACHINE SURPLUS

The Service Games organization was left with a surplus of slot machines in 1952 due to the passage by Congress of the Gambling De-

vices Transportation Act of 1951. The measure banned slot machines on military bases within the territory of the United States (p. 1794).

In February of 1952 Bromley sent Richard Stewart, a Service Games salesman, and Raymond Lemaire, a mechanic, to Japan to promote and expand sales of Service Games machines on U.S. military reservations throughout the Orient (p. 1766).

Expansion proved successful. A plant was constructed in Japan and markets were opened in Japan, Korea, Okinawa, the Philippine Islands, and on the Southeast Asian mainland—anywhere American GI's were stationed in the Orient. Service Games also began selling its machines to U.S. servicemen's clubs in England and Western Europe (p. 1766).

SERVICE GAMES HEADQUARTERS SHIFT TO PANAMA

In 1953, Service Games, Inc., Panama, was created and became the controlling corporation of a chain of corporations organized around the world. In most of the areas where American servicemen were concentrated, a Service Games entity could be found (p. 1766).

Officers of the Panama corporation—overseer of the growing organization—each holding 25 percent of the stock were Irving Bromberg, Bromley, Stewart, and Lemaire (p. 1801).

Its funds diverted to secret bank accounts in Panama and other places, Service Games prospered and created, bought, controlled or otherwise invested in many other enterprises, most of them having to do with distribution of Sega machines. U.S. military criminal investigation units and the U.S. Internal Revenue Service could not keep track of all the Service Games financial connections because the organization's funds were diverted to secret Panama bank accounts (pp. 1806, 1807).

THE U.S. MILITARY ENCOUNTERS DIFFICULTIES WITH SERVICE GAMES

Service Games operations and operatives have been a problem to the U.S. military since 1954 (pp. 1757, 1768, 1959).

Representatives of the Navy (pp. 1756-1764), Air Force (pp. 1764-1781) and Army (pp. 1798-1801) testified about the many investigations conducted by their law enforcement offices into Service Games, particularly in the Pacific area.

Military criminal investigators noted similar patterns of violations by the Service Games syndicate. The Bromley representatives were alleged to have smuggled coin-operated machines into foreign countries using counterfeit importation documents, shipped their equipment aboard Navy or Navy-chartered vessels and Air Force planes, paid bribes and kickbacks to military personnel and leased, rather than sold, their machines to open messes and clubs (pp. 1757-1764, 1768-1770, 1959-1960).

The U.S. Navy permanently banned Martin Jerome Bromley from doing business on naval installations in the Philippines in 1960. The ban on Bromley—which also extended to Richard Stewart and Scott Dotterer—followed an inquiry that found Service Games to have smuggled slot machines and other equipment into the Philippines (p. 1760). Dotterer was a Service Games employee.

In 1959 the Navy banned Service Games and all its officers, employees and affiliates from its installations in Japan. The Japanese Government fined Scott Dotterer \$13,017 for smuggling practices in connection with the 1959 investigation (exhibit 569, p. 1755).

In 1961 a fine of \$300,000 was levied against Service Games by the U.S. Civil Administration of Okinawa for smuggling, fraud, bribery, and tax evasion. Bruce W. Eckert, manager of Service Games in Okinawa, was fined \$7,500 and one of his employees, Yoshimi Yashima, was fined \$3,000 (p. 1771).

Military agents uncovered information indicating that Service Games paid for many of the costs of vacationing club and open mess personnel. Service Games was also alleged to be violating the "Buy American" policy by selling equipment made in Japan but designated as having been manufactured in the United States (p. 1810).

These investigations into the Service Games syndicate were all conducted prior to the massive American troop buildup in Vietnam.

THE SERVICE GAMES TAX CASE

The IRS made one attempt in the period 1962-64 to unravel the Service Games story and concluded that Martin Bromley and his wife, Allyn Bromley, owed \$4,683,686.11 in back income taxes. The Government failed to establish most of its charges and ultimately collected \$47,145.26 plus about \$10,000 in interest. Some \$15,000 of the total was returned to Bromley as excess payments. Bromley was represented by the Washington law firm of Trammell, Rand & Nathan (p. 1803).

In April of 1962, Service Games, Inc., Panama, changed its name to Club Specialty Overseas, Inc., Panama, but the organization remained the same (pp. 1801, 1802).

GULF & WESTERN BUYS 80 PERCENT OF SEGA

Sega Enterprises of Japan manufactures slot machines and coin-operated amusements such as jukeboxes, pinball machines, and electric shuffleboards.

In 1969 and early 1970, the American conglomerate, Gulf & Western Industries, Inc., bought 80 percent of Sega Enterprises of Japan from Martin Jerome Bromley, Richard D. Stewart, Scott F. Dotterer, Masako Rosen, and David Rosen (p. 1805).

Gulf & Western paid Bromley \$1,673,429 in cash and gave him 114,065 shares of Gulf & Western common stock. Stewart received \$836,710 and 57,032 shares of stock. Dotterer was paid \$371,901 in cash and 25,350 shares of stock. David Rosen received \$513,973 and 32,850 shares of stock and his wife, Masako, received \$185,894 and 11,881 shares (p. 1805).

Basing his calculation on what Gulf & Western stocks were selling at on the New York Stock Exchange at the time of these sales, subcommittee Investigator John Brick computed the total sale price of the 80 percent of Sega Enterprises to have been \$9,977,043 (p. 1805).

The remaining 20 percent of the Sega company was retained by Raymond Lemaire.

David Rosen, who had been president of Sega Enterprises, was named a vice president of Gulf & Western.

The \$9.9 million transaction was a profitable one for the sellers, of course. But it was significant for another reason, too. For it was the culmination of a unique American success story—the achievement of millions through the unlikely combination of slot machines and the cold war.

III. WILLIAM CRUM BEFORE VIETNAM

INFORMATION ABOUT CRUM BEFORE VIETNAM IS INCOMPLETE

Until they sold their Sega plant to Gulf and Western Industries, Inc., in 1969 and 1970, Martin Bromley and the other officers of the Service Games syndicate were represented in Vietnam by William John Crum.

Crum sold and leased Service Games slot machines, jukeboxes, pin-ball machines and other coin-operated amusements. He also offered to American military post exchanges and clubs and messes liquor, beer, beer coolers, snack bar items, frozen pizza and pizza ovens, refrigerators, air conditioners and a variety of gift shop items such as Dynasty dresses and civilian suits for GIs about to go on leave.

Subcommittee investigators assembled information that indicated William Crum was the most successful American businessman in Vietnam (pp. 874, 875, 885).

Subcommittee staff members tried for more than 1 year to locate William Crum and interview him. Through his Washington counsel, the law firm of Trammell, Rand, Nathan, & Bayles, the subcommittee invited Crum to testify and then offered to travel anywhere in the world to question him under oath at a site of his convenience (pp. 1936, 1937.)

All of these many efforts were unsuccessful. Consequently information about William Crum before Vietnam is incomplete.

What information the subcommittee has entered into the hearing record about Crum's life comes from a variety of sources, including testimony and affidavits from former Army CID agents who investigated Crum in Korea in 1959; from other testimony and sworn statements of persons who knew Crum and were familiar with his operations; from the files of several agencies of the U.S. Government; from an interview conducted by subcommittee staff of William Crum's brother, Whitney Crum; and from a newspaper article written by Col. Robert D. Heinl, Jr., the military affairs analyst of the Detroit News and a contributing editor for the North American Newspaper Alliance (NANA).

The subcommittee chose not to enter into the record of the hearings considerable but scattered information from intelligence files of the Federal Government because this information is replete with unsubstantiated assertions, is not conducive to verification or corroboration, and raises more questions about William Crum's past than it answers.

EARLY BACKGROUND OF WILLIAM CRUM

U.S. Government records and other information revealed that William J. Crum was born in Shanghai, China, June 24, 1918 of American parents (pp. 874-875).

His father was a navigator on the Yangtze River. His mother was from Hyfang, China. A younger brother, Whitney I. Crum, was born in Shanghai in 1922. There was a third son born to the Crums, Guy Crum (p. 874).

Moving to the United States in 1935, William Crum attended the Beverly Hills, Calif., High School and the San Rafael, Calif., Military Academy (p. 874).

As a young man, Crum worked at a variety of jobs, among them as a service station attendant and as a gold prospector. But the sea held a strong attraction to him and he joined the merchant marine. He returned to the Far East aboard a merchant ship and remained in the Orient (p. 874).

Crum was a freight solicitor for the Robert Dollar Line, now known as American President Lines, in Shanghai in 1946. He was discharged from that position when he was alleged to have been involved in black market activities (p. 874).

At the time of the Communist takeover, Crum was operating a radio station, call letters XMHA, in Shanghai. Crum's second wife, Tantina Antonia (Toni) Anders, born November 23, 1920, in Vladivostok, Russia, was with him in China (p. 874).

Crum sold goods and services to U.S. military forces in South Korea in the 1950's (pp. 874, 875). Among his business associates in Korea was Asa Albert (Ace) Smith, with whom he had first become acquainted in Shanghai (p. 880).

In about 1964, Crum set up operations in Vietnam, selling beer, liquor, slot machines and jukeboxes, pizza ovens, and other goods and services to U.S. military nonappropriated fund activities such as NCO clubs and the post exchanges (pp. 874, 885).

THE WILLIAM CRUM COLONEL HEINL RECONSTRUCTS

In March 1971—when the name “William Crum” received public attention because of the subcommittee hearings—Col. Robert D. Heinl called upon the resources of the North American Newspaper Alliance (NANA), a worldwide news-gathering agency, to piece together a brief but informative biography of Crum, the man whom a national television network described as the mysterious “money king of Vietnam.”

In a NANA article published throughout the world, Colonel Heinl wrote:

Who is the mysterious William J. Crum now making headlines across the country?

Crum has been called the “money king” of Saigon and has been portrayed by U.S. investigators and reporters as the spider at the center of a web of intrigue and corruption extending through the garish, sometimes sordid, world of sergeants' messes and PX's reaching from Vietnam to Korea.

Crum also enjoyed the close friendship of former Brig. Gen. (now colonel) Earl F. Cole, the abruptly retired and demoted Army G-1 (Deputy Chief of Staff for Personnel and Administration) in Saigon.

Testimony to a Senate investigation has charged that William J. Crum was paying off General Cole at a rate of \$1,000 a month and that the extent of Crum's further payoffs and the full reach of his arm in the Far East may never be known.

Behind all this mystery and intrigue there is another Crum—an American kid who grew up in Shanghai in the wide-open twenties and thirties who overachieved because he was half crippled with muscular dystrophy and had only one eye, a man who still loves adventure as much as he does money, a hedonist who had a natural passion for beautiful things, inanimate as well as highly animate, a resolute and daring sailor who loves to sail the most dangerous seas.

These are some of the contradictions that have emerged from an investigation by NANA of the life and background of the mystery man who could put a testimonial sterling silver cigarette box on the desk of General Westmoreland.

Bill Crum is about 52 years old. He is 5 feet 9 inches with dark hair and pudgier than he deserves to be. Because of his dystrophy, he is, according to one former intimate, "in almost constant pain" and cannot keep himself in the shape his compulsive, driving nature would demand. The lid on his bad eye has a pronounced piratical droop that a friend says, "frankly gives Bill a somewhat sinister appearance."

Young Billy Crum was the son of an American Yangtze River pilot, a now vanished breed who lived hard, drank hard, and took their pay in silver Mexican dollars of the old China station. Billy attended the Shanghai American School until his father failed to negotiate one last obstacle and killed himself driving his car around a blind corner sometime in 1933.

Even then, Billy couldn't run very well. He stumbled and flapped about because of his ailment. "He was always the boy who got caught in a game of tag," reminisced one who knew him in those days.

Apparently he made up his mind never to get caught again.

When World War II brewed up in the Far East, Bill Crum, now in his early twenties, tried to enlist in the U.S. Navy. "Bill is strongly, sometimes maudlinly patriotic," said another observer, "even now * * *"

The Navy, of course, had no room for a kid with one eye and a near-spastic physique. Instead, Crum somehow managed to sign up on one of the ubiquitous Far East tramp steamers as a merchant seaman and no questions asked.

By the end of the war, 4 years later, he had a master's papers and a ship of his own and connections—never exactly clear—with the Dollar or later American President Steamship Lines.

During the war Crum won a reputation for taking the most dangerous runs. With merchant marine bonuses what they were (\$100 a day, even for seaman, in so-called dangerous waters) this was where the money was, but it was also, underscored one former friend, "where the adventure was."

One old China hand still recalls seeing Crum in 1946 for the first time after the war in a suite in Shanghai's Broadway Mansions stacked with telephones.

A call would come in on one line asking for some scarce material. "Structural steel?" Crum might ask. "Hold on a minute." Then he would grab another phone, put through a call to another party, obtain a quotation, apply his own cut and answer back, "Sure. Where do you want it?"

"He could get you anything there was to get in China," said this informant.

When the Communists took over China in 1949, Bill Crum had to leave Shanghai on the run—leaving a fortune behind. Penniless, he went to Tokyo where his friend and, some say, his surrogate father, the near-legendary Asa (Ace) Smith, was a leading liquor entrepreneur.

Ace Smith handled a few other sidelines besides liquor. Moving bulk consignments of scarce wrist watches through diplomatic pouches was also alleged to be one of his specialties.

Ace Smith sent Bill Crum up to Seoul with a liquor franchise and nothing else. It was commissions and no salary, sink or swim. Bill's reaction was characteristic: he bought a house trailer that he could park on or as near the U.S. military installation as the authorities would let him and went for the hard-drinking sergeants' messes and the PX's.

A man, they say (especially one like Bill Crum) makes his own luck, but not even Ace Smith or Bill Crum could have foreseen the Korean war, which found Crum ensconced as the American liquor purveyor to the NCO clubs of what quickly became the Eighth Army.

Crum eventually had a great house in Seoul (just as he later set one up in Saigon) where the steward or manager of a sergeants' mess could take his ease when he was back in town for a day or so. Crum provided just about everything, 24 hours a day.

In return, he wrote the beer and liquor contracts, sold or rented the slots (but never, most insiders say, operated them or skimmed off proceeds; he was an entrepreneur par excellence but never a gouger or racketeer) and quickly provided anything a PX might find hard to get.

"He was just like a Civil War blockade runner," recalled one observer of those days.

Later on, in Hong Kong, after his 9 fat years in Seoul, Crum had to have an unlisted telephone and a secret hideaway apartment because all the club managers and their sergeant friends would try to contact their old buddy whose hospitality had become a legend.

Hong Kong is currently the nearest thing to what Shanghai was in the old days—actually an evocative mixture of Shanghai and Tientsin, getting more like Shanghai every day. By 1959, Hong Kong was Bill Crum's kind of town.

In Hong Kong with ventures and operations reaching

everywhere—back to Korea, up to Japan where Ace Smith still reigned, in Hong Kong itself and then down to Saigon—Bill Crum was in a sense an anachronism: “Trader Bill,” as he was known, one of the last old-style “Taiپans.”

Here Crum led the good life. In and out of three marriages and no evident scars or marks from any of them, surrounded by objects d’art, with devoted impeccable servants (whom he treats, said one associate, “with kindness and respect—very Chinese”) and his 40-foot sloop named “*Bettina*.”

Those who know Crum doubt stories of his ever owning the 86-foot yacht which some rumors say he now sails about the world. But the “*Bettina*,” a superb ocean racing sloop, was one of the finest boats in Hong Kong and so is his present boat, the “*Nostramo*,” now no longer seen at her accustomed moorings in Hong Kong.

Then, in 1962, Saigon became increasingly interesting to Bill Crum. According to one friend, he went down there for 3 months (because his man in Saigon had gone crazy or approximately so in terms of Crum’s business interests).

After returning from Saigon in 1963, Crum turned to a friend and fellow member of Hong Kong’s exclusive Royal Yacht Club. “Sail my boat for a year or so,” he said. “I’ve got to go back there again. That place is a gold mine. There’s just too much money down there.”

So Billy Crum went down to Saigon and, in a sense, never came back again. Physically, of course, he did. But the Vietnam war swallowed up Crum (or vice versa) the way it swallowed up so many other things and men. He had always wanted to get into the armed services in his younger days and now he had made it, at least into the post exchange and the officers’ club and some generals’ offices, too (exhibit 642, p. 1980).

THE WILLIAM CRUM LAWRENCE BAKER REMEMBERS

Lawrence Ivan Baker, a berry farmer from LaCenter, Wash., remained in South Korea in 1952 when he ended his tour as a U.S. Army lieutenant and went to work for the Balcom Trading Co. Baker said he came to know William Crum well in the Korea of the 1950’s and related his experiences with Crum in a subcommittee affidavit sworn to March 10, 1971 (exhibit 644, p. 1980).

The William Crum remembered by Larry Baker differs considerably from the William Crum Colonel Heint reconstructs. Absent from Baker’s recollections is Heint’s picture of Crum as the romantic mariner, cursed with Byronic afflictions and appetites, at sea on a life at once tragic and idyllic. According to Baker, Crum was a swindler, an ingrate, a boor—and treated his servant with violent contempt.

Baker said:

I first went to Korea in July of 1951 as a lieutenant in the U.S. Army, Transportation Corps. I served in Seoul, Wonju, and Pusan. In July of 1952, when my tour ended, I chose to

remain in Korea. I went to work for the Balcom Trading Co., a Panamanian registered firm that sold cameras, watches, and radios to U.N. forces.

The Balcom firm had an office in Pusan but about a week after I joined the company I was assigned to go to Seoul to open an office there. Previously, because of wartime conditions, Seoul had been closed to American businessmen. I was the first American businessman to return to Seoul.

In Seoul, I rented office space and a home which had to be restored. But, while moving to Seoul, I did commute back and forth to Pusan frequently in connection with my work.

One of my first recommendations to the Balcom people was that we get into the whisky and beer business in our selling activities to U.N. forces, most of whom, of course, were Americans. I felt we could move into this field with good results.

But I wanted to sell liquor and beer to troops through legal and open channels. In the Army, I had had some experience with a group of men who were smuggling liquor into Korea with considerable success. There were three of them—Ace Smith, Otis Terrell, and another man whose name I cannot recall. They brought the liquor from Hong Kong into Korea aboard twin-engine C-46 aircraft which they had chartered from the China Air Transport, Claire Chennault's original airline.

There was an inadequate Army class VI or liquor system at that time in Korea. There was a war going on and there was great demand among our troops for liquor and beer. But there was insufficient supply. This situation was made to order for Smith, Terrell and the third man. From my own experience as a lieutenant, I remember that the officers in our battalion would raise a sum of money among ourselves and then go to a designated airstrip and meet the C-46, pay for and pick up the liquor and return to our base. I met Otis Terrell while I served in the Army in connection with one of these liquor transactions but I did not meet Smith. It was well known, however, that Terrell and Smith were together in this operation. I did meet Ace Smith later in Korea.

I succeeded in convincing the Balcom Trading Co. to go into the liquor and beer business and we worked out a legal importation agreement with the U.S. 8th Army Command.

On January 1, 1953, I was working in the Pusan office of Balcom. I was alone in the office as it was a holiday. Outside Koreans were celebrating the Western New Year. About 11 a.m. I heard a commotion out in the street where my company jeep was parked. I went out and found one of our Korean employees engaged in an argument with an American man. I remember the American well. He had a Navy pea-coat, a black stocking seaman's cap, a 10-day growth of beard, eyes that did not match and a peculiar way of walking. He seemed to be about 35 years old. He said his name was William Crum and that he had just arrived in Pusan to become a steamship agent for the Isbrandtsen Line.

The argument Crum had been having with the Korean began when Crum demanded to use the jeep to drive over to the Pusan port and pick up his house trailer. Crum seemed to think the jeep was there for his use.

After calming him down some and explaining to him that the jeep was the property of the Balcom Trading Co., I told Crum he could borrow it to transport the trailer but that my Korean employee would drive and that he could not be gone more than 4 hours.

The Korean returned within 4 hours and told me that Crum had picked up the trailer at the Pusan port and they had hauled it to the United Nations Civil Assistance Compound, a military post near Pusan, where Crum had hooked the trailer into the water, sewage and heating systems there.

This compound, known as UNCAK, was strictly for military use and Crum had no business there. I later found that Crum had shipped this trailer into Korea aboard a U.S. chartered ship; he had no business doing that either. About 6 months went by before military officers discovered Crum's unauthorized trailer on the UNCAK compound and ordered him to move on.

Working often in Pusan during that 6-month period, I ran into Crum from time to time and had occasion to stop by his office. It was a small room near the Pusan port. Initially, the sign out front said only that he was a steamship agent. But about a month after he arrived, he put up a second sign. This said Tradewell, Fed., Inc., USA. Crum told me Tradewell would be dealing in liquor importation for U.N. Forces. At this same time period, I was told by an official of China Air Transport that Tradewell would be bringing in liquor in connection with Otis Terrell and Ace Smith. It was William Crum himself, however, who explained to me that his Tradewell Fed., Inc., USA, was a Hong Kong incorporated firm. It had no American sponsorship and he had added the "Fed. Inc., USA" to the title only to suggest to U.S. Army and Korean authorities that his Tradewell was a registered U.S. business. Later Crum also confirmed to me what the China Air Transport official had said—that Crum was in this enterprise with Ace Smith and Otis Terrell. Early in their operations, the U.S. Air Force discovered them smuggling liquor into Korea and from then on sought to bring liquor into Korea through legal channels.

In June of 1953—about the time he was forced to leave the military compound, UNCAK, near Pusan—William Crum moved himself and his house trailer to Seoul. I don't know where he parked the trailer but some problems developed with it and, after living in an apartment for a brief time, he asked me if he could move into my home with his servant, a young Korean woman.

I was renting to one or two other Americans at the time. My home was large enough and I needed money as I had recently left the Balcom organization and was trying to succeed in business on my own. So I told Crum that he and his servant could live in my home for \$150 a month.

In my new business, the Pacific Export Co., I exported ores from Korea and imported tires and light and heavy machinery to sell on the Korean economy with the knowledge and approval of the Korean authorities. I also sold life insurance to American soldiers. As part of the housing agreement, I let Crum use my office for his business activities.

Living with Crum and sharing an office with him, I got to know him although we never became friends. In many long conversations, he told me some of his background. He said he was born in Shanghai, China. His parents, he said, were both Americans. He made a point of telling me they were both Caucasians.

Crum said that during World War II he had worked in a service station in Santa Barbara, Calif. and had also panned for gold in the mother lode country near Placerville, Calif. When the war ended, he returned to China, he said, and bought into a dairy in Shanghai. Later he bought a radio station.

He said he had the English-speaking radio station about 1 year when the Communists took over Shanghai in October of 1948. Wishing to accommodate the new rulers and protect his investment, Crum promptly eliminated all news commentaries from the station's format. Then when the Korean war broke out, the Communists told him to stop issuing weather forecasts. This was the only time that he was instructed what or what not to broadcast. Crum said. In any event, he was allowed to remain in China. I was naturally curious as to why the Communists let him remain in Shanghai but when I questioned him on this he was always evasive.

But one day in late 1951, Crum explained, a Red Chinese major walked into his radio station and, without saying a word, went to the master power switch and pulled the plug, indicating to Crum and his Chinese employees that the station was out of business.

I could never learn from Crum how he got out of China. He did say he was not able to sell his radio station. He told me that he, his wife—a German woman, he said—and their son first went to Hong Kong where he got together with his two friends from China before the revolution—Ace Smith and Otis Terrell. Smith and Terrell asked him to go into business with them, Crum said.

Crum explained to me that Smith and Terrell were exploiting the huge reserves of liquor that were piling up in Hong Kong. This liquor had been shipped into Hong Kong for anticipated export into Mainland China, mostly for sale to the relatively large Western community and to the Chinese with Western tastes. Communist victories, the rising anti-Western climate in China and the exodus of both Europeans and many pro-Western Chinese from China resulted in a huge surplus of liquor in Hong Kong. So Smith, Terrell—and the third person I cannot remember—took this liquor on consignment, smuggled it into Korea aboard the C-46 aircraft and

then paid for it out of the big profits they won from U.N. forces, most of whom were Americans.

But when Smith and Terrell invited Crum to join them in this enterprise, they were just starting out and Crum, as he related the story to me, preferred employment with a little more security, the welfare of his wife and young son being of some concern to him. So, turning down Terrell and Smith's invitation, Crum accepted a job offer from the C. F. Sharpe & Co., steamship agents. With this position, Crum and his family moved to Kobe, Japan. This would have been early in 1952.

Trouble apparently developed between Crum and his wife because when he arrived in Korea he told me she was planning to leave him and move with their son to Germany. He must have remained in Kobe about a year because it was New Year's Day in 1953 when I first met him in Pusan.

Crum lived in my home in Seoul from August 1953 to August 1954. Then he moved into one of the large homes near the Yonsei University campus on the outskirts of Seoul. These homes had been built for missionaries and they were particularly comfortable. Crum's home was notably spacious. He was allowed to live there because he told the president of the university—a very distinguished Korean, Dr. George L. Paik, and a close friend of mine—that I had recommended him highly. Of course, I had not. I would never have wished Crum on Dr. Paik. In fact, I had considered many times asking him to move out of my home. He had several unpleasant traits, one of which was to express his dislike for the food his servant prepared for him by throwing it at her, plate and all. But I needed the money Crum was paying for rent as my business was just getting going so I let him stay.

At the large home near the university, Crum began entertaining quite lavishly. He entertained club sergeants and other military personnel who were in positions of authority and could help him. He brought girls in for these parties, had lots of liquor, beer, and wine on hand, showed pornographic movies and, in no time, the place had won the reputation of being a house of prostitution. This was much to Dr. Paik's sorrow as the home was located so near the university campus.

When the 1-year lease expired on the home near the university, Crum moved out, taking up residence now in even more luxurious quarters. It was called the KOSCO compound. KOSCO was an acronym for the Korea Oil Storage Co., what had been a consortium of American oil companies doing business in Korea. The compound had several apartments, two stories, space for Crum's business activities, and for entertaining. His parties at the KOSCO compound were similar to those he gave at the previous home. However, his guest list expanded to include not only servicemen's club personnel and other persons associated with clubs and PX's; but also attending these parties were several senior civilian officials. One of them actually moved into the compound with Crum.

Crum invited me to his parties on occasion—both at the university home and at the KOSCO compound. But I never

accepted the invitation. I did, however, have occasion to be at the parties. I would be doing business with one of the persons there or with Crum and would stop in to discuss the transactions while the parties were in progress.

Crum used poker games to pay off Army club sergeants and others. He would lose money in large amounts to them on purpose. I remember watching one of those games at KOSCO when Crum lost \$3,000 in about an hour. On another occasion, he lost \$2,000 in a short amount of time. I did not participate in these games. As I remember, the players always consisted of Crum, the sergeant or other official he wished to pay off, and Crum's employees. One poker player I remember who worked for Crum was a salesman named Bo Bolunicky.

But Crum did not always lose. Ace Smith, who was his partner in the liquor importation business, was an excellent poker player. In fact, he was a professional card player. Smith lived in Hong Kong but he would play in these poker games about once a month. Smith would win heavily, putting many a club sergeant or other U.S. official deep in debt. The games were held each Thursday.

I remember one Marine master sergeant who suffered this fate. He was in charge of the American Embassy Club in the Seoul area and, as long as he held that position, he won at Crum's poker games. But when he lost the club assignment Crum saw he was of no use to him any longer. The Marine started losing at the poker games.

I knew the Marine sergeant. He told me he owed Crum \$2,000. Crum told him he could wipe away this debt if he used his military status and senior enlisted rank to smuggle goods into Korea for him. Crum had a compulsion to smuggle things, it seemed to me, and he frequently would have people bring goods into the country illegally for him.

It was not unusual for Crum to use people this way. They would lose large amounts of money to him—or to his partner, Ace Smith—and then be pressured into doing favors for him in their official capacities. In the case of the Marine sergeant, unfortunately he was apprehended by Korean authorities trying to smuggle goods into Korea. He was court-martialed and busted to corporal.

There is a noteworthy sidelight to the marine's apprehension. Crum received advanced word that the marine would be arrested at the airport, coming in from Hong Kong or Tokyo. With this leadtime, Crum notified the U.S. Embassy in Seoul that he had heard the marine sergeant was attempting to smuggle things into Korea and that he would be arriving that afternoon from Hong Kong. Therefore, U.S. authorities, as well as the Korean customs officials, were waiting at the airport when the marine's plane landed. The Americans were pleased to have been at the airport to assist the Koreans. And Crum got credit for having done the Embassy the favor of having alerted them to the marine's activ-

ities. I felt sorry for that sergeant. His record had been a good one until he became involved with Crum.

This event—and many others like it—was not a secret in Korea. In the first place, the American community was small in Seoul and nothing was secret for very long. People knew that Crum was involved in activities that were illegal or at least highly questionable. The Army investigated him twice that I know of—in 1955 and 1957—but nothing ever came of those two investigations. In 1955, I knew Crum was under investigation from conversations I had with persons who had been interviewed about him by the CID. In the 1957 inquiry I was interviewed by a U.S. Army Audit Agency investigator who told me Crum was the subject of his investigation.

Finally, though, an investigation was conducted that did result in something. In late 1958, I went to Colonel Williams, the 8th Army judge advocate, and gave him a memorandum about Crum's illegal activities and this information led to another investigation, this one starting up in early 1959. Because of this investigation, Gen. Carter B. Magruder, the 8th Army commanding general, prohibited Crum from being on U.S. military reservations in Korea. Crum hired a Washington, D.C., lawyer, however, who protested the ban at the Pentagon and General Magruder's order was rescinded. Colonel Williams told me he had seen the twix message from Washington rescinding the order.

Then, working with one of Colonel Williams' assistants and two CID agents, I helped to set a trap for Crum at the K-6 airbase. A new custodian there told me that Crum had offered him a bribe. He said Crum had told him he had paid off his predecessor and was prepared to pay him off as well. I notified the CID and the trap was set. I told the new custodian to tell Crum he would accept the payoff in cash at his office at the base. The room was wired with a tape recorder and a hidden camera.

The recordings and photographs of the payoff were forwarded to General Magruder and the general issued a second directive that said William Crum was not allowed on U.S. military reservations. This directive was carefully worded so that it could not be sidestepped in Washington as the first Magruder directive had been. The general issued this directive in June of 1960.

Meanwhile, Colonel Williams' office assembled information it had on Crum indicating that he was also in violation of many Korean laws, particularly those having to do with customs. This assembled information was distributed to four key Korean Government agencies. The result was that Crum was fined by the Korean Government some \$50,000.

It was during this time frame that Crum decided to get out of the slot machine business. He sold his machines to Service Games. Shortly thereafter Crum left Korea. He did not

leave with an exit visa. I know that because I checked on it. He left illegally, a much wealthier man than he had been when he arrived in Pusan in 1953.

THE WILLIAM CRUM CID AGENT AUGUSTIN MANFREDI INVESTIGATED

Lawrence Baker said he knew of three investigations of William Crum in Korea by the Army—in 1955, 1957, and 1959. It was in 1959 that CID Agent Augustin J. Manfredi and a fellow Army investigator, Warrant Officer Roy R. Roan, conducted a U.S. 8th Army command-directed investigation of William Crum.

The Manfredi-Roan inquiry was based on allegations that Crum bribed and gave kickbacks to NCO club custodians and that he used NCO club system importation privileges to smuggle goods into Korea duty-free to be sold on the economy at highly inflated prices.

Manfredi, now retired, testified before the subcommittee February 18, 1971 (pp. 922-937, 938-948).

The investigation began in September of 1959 and ended in December of 1959, Manfredi said. He recalled that he had high hopes for a successful investigation but interference from the 8th Army Provost Marshal's Office wrecked any chance Roan and he had of bringing William Crum to justice.

Manfredi said:

It [the investigation] was the most frustrating experience of my life. I have 15 years in the CID and I have never seen—or even heard of—anything like it. We would come up with significant information and then be ordered not to pursue it (p. 928).

Manfredi told Senators the investigation got started when Gen. I. D. White, commanding general of the Army in the Pacific, received information alleging that Crum was corrupting military personnel and, by his illicit tactics, monopolizing the U.S. military nonappropriated fund business in Korea (pp. 922, 923).

Manfredi said his understanding was that General White advised the 8th Army commander, Gen. Carter B. Magruder, of the accusations against Crum. Manfredi said his understanding was that Magruder, in turn, directed that an investigation be conducted at the command level (pp. 935, 941).

The significance of a command level inquiry, Manfredi explained, was that it gave Roan and him a broad mandate to follow the investigation wherever it took them in Korea, without regard to divisional and other jurisdictional barriers that frequently constitute roadblocks to the quick and thorough pursuit of a case (p. 921).

Two limitations were placed on the CID agents, however. First, they could not interview Crum; second, they could look into the operations of enlisted men's (EM) and noncommissioned officers' (NCO) clubs but not officers' clubs. They felt these restrictions "incredible" but did not consider them to be insurmountable obstacles to the completion of the case (p. 923).

Early in the inquiry, Manfredi said, he and Roan concluded that Crum, through his Ramco Co. and Tradewell Co., was the most suc-

cessful businessman dealing with nonappropriated fund activities in Korea (p. 924).

The investigators, Manfredi said, divided their case into allegations that Crum gave kickbacks, bribes, and other illegal gratuities to club custodians and club managers to promote his beer, liquor, coin-operated machines, and other products; conspired with club system personnel so they would pay him huge maintenance fees for coin-operated machines, collecting as much as \$800 per month per machine for repair work 12 months a year; and smuggled goods into Korea using fraudulent NCO club purchase orders and then sold the duty-free goods on the Korean economy at huge profits (p. 924).

Initially, Manfredi and Roan asked—and received—permission from General Magruder to have Crum suspended from selling to NCO clubs while the inquiry was underway. Crum moved temporarily to Hong Kong, Manfredi said, but his Tradewell and Ramco employees were allowed to continue their work in Korea (pp. 924, 935).

Manfredi said he and Roan received daily guidance and instructions on the investigation directly from the 8th Army provost marshal, Gen. David P. Schoor, and from the general's investigations chief, Col. Vernon Hammonds (p. 923). Interference from these two men ultimately ruined the investigation, Manfredi said (pp. 928, 933).

The pattern of command interference from the office of the provost marshal developed clearly as the investigation continued, Manfredi told Senators. Each time he and Roan would report to Hammonds—and occasionally to General Schoor himself—on new leads and fresh evidence, they would be told not to pursue this information, to “forget it,” Manfredi said (pp. 928, 931).

Manfredi said he and Roan persisted anyway. They found several of Crum's operations to be in violation of U.S. 8th Army regulations and Korean laws, Manfredi testified. Both CID agents felt they were making important progress when they were ordered to stop their investigation of Crum (pp. 928–930, 935).

One situation in the clubs that struck Manfredi as curious, he said, was that throughout open mess systems of Korea young GI's appeared to have a great preference for a beer known as Blue Girl (pp. 924, 925).

Inquiring further, Manfredi found that Crum was the exclusive representative for Blue Girl beer in Korea. Manfredi told the subcommittee:

Until I operated in Korea, I had never heard of Blue Girl beer and I have been in bars all over the world and the United States. But in South Korea in 1959, Blue Girl beer was the best seller, particularly in the open mess systems (p. 924).

Manfredi said he found that Crum was paying custodians kickbacks in return for their promoting Blue Girl beer. The kickbacks took several forms, Manfredi testified, but a common method was to pay in cash, in military payment certificates, also known as MPC (p. 925).

The simple fact that Crum, an unauthorized civilian, had MPC on his person was a violation of 8th Army regulations and should have resulted in Crum's being suspended permanently from doing business with clubs (pp. 925, 941).

For payment of larger kickbacks and bribes, Manfredi recounted, Crum staged poker games in which he would deliberately lose to club system personnel or other U.S. officials he wished to reward.

The poker games would be staged in Crum's villa on the outskirts of Seoul, Manfredi said, adding:

I interviewed persons who had attended these games and I also interviewed the maid who served drinks and food while they were progressing. The maid said that at one such event Mr. Crum lost \$2,000 in the first 5 minutes of play. She could not understand why he played poker if he was such a poor player. Of course, the point is Mr. Crum was playing for different stakes (p. 925).

Manfredi said several club managers and custodians new to their jobs told him of being approached by Crum early in their stewardship and being offered kickbacks (p. 925).

Sworn statements were obtained from some of the custodians, who said Crum asked them, "Will you want the same percentage as your predecessor?" Manfredi said the usual kickback was 10 percent of the purchase price (p. 925).

Manfredi recalled that Crum also applied the 10-percent kickback in "outrageously inflated maintenance contracts" for the coin-operated amusements such as slot machines which he sold the clubs. Manfredi said he found one slot machine repair contract with a maintenance charge of \$800 per machine per month for the life of the machine. The retired CID agent contrasted the \$800 service fee with aboveboard contracts of \$30 per machine elsewhere in Korea (pp. 925, 926).

Senator Gurney, who had gone to the Far East in 1970 in connection with this investigation, said the going service charge rate in South Vietnam was \$15 per machine per month (p. 926).

Crum offered Jennings slot machines in Korea, Manfredi said, but sold his stock to the Service Games organization during the investigation (p. 926). This sale to Service Games was attested to by the head of the Service Games organization, Martin J. Bromley, who, testifying before the subcommittee March 16, 1971, said he bought Crum's machines when Crum left Korea (p. 1843). Lawrence Baker also said that Service Games bought Crum's slot machine stock (exhibit 644, p. 1980).

Manfredi said that most of the sales of machines, beer, liquor, and other goods to NCO clubs were conducted through Crum's Tradewell Co. But Crum's Ramco Co., specializing in building maintenance, performed club renovation work and profited most from smuggling activities.

Using fraudulent purchase orders from NCO clubs that enabled him to bring goods into Korea duty free, Crum imported a variety of products, from floor tiles to automobiles, and thereby saved himself the cost of customs duties that went as high as 400 percent on certain items, Manfredi said (pp. 926, 927).

Manfredi asserted that Crum exploited the demand among the Korean people for floor tiles, a notably scarce item at the time, by smuggling them into the country using fraudulent NCO club purchase orders, then selling them at inflated prices on the Korean economy (pp. 926, 927).

Crum was also found to be bringing slot machines into Korea aboard U.S. Air Force airplanes, Manfredi said. He would label the crates as

containing refrigerators and other appliances. The Air Force, assuming the labeling on the crates was legitimate, would forward the equipment along with legally authorized cargo for NCO clubs, according to Manfredi (p. 928).

The investigation of William Crum was "producing important results," Manfredi recalled, to his and Roan's point of view. "But from the command's viewpoint," Manfredi said, "it was a nuisance, or worse—or so it seemed to us" (p. 928).

Manfredi then recounted a series of events that resulted in the investigation being stopped by General Schoor. Manfredi went to the 7th Infantry Division near the Demilitarized Zone to check out an allegation that Crum had paid kickbacks to the division club system custodian, Sgt. Arol Connors (p. 927). A 7th Division CID agent named Brown informed Manfredi that Crum and Connors had conspired to have Crum's Ramco Co., repair four or five club automobiles at a cost of \$700 each with the understanding that Crum would then sell the newly renovated vehicles on the Korean economy—illegally—for a sizable profit, a share of which was returned to Sergeant Connors. One of these cars, Manfredi said, sold for \$12,000 (pp. 927, 930).

Brown told Manfredi that he had not been permitted to look into the alleged Crum-Connors transactions. Manfredi said Brown "felt so frustrated by the division command interference that he had given the information to me because he was aware of my assignment" (p. 930).

While waiting to go through the records of the 7th Division club system, Manfredi said, he was summoned by the division commanding general, General Costello.

The General stood by as his G-1—a colonel whose name Manfredi could not recall—said:

* * * the 7th Infantry Division had its own CID and that I was not—repeat—not—to do any investigative work on this reservation again (p. 930).

Manfredi told the subcommittee:

* * * I explained that I was an accredited Department of the Army investigator, that I was there on orders from the 8th Army Headquarters and that I reported only to 8th Army Command (p. 930).

Manfredi said the response to his explanation was that a lieutenant colonel was assigned to drive him off the base. Senator Ribicoff commented, "You were really given the bum's rush." "Yes, sir," Manfredi replied (p. 930).

Reporting this event to General Schoor and Colonel Hammonds, Manfredi was directed to wait outside Schoor's office for about 45 minutes while the two senior officers talked privately inside. Then, Manfredi testified:

* * * Colonel Hammonds came out of the general's office. He informed me that no action would be taken in this matter and that I was to "forget" the events that had taken place at the 7th Division. I could not believe my ears. The situation seemed unreal (p. 931).

Two days later, Manfredi recalled, 8th Army command interest in the Crum investigation was withdrawn and the case was "downgraded," meaning that all leads Manfredi and Roan had been pursuing were referred to local commands (p. 931).

Manfredi said:

In effect, this killed the investigation. For the whole point of our work was to develop, uncover, and pursue the matter of Mr. Crum's operations throughout the country (p. 931).

A short time later, Manfredi was transferred out of the 8th Army Headquarters to a CID office in the Seoul area command. There Manfredi, who was then a Specialist 7, was assigned to work under a soldier of lower rank, a Specialist 6 (p. 931).

Army regulations, however, required that any investigation of the Manfredi-Roan magnitude could not be closed without a report. Manfredi was given the assignment of writing a report of investigation or an "ROI" (p. 931).

Following orders, Manfredi agreed to write an ROI—but he insisted that before writing it he would have to interview Crum, an opportunity which he and Roan had been denied during the inquiry itself. General Schoor and Colonel Hammonds allowed the interview, Manfredi said, because there was "too much logic and validity" to his "final request" (p. 932). But the interview, Manfredi found, was rigged in Crum's favor. It was, he said,

*** the most ridiculous interview I have ever been involved in or ever heard of in all my experience with police work. I couldn't have designed a more unproductive interview. It was as if Mr. Crum had set the ground rules himself (p. 932).

Roan and Manfredi were required to submit their questions to General Schoor before the interview. Then Colonel Hammonds directed that certain of the questions be altered or eliminated altogether, Manfredi told Senators, adding:

I don't know whether Mr. Crum actually saw the questions before the meeting. But he had pat answers for them. Not surprisingly, he denied any wrongdoing and seemed quite offended that we even suspected him of anything (p. 932).

Manfredi said Crum was accompanied by his counsel, a German named Michael Braun. Also in attendance—to Manfredi and Roan's consternation—were Colonel Hammonds and Lieutenant Colonel Daniel A. Lennon, Jr., Assistant 8th Army Judge Advocate (p. 932).

Manfredi testified that he believed Hammonds and Lennon attended the interview to make sure the two CID agents did not ask any questions of Crum that had not been approved by General Schoor. Manfredi said he felt "intimidated" by the presence of the officers, as if they were there to protect Crum (pp. 933, 938).

Manfredi said the restrictions on the interview destroyed any hopes he and Roan had of getting "to the bottom of this thing" (pp. 932, 933).

When the investigation was "downgraded" and the restrictive interview completed, Manfredi wrote the report as ordered. He said he focused on "one small and not very significant piece of the country-wide inquiry." His report, he said, was a "whitewash" (pp. 931, 941).

Some months later, Manfredi ran into Crum in downtown Seoul. Crum, he said, was friendly, remarked that he did not hold a grudge and that bygones were bygones. Manfredi asked Senators:

Why should he have had any hard feelings? Our case was closed. He was back in business in Korea. The suspension had been lifted. And he was right back with his MPC, soliciting NCO clubs openly with his wares and favors (p. 941).

Looking back, Manfredi said he did not believe that General Schoor, "a brilliant man" whom Manfredi held in high regard, wanted to stymie the investigation but had done so because he and Colonel Hammonds "were being pressured from outside" (pp. 928, 929).

Subcommittee Assistant Counsel LaVern J. Duffy interviewed General Schoor and Colonel Hammonds and asked them what their recollections were regarding the investigation of Crum. Neither of them, Duffy said, could remember any details of the 1959 inquiry (pp. 937, 938).

Typical of the puzzlement and frustration which Manfredi still associates with that investigation were these remarks from his testimony:

I have often asked myself over the years just who was this man William Crum that he could command so much attention, that two officers would come to our confrontation with him to make sure his rights were protected?

I often wondered, who was he to have so much influence and weight to throw around. I have never to this day figured out the answer. Perhaps the committee will (p. 932).

ROAN SUPPORTS MANFREDI'S TESTIMONY

* * * I could not understand the power and the success of Crum that he had in dealing with the military. I could not understand the latitude that he had in operating through different Army commands throughout Korea * * * he was closely associated with a number of officers whose names I cannot recall and he had great influence with them. How he got this influence and freedom to operate in this area command I cannot definitely say (p. 936).

These words, similar to those spoken by former CID Agent Manfredi, are those of Roy R. Roan, the Army investigator who worked the Crum investigation in 1959 with Manfredi.

In a subcommittee affidavit, sworn to February 11, 1971 (pp. 934-937), Roan disagreed with Manfredi on only one substantive point. It was that Roan recalled that General Schoor was transferred toward the end of their inquiry and that the decision to restrict the interview with Crum came down through Colonel Hammonds from the new Provost Marshal, General Ramsey, who has since died. Otherwise, Roan's recollections were similar to Manfredi's.

Roan, now retired, remembered, for example, that the investigation began when General Magruder, having communicated with General White, directed an 8th Army command inquiry of allegations that William Crum was giving kickbacks to military personnel and was

using fraudulent NCO club purchase orders to smuggle goods into Korea to sell on the economy (p. 935).

Roan recounted the prohibitions he and Manfredi were given regarding interviewing Crum and looking into officers' club activities. The smuggled floor tiles, the rigged interview with Crum with Hammonds and Lennon standing by, the "downgrading" of the case at a time when it was showing promise—all events which had troubled Manfredi—had also troubled Roan.

Commenting on the direction to submit the questions for Crum ahead of time for clearance, Roan said :

This procedure of submitting questions beforehand for review was highly irregular. I recall asking the Judge Advocate General's Office what was I to do if an answer was given to one of the questions which brought forward a new and different line of questioning. Could I ask this new question which was not on the submitted list? I recall that the instructions were that I was to only ask the questions submitted and not to ask any other questions of Mr. Crum.

This rule was very much a handicap to an investigator and to my knowledge was the only time it was ever imposed upon me or any other investigator during my career in the service (p. 936).

CID AGENT DECKER PICKS UP A PIECE OF THE CRUM CASE

When the Manfredi-Roan inquiry was "downgraded," the case was removed from the direct control of the 8th Army Headquarters and distributed, lead by lead, to various local Army commands in Korea (p. 931).

One of the agents who was given a piece of the inquiry was Warrant Officer Arnold F. Decker, a criminal investigator assigned to the 7th CID in the Ascom Area Command, South Korea. Decker described the investigation he conducted in a subcommittee affidavit of September 1, 1970 (pp. 877-880).

Decker said Crum was "well known" in Korea for his "elaborate parties," that smuggling goods into Korea was a frequent Crum practice and that hard evidence—a canceled check—was found to show that Crum paid one NCO club custodian a \$3,000 kickback (p. 877).

Decker recalled :

My investigations also showed that William J. Crum violated Korean Customs laws and U.S. Army regulations by regularly conspiring with military club custodians for the purpose of diverting liquor shipments, which ostensibly had been ordered by club systems, into the Korean black market where individual bottles of liquor sold at 10 times the price they brought in the clubs (p. 877).

Decker said he could "establish conclusively" that Crum corrupted Sergeant Henry J. Lyons, manager of the 121st Evacuation Hospital NCO Club. Contrasting Lyons' military pay with investments and savings, Decker found that a June 24, 1960, \$3,000 check signed by William J. Crum, drawn on the Citizens National Bank of Los

Angeles, had been deposited in Lyons' account with the Dreyfus Investment Program, 2 Broadway, New York, an account which Crum himself arranged for Lyons (p. 878).

Sergeant Lyons explained to the CID that his savings program resulted from gambling winnings, insisting that he had made the investment with money orders he had purchased, Decker said (p. 878).

Crum, interviewed by the CID on September 3, 1960, said Lyons had asked his advice on starting an investment program and had given Crum the funds to make the investments for him. Lyons recounted that Crum then said he had written out a personal check to be deposited to Lyons' account with Dreyfus (p. 878).

Decker recalled that Crum left Korea October 13, 1960, about 45 days before Lyons' court-martial; and since he had refused to sign a statement regarding the Dreyfus affair, the Crum explanation was not available to the court (p. 879).

But Lyons, when confronted at the trial with the \$3,000 check, testified that he didn't know its significance and continued to insist he had purchased the Dreyfus stock with money orders he bought with gambling winnings, Decker said (p. 879).

Decker said he filed an official CID report alleging that Lyons had committed perjury. Decker and the prosecuting officer, Lt. Donald E. Biederman, took the proposal for a perjury indictment against Lyons to the Adjutant General of the 8th Army in Seoul, but the proposal was rejected (pp. 876, 879).

Independent investigation by the subcommittee staff revealed that Lyons, acquitted at the court-martial, rotated out of Korea, leaving in January of 1961, and was assigned in April 1963 to Thailand where he became manager of four NCO clubs and made large purchases from Gande, Price, Ltd., a firm owned by Crum and Asa Albert (Ace) Smith (p. 877).

Further inquiry by the staff showed that Lyons left the service in March of 1964 and went to work for Crum as his representative in Thailand. Crum fired Lyons a year later for cheating him (p. 877).

In connection with his investigation of Crum in 1960, Warrant Officer Decker worked with U.S. Treasury Department and U.S. Customs Bureau agents on a related illicit narcotics traffic inquiry, (p. 879).

Grateful for his assistance, the Treasury Department attaché in Tokyo, Smith B. Griffin, wrote a letter of commendation to Decker, routing the letter through 8th Army channels. The letter, dated September 20, 1960, was forwarded to his commanding general, Decker said, sent down to the adjutant general's office, and on to Decker himself.

The letter had gone through the adjutant general's office, and an endorsement, dated October 1, 1960, was affixed to the letter. The endorsement was signed: "Earl F. Cole, Lieutenant Colonel, AGC [Adjutant General Corps]" (p. 879).

IV. THE AUGSBURG INVESTIGATION

THE ALCORN LETTER

The Maredem Co. sold goods to NCO clubs in Vietnam. The officers of the Maredem Co. were Army sergeants who controlled the club systems Maredem sold to. Maredem principals were Sgt. Maj. William O. Wooldridge and Sgts. Narvaez Hatcher, William Higdon, Seymour (Sandy) Lazar, and Theodore (Sam) Bass. Two nonshareholders but friends of the enterprise were Sgts. William Bagby and John Nelson (pp. 268, 270, 290, 292, 293).

These seven men came together in Augsburg, Germany, in the early 1960's when they served in the 24th Infantry Division. The association of four of them was a matter of concern to Ron W. Alcorn (p. 34).

On July 15, 1963, Alcorn, a businessman who sold civilian clothes and other goods to American soldiers in Germany, wrote to Brig. Gen. Gordon T. Kimbrell, the assistant commander of the 24th Infantry Division located in the Augsburg-Munich area (p. 34).

In his letter, Alcorn said he had given gifts, including an \$87.50 live lion, amounting to \$4,551.70, to the division open-mess system, and that some of these gifts were furnishings which had been moved into the home of William O. Wooldridge, the division sergeant major and the highest ranking enlisted man in the division. Another piece of furniture, an Italian sofa worth \$1,000, Alcorn claimed to have given directly to Wooldridge, but that Wooldridge had given it to Sgt. John Nelson, a club system official (pp. 34, 53).

Alcorn also said there was a close relationship between Wooldridge and certain club system personnel such as Sergeants Nelson, William Higdon, and William Bagby (p. 34).

The subcommittee learned of the Alcorn letter in testimony given by former Army criminal investigator Irvin E. Beard, who testified September 30, 1969 (pp. 32-63), that he found the letter from Alcorn in the files of the 24th Infantry Division in 1965 during an inquiry he was conducting into club system operations in Augsburg.

Independent investigation by the subcommittee revealed that Alcorn was a sales representative in Germany of the Tom Bros., a Hong Kong haberdashery (p. 510).

THE PARRENT ALLEGATIONS

Some 2 months after Alcorn wrote his letter, there was another indication that the clubs of the 24th Infantry Division were not operating properly.

In September of 1963, Sgt. Maj. Kenneth L. Parrent had only recently been assigned to the 3d Engineer Battalion in Munich. On Parrent's first day on the job, he saw a man in civilian clothes, on Army grounds, carrying two buckets of coins. Parrent stopped the man and asked for an explanation. The man was Sgt. William Higdon of the

NCO club system. Higdon explained he had cleared the coins from a nearby NCO club and that he was taking the coins to the main club (p. 35).

Parrent said it was an unusual way to clear slot machines, pointing out that Army regulations required that a disinterested witness be present when slot-machine receipts were collected. Higdon replied that he was clearing the machines in the manner followed at this club system.

Parrent took Higdon to his office, called the main club system office, and was informed that Higdon was authorized to collect slot-machine proceeds. Shortly after Higdon left with the buckets of coins, Parrent received a phone call from a man who identified himself as "Sam the hatchet man" (p. 41).

"Sam the hatchet man," Parrent related, told him that in detaining Higdon he was "out in the field" and that Higdon was "Bill Wooldridge's boy" (p. 35). Parrent said "Sam the hatchet man" was a nickname for Sgt. Maj. Sam Goldstein, the assistant division sergeant major under Wooldridge. This event was related by Sergeant Major Parrent in an affidavit sworn to July 10, 1969 (pp. 34-41).

In the months that followed his initial encounter with Higdon, Parrent learned more about club-systems operations because, due to his senior enlisted rank of sergeant major, he was appointed to the board of governors of the club system.

Serving on the club board of governors, Parrent observed the work of the sergeant/custodian-in-charge, Sgt. Narvaez Hatcher, and found him to be an "extremely shrewd" administrator who had turned the board into a rubberstamp for his own proposals (p. 35).

Parrent recalled a board of governors meeting at which:

* * * I noticed that Hatcher generated discussions of expenditures in small amounts such as \$50 or \$200 or \$300 but that when it came to high amounts [such as \$5,000 or \$30,000] it was handled in Hatcher's "need a motion, need a second, need a vote" manner. This led me to the conclusion that the board was indeed stupid and that Hatcher was shrewd * * * (p. 35).

In spite of the many instances of questionable procedures he witnessed, Parrent did not suspect dishonesty. He said his main concern was that proper management methods and Army regulations were not being followed.

Parrent once told Sergeant Major Goldstein of Hatcher's irregular manners with the board of governors and Goldstein assured him that there was nothing to be concerned about. Parrent said:

* * * When I left Goldstein's office it had not occurred to me that something was wrong with the system. I never gave it a thought that something might be wrong because to me Bill Wooldridge was a shining example of the best soldier in the U.S. Army and Goldstein, being his second in command, I had no reason to question either of them (p. 35).

But Parrent continued to note irregularities in procedure. Then he recognized questionable purchases. These convinced him something was wrong beyond procedural matters and that "honesty was being

kicked about [in] the club system." Parrent was led to this conclusion when he found that the club system was \$12,000 in debt for a period of time during which proceeds had been \$1 million (p. 38).

Then came Parrent's discovery of a canceled check for \$50,000 on Hatcher's desk. The check was payable—in U.S. dollars—to the International Construction Co. of Vaduz, Lichtenstein. Hatcher had signed the check for the club system. An expenditure of this size would have had to receive the approval of the board of governors and Parrent, a member of that board, knew of no such approval (pp. 37, 38).

He traveled to Vaduz, Lichtenstein, went to the bank where the check had been deposited and was informed by bank officers that the International Construction Co. had been licensed to operate in Lichtenstein for a brief period and that the bank had no other records of the company (p. 38).

Parrent's private inquiry into the club system's dealings with the obscure International Construction Co. of Vaduz prompted him to draw up a list of several doubtful operating procedures the clubs were following. He presented this document to Major William George, the NCO club system adviser, at a meeting of the Board of Governors (p. 38).

In the more than 5 years that had passed since he wrote the letter to Major George, Parrent's memory faded. But, in general, he remembered pointing out to George that the club system was plagued with widespread irregularities, ranging from violations of procurement regulations to rules regarding the wearing of civilian clothes on duty.

One irregularity Parrent noted concerned Carbo-Mix of Europe, a company that sold soft drink dispensers in Germany. After meeting with Carbo-Mix representatives who wanted to sell their machines to the clubs, Parrent recommended to the Board of Governors that the club system be prohibited from buying Carbo-Mix equipment because the price was too high. Parrent soon found that Hatcher went ahead and approved the purchase of Carbo-Mix equipment anyway (p. 37).

Parrent also pointed out that Hatcher, whose rank was E-6, was chauffeured around by a sergeant with the higher rank of E-7 (p. 39).

Before presenting the list of alleged violations to Major George, Parrent read them aloud at a meeting of the board. A short time later, Parrent said, he was reassigned to the United States, adding, "The time given to arrive at the port was extremely short." It was so short, in fact, that no "competent authority" other than Major George interviewed him about his allegations, Parrent said (p. 39).

The quick transfer out—which came several months before he had expected to complete his tour—was the first of many events, Parrent said, that made life difficult after he filed his complaint with Major George. Ever since then, Parrent said, his professional reputation, career, and family have suffered damaging and deliberate abuse and gossip. In Parrent's words, the letter he wrote:

*** has resulted in the past four and a half years in a serious diminishing of my professional reputation * * * it is my firm belief that various people would speak to my commanders making inferences and accusations as to my character, reputa-

tion, and professional ability in such a manner as to cause my commanders to seriously question my capability of performing my mission * * * my complaint has led to a large number of substantial hardships not only on myself but additionally upon my family (p. 39).

THE CROOKS AFFIDAVIT

Parrent was not the only soldier transferred away from the club system after pointing out questionable practices. The same thing happened to Louis R. Crooks, a supply sergeant in the open mess system. Crooks described his experiences in the clubs in the Augsburg-Munich area in a subcommittee affidavit of October 5, 1969 (pp. 508-510).

Crooks, who had held various jobs within the club system since 1959, said the 24th Infantry Division clubs seemed to him to be operated above board and according to regulations until late 1962 or early 1963 when Sergeant Major Wooldridge's former personnel clerk, a Sergeant Green, was installed as Sergeant/Custodian in Charge (p. 508).

Green, Crooks said, named Sergeant Higdon as an assistant and gave him the responsibility of clearing slot machines. Crooks said:

* * * I observed Sergeant Higdon with the other managers, while clearing the slot machines making illegal entries on the tally sheets. They would first figure out how much * * * the machine was supposed to have paid out and then take the biggest part of the profit (p. 508).

Crooks said Higdon, doctoring the tally sheets, was assisted by club Sergeants Bagby, Hatcher, Seymour (Sandy) Lazar, Theodore (Sam) Bass, Roy Werren [Wren], a slot machine repairman known as Sergeant Robinson and other sergeants (p. 508).

Crooks said he told Sergeant Major Wooldridge that Higdon was making illegal entries in the slot machine tally sheets. Crooks described Wooldridge's response this way:

Wooldridge told me this matter would be checked into and I should go about my business. Three or four days later I came into work and the custodian handed me my paycheck and also a set of orders which were taking me off the club system rolls as a supply sergeant and placing me back into the Headquarters Company, Augsburg Post Engineers Section (p. 509).

Crooks reported this series of events—the revelations to Wooldridge and the subsequent transfer—to Lieutenant Colonel Clarence A. (Bud) Riser, the adjutant, and to two Criminal Investigations Division (CID) agents whose names Crooks could not recall. He did not subsequently hear from Riser or the two agents (p. 509).

But he did hear from Sergeants Lazar, Hatcher and Bass, his former associates in the club system. Meeting him on the golf course, they presented Crooks with a set of golf clubs, the value of which, Crooks said, was about \$275 to \$300 (p. 509).

The golf clubs, explained Hatcher, Lazar and Bass, were being awarded to Crooks in lieu of the usual party and \$25 gold piece departing club system personnel were usually honored with—but which,

they said, had been denied Crooks because he had been fired, Crooks recalled (p. 510).

The ability of the club system sergeants to present Crooks with such an expensive going away gift underscored Crooks' assertion that they enjoyed "high living" standards as a result of thefts from slot machine proceeds. Crooks said Sergeant Hatcher bought a "reasonably new Cadillac car not once but twice" and Sergeant Werren [Wren] bought a new Mercedes. The group of sergeants, Crooks said, gambled in games of big stakes and paid him \$25 or \$50 for "pulling any one night duty they had in the club while they would be running around or partying" (p. 509).

Crooks stated he next met Lieutenant Colonel Riser at the U.S. Army Headquarters in Long Binh, Vietnam in 1967. Paying a "friendly visit" only, Crooks was told by Riser that the Long Binh club system was being reorganized. Crooks recalled that he asked who the new custodian would be. Bill Higdon was to receive that job, Riser answered, according to Crooks (p. 510).

MAJOR GEORGE'S "INFORMAL INVESTIGATION"

After Sergeant Major Parrent at the Board meeting read aloud his letter listing his allegations concerning irregularities in the club system, he gave the communication to Maj. William L. George, the club's officer adviser. Receiving the Parrent letter—the time was the summer of 1964—Major George referred it to the 24th Infantry Division Chief of Staff, Col. Ferris Hardin. George indicated to Colonel Hardin that he would make an "informal investigation" and let Hardin know what he found out (p. 68).

On October 1, 1969, George, now a lieutenant colonel, appeared before the subcommittee to relate his experience as Augsburg club system officer (pp. 67-92). His duties as club system adviser had been unnerving and frightening, George told Senators in a voice so shaken and uncertain that another officer, Army Maj. Harold D. Krashes, read aloud for George his prepared and sworn statement. Once Krashes, a legislative liaison officer, read the statement, George then was able to answer for himself questions asked by subcommittee members.

For George, carrying out an investigation of any kind was not the sort of assignment he had expected when he took the job of officer adviser. He had accepted the position in the fall of 1963, he said, at the request of Sgt. Maj. William O. Wooldridge because it "appeared to be an advisory one which would require little time and effort" (p. 68).

Initially, the job was routine, demanding for the first 7 or 8 months "very little attention to the club activities." But once Sergeant Major Parrent made his allegations, Major George felt obliged to look into them. George explained he did find "a great deal of irregularities within the club system" (p. 68).

George said he could not remember any of the allegations made by Sergeant Major Parrent and could not remember many of the irregularities he discovered in the club system as a result of this, his first "informal investigation" (p. 68).

George did remember, however, that one club system employee, a military man, was paid \$300 a month for working in a club even when he was in the United States on leave and while being treated in the hospital (pp. 41, 71). [Staff note: a typographical error on page 71 of the hearings says \$300,000 when the actual reference was \$300.]

This and other instances of irregularities in the club system were turned over, George said, to the 24th Infantry Division Commanding General, Maj. Gen. William Cunningham. George said General Cunningham took no substantive action to correct the questionable practices he reported.

A short time after turning this information over to Cunningham—it was a Saturday in the fall of 1964—George found cause to report to the general again. This time the irregularities involved George himself.

George said he had accompanied Wooldridge, Hatcher, Nelson and another club system official, Sgt. Loal Teal, on an inspection tour of the clubs in the Munich area. When the tour was completed, the group, Major George included, went to the Will NCO Club where George saw one of the sergeants—he wasn't sure which one—remove from a club safe \$1,000 in \$20 bills.

From there the men went to the Eve Bar, a nightclub in downtown Munich, where they drank champagne, bought drinks for the entertainers and for bar girls—and ran up a \$700 tab. George testified:

I saw Teal or Nelson pay a great sum of money which amounted to about \$700 (p. 69).

George got home that morning at 4:30 o'clock. On the Monday after the Saturday night episode, George, feeling the sergeants had tried to compromise him, offered Wooldridge \$150 as his share of the \$700 outlay. Wooldridge refused the money. George said he would report the entire incident to General Cunningham.

After hearing George's account, Cunningham checked with Wooldridge and then conveyed Wooldridge's explanation to George—that the club sergeants, about 17 in all, had each contributed \$25 to finance the night on the town. Cunningham believed Wooldridge, George said, but George did not. He began another investigation of the club system, pointing out:

I was not satisfied with General Cunningham's answer and I immediately set out to investigate NCO clubs monetary system and in particular slot machines (p. 69).

George traced slot machines proceeds back 5 years. He found that the 100 slot machines in the 11 clubs of the system were taking in \$30,000 gross a month with Hatcher as custodian. Prior to Hatcher being named custodian, however, slot machine proceeds were \$60,000 a month, George said. George also noted that bar and mess sales had remained at about the same level, indicating that the volume of business had remained constant and that only slot machine intake had declined (p. 69).

George discovered other evidence of questionable practices—practices that could not be excused as the result of simple but honest mismanagement. For example, club system records showed one ex-

penditure of \$800 to paint a kitchen while Army post engineers, called in at George's request, estimated that the paint alone should have cost no more than \$25 (p. 69).

Like Louis Crooks, George felt that certain of the club sergeants seemed to be living beyond their means. Besides the \$700 night out with Hatcher, Wooldridge, Nelson, and Teal, George continued to be struck by the reflections of affluence among the sergeants, all of whom earned less military pay than he did.

Sergeant Hatcher had a Cadillac, George said, and Sergeant Nelson drove a Mercedes while Sergeant Bass' wife "had a big diamond which he bragged about." Of Theodore (Sam) Bass and his life style, George said:

They [the Basses] had two cars and four children and he was an E-5. I sure couldn't buy my wife a diamond on that with my four kids (p. 85).

George also described Sergeant Hatcher's office as being "rather plush" and "equivalent to the commanding general, practically" (p. 87).

These and other indications that the club sergeants were stealing were brought to the attention of General Cunningham, Colonel Hardin, the Chief of Staff; and other members of the 24th Infantry Division command. George said he tried—and failed—to convince these superior officers that a thorough investigation of the club system was called for.

Numerous times he went to Hardin with his information and suspicions about the clubs, George testified. Hardin would listen and then brief Cunningham himself or send George in to see Cunningham, saying "OK. Go brief the General" (p. 81).

George told Senators that General Cunningham would give him a variety of replies, ranging from "Thank you, I will look into it" to "Thank you, we will study it" to "Thank you very much, you are doing a good job, keep it up" (p. 77).

One of Cunningham's concerns, George felt, was the possibility of calling in Criminal Investigation Division (CID) agents from outside the Division, an action the general seemed not to wish to take. Secondly, George suspected both Cunningham and Hardin doubted him at times as the former club advisor explained:

* * * when you walk in and tell somebody that somebody is stealing \$40,000 a month, their reaction is that it is an over-exaggeration. I had that feeling * * * these were such fantastic amounts of money that I was talking about I am sure or I had the feeling that they thought I was grossly exaggerating (p. 81).

Other Division command officers George said knew of his findings were General Enermark, the assistant Division Commander; Colonel Handley, the G-1; Colonel Post, the G-2; and Colonel Gallows, the Division Inspector General (p. 82).

George testified that Colonel Frank of the Inspector General's office had carried out a special inspection of NCO club system records after the annual IG inspection of 1965. Colonel Frank's report, signed by Colonel Gallows, was referred to Cunningham. Both the routine IG report on the clubs for 1965 as well as the special report for that year

were conducted after Colonel Gallows had received a briefing on alleged improprieties from George, George told the subcommittee (p. 82).

To demonstrate the blatant thievery in the slot machine collections, George assigned a trusted sergeant to the Will NCO Club for 10 days. The trusted sergeant, who had never worked in an NCO club before, was directed to clear the slot machines every night, George testified. At the end of the 10 days, the trusted sergeant had collected \$10,000 from the slots, a significant improvement over the club's recent monthly gross of \$4,000 (p. 70).

During the 10-day period, the trusted sergeant was offered bribes and the favors of women and was threatened, George said, adding that the experiment led to the transfer of Sergeant Nelson, the manager of the Will NCO Club.

George explained he was now allowed to implement a more effective method of clearing slot machines—and proceeds from the machines began to increase (p. 70).

During this period of reform, George also succeeded in having Hatcher transferred out of the club system. But no disciplinary action was initiated against him. He was given another assignment within the division (pp. 41, 78).

George, curious about how Hatcher managed to be assigned in Germany as long as he had, once asked the Sergeant/Custodian in Charge of the clubs how he had remained in Germany 11 years when the normal tour was rarely longer than 5 years. Hatcher replied that he made a practice of bribing an enlisted man in the assignments branch at the Pentagon in Washington, George said. Hatcher added that the bribes were from \$300 to \$500, George stated (p. 73).

With Hatcher and Nelson gone from the clubs, George hoped he was making headway, as he testified:

After changing several Boards of Governors, * * * firing of several managers, increasing command emphasis, the club system seemed to improve (p. 70).

George also succeeded in implementing new regulations, particularly regarding the collection of proceeds from slot machines. Instead of allowing club managers to empty the machines virtually at will, George's new rules required that the machines be cleared on Mondays and Fridays only.

George told Senators he tried to establish regulations calling for more supervisory control over club management but in these efforts he was opposed by the division sergeant major, William Wooldridge. Wooldridge complained to General Cunningham, George said, recalling that the sergeant major objected to any action aimed at taking control away from the soldiers in the management of their own clubs. George said:

Sergeant Major Wooldridge felt that the NCO's could run their own clubs. He was very adamant about this. It ended up with both of us in the commanding general's office * * * (p. 87).

George said his disagreements with the division sergeant major were resolved when General Cunningham helped them work out a compromise acceptable to both Wooldridge and himself.

In January 1965, Wooldridge rotated back to the States where he was assigned to the 1st Infantry Division, Fort Riley, Kans. (p. 478). By this time, Maj. Gen. Edward L. Rowny had replaced General Cunningham as 24th Infantry Division commanding general (p. 83).

On August 24, 1965, George received an anonymous letter, written in German, stating that slot machines were still being skimmed and giving details of how the skimming worked and alleging who was responsible (p. 70).

On September 3, 1965, George, acting on information in the anonymous letter, interrupted the slot machine collections of Sergeant Jones, manager of the Sheridan Kaserne NCO Club in Augsburg (pp. 70, 84). Jones' tally was \$654.10 less than what it should have been and he was arrested. Later he was court-martialed (p. 42).

George, in retrospect, acknowledged to the subcommittee that Sergeant Jones was a small player in a racket that involved much bigger thievery. George pointed out, however, that detecting the count or tally man was essential to cracking the ring of slot machine thievery—and there were only two count men, Sergeant Jones and Sgt. William Edwards. George said:

In my judgment I thought Jones was more guilty than Edwards. Later on I reversed my position (p. 76).

Three months went by while Sergeant Jones awaited the court-martial proceeding. During that time, Major George and his wife received threatening and abusive telephone calls three and four times a week.

One anonymous caller, George said, called at 2:30 o'clock one morning with this warning: "You're dead you bastard you" (p. 70). Another time, when Mrs. George answered, the caller threatened the George children.

This colloquy between Senator Ribicoff, the acting chairman, and George reveals the impact the threats and anonymous phone calls had on George and his family:

Senator RIBICOFF. Are you apprehensive about threats now?

Lieutenant Colonel GEORGE. Yes, sir.

Senator RIBICOFF. Why are you apprehensive about threats now?

Lieutenant Colonel GEORGE. Sir, I don't want to go through another 3 months like I did in Germany in 1965.

Senator RIBICOFF. How extensive were those threats in Germany that you received? Were they continuous or just occasional?

Lieutenant Colonel GEORGE. Well, I would say maybe three or four a week and particularly on Saturday nights. Like one I remember very clearly now, they called my wife in the afternoon and said, "Your children get off the school bus" at whatever time it was and hung up, which was exactly what time my children got off (pp. 73, 74).

However, a positive step was taken following the raid on Sergeant Jones. In late August or early September 1965, Major General Rowny, the new 24th Infantry Division commanding general, approved

George's request for an outside investigation of the club system by the Criminal Investigation Division, the CID (p. 70).

Shortly thereafter another officer was named as adviser to the club system and Major George, still upset over the threatening phone calls, was allowed to devote full time to his main assignment as division headquarters commandant.

Before leaving his advisory post, George wrote a 3- or 4-page statement for the CID agent who would be heading up the club investigation detailing the results of the inquiries he had made into the club system (p. 70).

The agent was WO Irvin E. Beard of the 13th Military Police (MP) Detachment, Augsburg. His supervisor was WO Karl O. Nestler, head of the Detachment. Both men were trained investigators. George's memorandum, coupled with the Alcorn letter, the Parrent allegations and information from the files of the Division MP unit, became the basis for the CID investigation led by Warrant Officer Beard into the Augsburg-Munich club system.

THE SERGEANT JONES CASE

Agent Beard was just beginning his investigation when the 24th Infantry Division command was faced with the arrest, court-martial and imprisonment of Sergeant Jones, a club official, for stealing from slot machines. Jones, now a civilian, testified in executive session before the subcommittee the afternoon of September 30, 1969 (pp. 95-108). Jones' testimony was made public and read into the record of the hearings in open session October 1, 1969.

Presenting the subcommittee's reasons for having former Sergeant Jones testify in executive session, Acting Chairman Ribicoff said Jones had been "punished sufficiently" for his crime, had cooperated with the subcommittee and, in turn, had asked that he not be made to appear in public because he had built a new life for himself and did not wish his friends, neighbors, and work associates to know of his past. It was a request, Senator Ribicoff said, the subcommittee members approved in the interest of fairness (pp. 92, 93, 101).

Jones testified that he was treated unjustly in the slot machine case, that he was a petty thief compared to certain other sergeants in the club system but that he was, to his knowledge, the only person who was punished (pp. 106, 107). He admitted that he had taken part in slot machine theft. But, he said, almost all of what he stole was passed on to others in the club system—and, he had heard, to military personnel outside the system. In the 10 months prior to George's raid, Jones said, he had received no more than \$900 for his illegal efforts (p. 103).

Jones described how by adjusting the machines as he cleared them he could record intake of, say, \$100 on an individual machine when in fact the machine may have taken in \$200. That left \$100 to steal (pp. 97, 98, 104).

Inspectors or disinterested third parties, assigned to observe the machine-clearing exercise, were told to stand on one side of the machine while the adjustments were done out of their vision, Jones said (p. 98).

Jones' first job in the club system was as a master of arms. He asked the assistant custodian, Sgt. Theodore (Sam) Bass, for a better job.

Bass said Hatcher was the man to see. Hatcher liked him after the first interview, Jones said, and told him to come back. This was in late 1963. In the second interview, Hatcher hired him, Jones said, because, as Hatcher told him, he

* * * was the type of person who would be sure to stay in line but that they had ways to keep people in line that did not stay that way. He [Hatcher] then showed me what appeared to be a small electronic device. He said this was used to get information on the people that did not stay in line. Hatcher stated, "We got a good thing going here and we don't want anyone to mess it up" (p. 96).

As assistant manager, and then manager, of the Infantry Kaserne Club, Jones cleared slot machines. Sergeant Bass, the assistant custodian of the 11-club system, came by the club twice a week and picked up the slot machine proceeds, always seeing to it that more money was taken from the machines than was recorded on the tally sheets, Jones said.

Jones testified:

This was a small club and the income was limited at this time but there was approximately \$50 over and above the count as listed on the tally sheet. Sergeant Bass then instructed me to take \$15 and give him the remainder. When I questioned this, he said that this money took care of many people. He said that this was a good thing and as long as I went along I would come out ahead (p. 97).

Jones recalled that both Bass and Hatcher were relieved of their duties in the club system. A Sergeant Collins replaced Hatcher, he said, and Sgt. Seymour (Sandy) Lazar replaced Bass. Jones said:

Under this new regime everything continued as was—nothing changed with the exception that Sergeant Lazar came around instead of Sergeant Bass (p. 97).

Jones said Collins and Lazar did not last long either. They were replaced by Sgt. Justin Blanchette as custodian and Sergeant Edwards as assistant custodian. Jones testified:

Again the system of rakeoff from the slot machines continued with no fluctuation. Only this time Sergeant Edwards was the count man (p. 97).

Edwards asked him to also serve as count man for the six clubs in the Augsburg area, Jones said. Edwards was the count or tally man for the five Munich area clubs. While Jones, as Augsburg tally man, always made a false count of proceeds, he was not allowed to pick up the coins from the clubs. Edwards did that after making his count—and his pick ups—in the Munich area.

Jones said the rakeoff in the Augsburg area while he was tally man ranged from \$3,000 to \$3,300 a week. The take from the Munich clubs, he said, was more than \$5,000 a week. Jones told Senators:

Combining these two rakeoff incomes, less the managers' share, the rakeoff income take to the supposed upstairs or higher ups on a good week could be as high as \$7,000 or \$8,000 per week (p. 98).

Jones described for the subcommittee other illustrations of graft and corruption in the club system. On one occasion Bass called a meeting of club system sergeants at which managers and assistant managers were directed to donate \$200 each to a fund to be presented to Wooldridge as a going away gift. Jones said the contributions totaled \$3,000 (p. 100).

Testifying about an apparent payoff, Jones said he once saw Sergeant Edwards give Sergeant Major Neal, Wooldridge's replacement as Division Sergeant Major, a large bundle of money. Jones described what he saw and heard this way:

The only conversation I heard was Sergeant Edwards say, "Here, Sergeant Major." Neal never looked at the bills, counted them or anything. He said, "OK, thanks." And departed. After Neal left, Edwards came into the office and said, "Well, I've taken care of the Sergeant Major," indicating that in my opinion that he paid him off (p. 100).

It was in his capacity as Infantry Kaserne NCO Club manager and Augsburg area count man that Jones was found out. No one spoke up for Jones when he was arrested in the raid organized and carried out by Major George on information he had received in an anonymous letter.

The only person who seemed concerned about his plight was Sergeant Edwards, Jones said. Edwards, who was also relieved of his duties after George's raid but not arrested, arranged for Jones to have an attorney, Richard Buechner, an American civilian, whose principal advice, Jones said, was not to implicate anybody else. This was also the advice Jones received from Edwards from Blanche and other club system sergeants (p. 99).

Jones recalled that Buechner's fee was \$700. Jones paid \$100, he said, and Edwards paid the remaining \$600, telling Jones, "I'll take care of it for you" (p. 99).

Heeding Buechner's advice, Jones said, he testified at his court-martial but made no reference to the possibility that there might be other sergeants systematically rifling the slot machines. Jones told Senators:

He [Buechner] told me not to say anything about anybody * * * but myself. Him being a legal counsel, I thought this was the best route to go, sir (p. 106).

Buechner, the subcommittee learned, was also the attorney for the other sergeants in the club system who were under investigation (pp. 99, 106).

Jones was found guilty, demoted from staff sergeant to private, received a 1-year sentence and was imprisoned at Dachau. After 3 months, Jones was summoned, in full uniform and in sergeant's chevrons, to a meeting with General Rowny in Augsburg.

Sergeant Major Neal, Wooldridge's replacement, met with Jones before seeing the general, Jones said. Neal advised him to "plead for leniency" and Jones remembered:

Through innuendos he [Neal] implied that I should not mention anyone else in the club (p. 99).

Jones asked Rowny for leniency while Neal looked on, a "nervous wreck," Jones said (p. 106). Neal was afraid Jones would tell the general too much and Jones, hoping he would be given a lighter sentence if he played along, said nothing about the other sergeants. General Rowny ended the interview by saying he would give the matter more thought, Jones said (p. 99).

A week later, Jones recalled, he was transferred back to the United States where he was assigned to Fort Dix, N.J. to work as a supply clerk in the replacement company (p. 99).

In September 1966, after 13 years in the Army, Jones was given a hardship discharge under honorable conditions. A civilian now with a tarnished military career behind him, Jones could not face life at first. "I lived for a year in the gutter," he said (p. 102). Later he pulled himself together and achieved a responsible position in civilian life in a Midwestern community.

THE FRITZSCHE ALLEGATIONS

Adolf Christian Rudolf Fritzsche, a German who worked as the club system auditor at the 24th Infantry Division from 1961 to 1966, made several allegations about club system sergeants in September of 1965.

As a CID informant, Fritzsche charged club sergeants were signing fraudulent contracts, raising prices unnecessarily and pocketing increased revenue, paying nonexistent firms and employees for nonexistent goods and services, stealing U.S. Government food and selling it to the clubs and keeping the proceeds, overpaying themselves for club work and falsifying bar and kitchen reports.

Subcommittee Investigator Walter S. Fialkewicz interviewed Fritzsche in Augsburg, September 19, 1969. Fritzsche stuck by his earlier charges (pp. 273-275). In his sworn statement, Fritzsche said many club systems sergeants, including Hatcher, Lazer, Bagby, Bass, and Edwards, had been "directly under the command" of Sgt. Maj. Wooldridge in carrying out their illegal acts (p. 293).

Citing an example of club system operations, Fritzsche said he had complained to Hatcher several times about the inferior quality of

Carbo-Mix soft drink dispensers. Hatcher, he said, "got very excited and angry" (p. 274) and told him not to concern himself with the Carbo-Mix equipment—and not to mention to anyone else his disenchantment. Fritzsche recalled that Hatcher said to him during one of these conversations about the Carbo-Mix contract:

* * * if you want money, I [Hatcher] will give it to you but forget about the Carbo-Mix (p. 274).

Independent investigation by the subcommittee revealed that Carbo-Mix of Europe was owned by Phillip Haar, who also owned Bar Dispensers, Inc. (p. 272).

Fritzsche said an audit of slot machine proceeds in 1965 showed that annual revenue for the previous year had dropped \$100,000. Wooldridge "almost daily" expressed concern about this decline, Fritzsche recalled (p. 274).

Lazar was also concerned, Fritzsche said, and asked him if he were going to report the decline. Fritzsche said he told Lazar he intended to report the reduction in receipts and that Lazar, if he had been stealing, should go to General Cunningham and confess (p. 274).

Lazar, Fritzsche said, admitted to have been stealing from the slot machine proceeds. At that moment, Fritzsche said, General Cunningham happened by and Lazar, with Fritzsche's urging, engaged the General in conversation out of Fritzsche's earshot.

About half an hour later, Fritzsche said, General Cunningham came over to Fritzsche and asked about the slot machine audit. When Fritzsche replied the results of the audit were "not too good", Cunningham stated:

"Yes I know about it" and [Cunningham] shook his head and that was all (p. 275).

Fritzsche said he once heard Wooldridge, Hatcher, and Lazar discuss a plan to form a business corporation. Fritzsche stated in his affidavit the sense of that conversation he overheard:

They [Wooldridge, Hatcher, Lazar] were discussing a formation of a business corporation. Hatcher was to return to the States and purchase some property in California for the corporation. He was to set up the corporation and was to have everything in operation when Lazar and Wooldridge could join them in retirement (p. 274).

THE CID IS CALLED INTO THE CASE

The memorandum about club system irregularities written by George, the Parrent allegations, the Alcorn letter and various division military police reports and case notes were turned over to CID Agent Irvin E. Beard, who, with his superior, Karl O. Nestler, had been asked by the 24th Infantry Division to investigate the Augsburg-Munich clubs.

Beard began his investigation in the fall of 1965. Now an investigator for the Attorney General of the State of Pennsylvania, he testified before the subcommittee September 30, 1969 (pp. 32-63).

Beard's entry in the Augsburg investigation was important for it meant that a trained investigator with no line responsibilities to the

division command was working the case. Beard was immediately critical of the manner in which General Cunningham had supervised—or not supervised—the club system operations, pointing out, for example, that 24th Division Military Police or MP's were directed, on the General's orders, to handle all the division's law enforcement work while referring to the CID detachment only those cases so serious they could not be handled within the division (p. 33).

Beard told Senators the 24th Division's MP officials were aware of irregularities in the club system and had been for some time. They had, in fact, investigated several allegations of wrongdoing. Had Cunningham allowed a better working relationship between the CID and his own MP's, Beard testified, a more effective investigation of the club system could have been conducted—and, he said, it could have been completed sooner (p. 33).

But Beard did have access to information MP's had gathered on the clubs as well as George's files. He incorporated much of this information into his own investigation after checking its accuracy.

After examining the 1963 Alcorn letter to Brigadier General Kimbrell, the assistant commanding general, and the 1964 allegations of Sergeant Major Parrent, Beard concluded that General Cunningham had received ample information to have initiated a CID investigation even before George came to him with the results of his inquiries. Cunningham never did request a CID investigation—his successor General Rowny did—and left the investigative work to George, who was neither trained in nor disposed toward police work and had other duties to attend to as well (pp. 41, 42).

Both Beard and Nestler were also critical of the way George handled the anonymous letter informing him of the slot machine skimming and recommending the time and place for a raid, Beard testified. George, Beard said, should have arranged to have all the persons named in the letter apprehended all at once rather than making the surprise inspection of Jones' operations (p. 43).

Following up on George's work in writing a statistical history of slot machine proceeds at the club system, Beard came upon "an intense effort" to "slow down" the play at the clubs in the period immediately after Jones's arrest. Machines, Beard found, were often in need of repair and there were not enough coins available for would-be players in need of change (p. 44).

Beard said he assumed play was discouraged to make it appear that Jones had been the sole culprit, that his thievery was an isolated occurrence. With Jones under arrest, Beard said, the average monthly profit from the machines increased from \$15,708.12 to \$41,651.60 (p. 44).

Beard said he was not taken in by what he termed an attempt to attribute all skimming to Jones. Instead he pursued his statistical analysis, estimating that between \$300,000 and \$350,000 was stolen annually from slot machines at the 24th Division (p. 44).

Among his discoveries was a "coincidence" with what Beard called "20 billion to one" odds. For the year 1962, he said, long before the clubs were the subject of any formal inquiry, proceeds repeated themselves, down to the last penny, every 6 months.

Gross receipts on Beard's chart showed these returns:

January \$18,887.50 and July \$18,887.50.

February \$16,325 and August \$16,325.

March \$16,945 and September \$16,945.

April \$14,172.50 and October \$14,172.50.

May \$19,150 and November \$19,150 (p. 45).

Beard was interested in the allegations made by one German informant, Adolf Christian Rudolf Fritzsche, the club system auditor (p. 45). These allegations, made in September of 1965 shortly before Beard entered the case, were difficult for Beard to substantiate.

To begin with, he said, club system records were poor. Some of the records had been "expertly doctored" to conceal wrongdoing (pp. 32, 46). Also many of the club personnel Fritzsche accused of wrongdoing had moved away or been transferred out (p. 33).

Another barrier limiting progress on the Fritzsche leads was that some of the club personnel—and former club personnel still in the area—were afraid to cooperate with Beard. Sgt. John Nelson, for example, admitted to him, Beard said, that he was part of a group of sergeants involved in irregularities in the club system. Yet Nelson would give no details. He was afraid, he told Beard, that other members of the group would kill him if he did (p. 46).

Beard was able to demonstrate that club personnel and entertainment groups had been paid, as Fritzsche had alleged, for services provided—if the services were provided at all—while the 24th Division was on field maneuvers (pp. 45, 63).

Beard's difficulty in checking out the Fritzsche allegations was typical of the problems that faced his investigation, he testified. Then in July of 1966 Beard ran into a new roadblock. Sergeant Major Wooldridge, a prime suspect in Beard's mind even though he had left Germany more than a year earlier, was named Sergeant Major of the Army, serving directly under the Army Chief of Staff, General Harold Johnson (pp. 46, 47).

Beard told Senators he had come to the firm conclusion that Wooldridge had controlled the club system during his tenure at the 24th Infantry Division. Wooldridge's chief assistants, Beard believed, were Sergeants Higdon, Bagby, Hatcher, Bass, Lazar, and Teal. Beard said:

I * * * encountered much resistance from officials who wanted the case closed and forgotten * * * we were all aware of the "sensitive" nature of the case, particularly after Sergeant Major Wooldridge became the Sergeant Major of the Army in July of 1966 (p. 46).

The Wooldridge matter, the unwillingness of senior officers to encourage an investigation that might reflect unfavorably on Wooldridge, and a serious lack of manpower to pursue undeveloped leads—all these factors held back Beard and dampened his enthusiasm for this investigation. Beard testified:

I was greatly frustrated by this investigation. There were roadblocks at every turn. I never had a regular staff to help me in checking out adequately the numerous allegations I received (p. 46).

In his testimony, Lieutenant Colonel George, who turned over the investigation to the CID and Beard, characterized Beard's inquiry this way:

It is my opinion that the [CID] outside of the Division, conducted an investigation in an haphazard "Don't want to touch" attitude (p. 71).

But elaborating under subcommittee questioning, George said:

Mr. Beard did a wonderful job there but he could not cover 11 clubs anymore than I could * * * I felt they should have brought in a whole battery of people once it was opened up by General Rowny (p. 83).

But no battery of investigators was forthcoming, as Beard pointed out:

Investigators who were assigned to me were soon relieved, primarily because of the pressure of work upon all CID Detachments in West Germany. I could not operate efficiently without more help in a case with so many widespread ramifications (p. 46).

On a recurring theme that both Sergeant Major Parrent and the auditor Fritzsche noted, Beard had also been struck by "questionable transactions" Hatcher and Lazar had entered into with Carbo-Mix of Europe, a Frankfurt firm which supplied soft drink dispensing machines and other supplies. Unfortunately, Beard said, these transactions and many others were not investigated thoroughly. Part of the problem, he testified, went back to General Cunningham's administration as Commanding General.

Overall, Beard testified, General Cunningham had not only done little to assess the worth of the Alcorn and Parrent allegations or to follow through on Major George's recommendations, but Cunningham had, in fact, taken "positive action" to "cover up" the improprieties in the club system and to allow Wooldridge and other club sergeants "to go Scot free" (pp. 41 42).

Beard insisted that the charges he was making against Cunningham before the subcommittee September 30, 1969 were no different from those he made during the course of his investigation more than two years earlier. Substantiating this assertion, Beard read from a progress report he wrote on the Augsburg investigation January 18, 1967 in which he stated:

Previous investigation of club system irregularities conducted by Maj. William L. George * * * was ordered "covered up." Other investigations of known irregularities were either closed or covered up (p. 42).

Finally, both Beard and Nestler, while confident they had uncovered evidence of wrongdoing—as well as the seeds of a potential Army-wide conspiracy—were not surprised when the investigation was closed in May of 1967. Beard, in fact, went along with the decision because, he said, he was frustrated by the barriers that confronted him and because he didn't think "punitive measures" would ever be taken anyway (p. 47).

The decision not to pick up the investigation where the CID had left off was made in the office of the commanding general, 24th Infantry. In attendance were Beard, Nestler, the Augsburg area provost marshal, the division provost marshal, the local staff judge advocate, the division chief of staff, the assistant commanding general and the commanding general. Beard said he and Nestler were asked to attend the meeting so that their "opinions" and "information" could be incorporated into the decisionmaking process. The CID's role, Beard reminded the subcommittee, was not to bring charges but to provide evidence to the local command. The command decides whether or not to prosecute (p. 52).

The mood of those at the meeting, Beard said, was that the alleged violations had occurred within the division and the division should have the opportunity to put its own house in order without publicity and outside attention. Furthermore, Beard said, there was considerable pressure once again to close the case because Wooldridge was involved (p. 59). To involve Wooldridge, Beard said, was to embarrass the Army chief of staff, General Johnson, who had appointed Wooldridge Sergeant Major of the Army (p. 47).

There was added concern, Beard said, that further inquiry might embarrass General Cunningham although Cunningham had been gone from the division for more than a year (p. 47).

The decision to close the case already made, there was yet another important decision to be made. It had to do with the procedure used in closing out investigations. At a May 10, 1967, meeting in Frankfurt, West Germany, Col. Henry Gibson, commander of the 15th MP Brigade, presiding, the Augsburg investigation was filed away as a "DA Form 1932." DA—for Department of the Army—form 1932 was a designation for a local commander's report of disciplinary action taken (p. 47).

These files remained with the jurisdiction of the local command—in this instance, within the files of the CID detachment in Augsburg. In brief, the DA Form 1932 designation of the Augsburg file meant that the file would physically remain in Germany (p. 47).

Beard told the subcommittee that when an investigation as broad as the Augsburg inquiry is closed it is usually designated as an "ROI"—or report of investigation. An ROI is the standard CID form for cases of more than routine work, Beard said. ROI files are forwarded to the Army's central record repository at Fort Holabird, Md. (p. 47).

Beard, a CID agent from 1962 to 1968, said he had never worked a case—nor had he heard of one—which was closed out and filed away as the Augsburg investigation was.

Beard added:

When I was transferred from the CID at Augsburg in 1967, the reading file and other materials and notes on the club system investigation were in our files. They no longer can be found (p. 47).

V. THE WOOLDRIDGE AND FORT BENNING INVESTIGATIONS

WOOLDRIDGE'S RECORD

In late 1966, WO Reis R. Kash, a CID agent assigned to the 1st CID Detachment, Washington, D.C., read an article in "Army Digest" about William O. Wooldridge becoming the first Sergeant Major of the Army (pp. 176, 183).

Kash, who testified before the subcommittee on October 3, 1969, (pp. 176-198), conducted a routine check on Wooldridge at the CID records repository at Fort Holabird, Md. (p. 183). The check revealed that Wooldridge had a criminal record. His file showed that Wooldridge had been arrested for stealing \$8 from two telephone coin boxes in London, England, January 24, 1943, while he was serving with the 37th Military Police (MP) Company. Wooldridge was tried and convicted by a general court-martial, sentenced to 5 months at hard labor, ordered to forfeit \$25 of his pay for 1 month and reduced to the grade of private. Wooldridge's record also revealed he had been AWOL—absent from his duties without leave—briefly on two occasions (pp. 140, 177).

Warrant Officer Kash testified that he told the acting executive officer of the 1st CID, Lt. Col. Jack G. Pruett, about Wooldridge's record and gave him a copy of the dossier filed at Holabird. Kash recommended that Lieutenant Colonel Pruett make this information available to Maj. Gen. Carl C. Turner, the provost marshal general; and to Gen. Harold K. Johnson, the Army Chief of Staff (pp. 140, 177).

In his capacity as provost marshal general, Major General Turner was the chief law enforcement officer of the U.S. Army. As Chief of Staff, General Johnson was the senior officer in the U.S. Army, representing that service on the Joint Chiefs of Staff.

Pruett went to General Turner, presented Kash's findings and recommended that General Johnson be advised of the Wooldridge police record and that Wooldridge be removed from "his sensitive position" (p. 140).

Describing Turner's response, Pruett testified:

His [General Turner's] reaction to me was that he took the file, looked at the file, and no comment, sir (p. 146).

Sergeant Major Wooldridge was not asked to step down from his position as Sergeant Major of the Army. On this occasion—and on subsequent occasions when information unfavorable to Wooldridge turned up—General Turner said he was inclined to give Wooldridge the benefit of the doubt (p. 428).

Turner told the subcommittee November 22, 1969 he had two reasons for this—first, the thorough security check Wooldridge had undergone to become Sergeant Major of the Army would have exposed any weak-

nesses in his character; and, second, the tendency on the part of some people to try to tarnish the reputation of persons, like Wooldridge, who have achieved a status of consequence (pp. 428, 429). With a mind committed to these opinions, General Turner assessed other—and more timely—information reflecting on the character of Sergeant Major Wooldridge.

Kash noted in his testimony that shortly after his first check on Wooldridge's record he returned to Fort Holabird to obtain a second copy of the dossier on the sergeant major. This time the dossier was missing and in its place was an index card indicating that Wooldridge's arrest record has been destroyed some 2 years previously, Kash said. It was a mystery Kash was at a loss to explain (p. 177).

THE LIQUOR SMUGGLING INCIDENT

Sergeant Major Wooldridge again came to the attention of the office of the provost marshal general and the 1st CID detachment in April of 1967. Major General Turner, Lieutenant Colonel Pruett, and Warrant Officer Kash learned that Wooldridge had been involved in an unsuccessful attempt to smuggle eight or nine cases of liquor into the United States from Vietnam. The contraband liquor, hidden away aboard a military KC-135, was discovered by U.S. Customs Bureau agents while the aircraft was being fueled in Hawaii (p. 177).

The KC-135, which is similar in configuration to the commercial Boeing 707, was assigned to Gen. Creighton Abrams, commander of U.S. Forces in Vietnam, and his staff. The aircraft was en route from Vietnam to Washington. Wooldridge was on board as he was returning to the United States after visiting Vietnam on a tour as Sergeant Major of the Army. Kash said the liquor had been donated to Wooldridge by senior NCO's in Vietnam. It had been loaded on the KC-135 without the knowledge of General Abrams. When the undeclared whisky was discovered, Customs agents assessed fees, duties, and penalties of about \$500. This amount was paid by other sergeants on the aircraft. Kash testified that subsequent investigation revealed that Wooldridge kept most of the liquor for himself (pp. 177, 178).

General Turner told the subcommittee he personally investigated the liquor smuggling incident. He took command of the inquiry, he said, at the request of one of General Abrams' aides (p. 463). Turner directed CID agent Kash to accompany him on a trip to Fort McClellan, Ala., where they interviewed a sergeant major who had been on board the KC-135 with Wooldridge and could provide information about the incident. Kash, trained in shorthand, took notes during the interview.

Returning to Washington, Turner asked Kash for the notes of the interview. After writing a memorandum for Turner on the interview, he turned over his notes to the General. Turner, Kash said, did not return them. Kash said Army regulations require that CID agents file their investigative notes for the possible future reference of other investigators (pp. 177, 178, 186).

Kash told the subcommittee General Turner conducted the interview at Fort McClellan for two reasons. One was to gather further

information about the liquor smuggling incident. The other purpose, Kash said, was to find out if anyone had notified the Customs Bureau in Hawaii that undeclared liquor was on the KC-135. If there had been an informant, Kash said, Major General Turner wanted to find out who he was (p. 178).

Kash said Turner showed him a memorandum from Wooldridge which stated that a certain Air Force sergeant had informed Customs about the liquor. Kash told Senators that General Turner directed him to check out that possibility, going so far as to have Kash go through the suspected sergeant's recent bank deposits to see if they reflected a reward from Customs for having provided the information (p. 178).

Kash told the subcommittee he considered this order from Turner to be unreasonable and, while giving the General the impression of compliance, he made little effort to carry out this directive (p. 178). General Turner, however, described the matter this way:

* * * when I was questioning Sergeant Major Wooldridge * * * the name of this sergeant in the Air Force kept coming up. * * * I told Mr. Kash to check him out. Whether I said it as an informant, I could care less. I wanted to know if he were involved in this in any way. After he told me that he had checked him out and there was no file on him, the file was insignificant, we dropped it (p. 442).

Kash disputed that, saying he concluded Turner's behavior was "unprofessional and improper" and was prompted by a desire to prevent the Army from receiving bad publicity because of the smuggling incident. Turner may also have been seeking to cover up his own personal involvement in the event, Kash said (p. 178).

Regarding these conclusions, General Turner allowed that "everybody has their opinion" and that Kash's opinions on this subject were "never expressed to me." Furthermore, Turner said, he could not have had a personal interest in helping Wooldridge bring contraband liquor into the United States because, he pointed out, "I don't even drink" (p. 442).

Kash said that a short time after the Fort McClellan trip he heard from others in the office of the provost marshal general that Turner had tried to "quash any publicity" about Wooldridge's involvement in the Hawaii customs episode (pp. 178, 179).

Responding to that assertion, General Turner told Senators that when he learned Wooldridge had been implicated in "an alleged effort to smuggle liquor into Hawaii" he had quickly looked into the affair, ascertained that the Sergeant Major of the Army "was not to blame" and, since the case was closed with payment of the fine, he "asked that publicity not be given to the incident in order to avoid pointless embarrassment to the Army" (p. 429).

THE FORT BENNING INVESTIGATION

The Augsburg investigation, which seriously implicated Sergeant Major of the Army Wooldridge, was closed in May of 1967, only a short time after the liquor smuggling affair of April of 1967.

In August of 1967, an investigation was begun into alleged irregularities in the operations of NCO clubs at Fort Benning, Ga. Sergeant

Major Wooldridge was implicated. WO Rex M. Harding, commanding officer of the CID office at Benning, was the chief investigator for the inquiry. He testified October 2, 1969 (pp. 109-137).

Harding told Senators that the allegations of wrongdoing were against a group of club system sergeants and included larceny, fraud, falsifying public documents, receiving stolen property, altering military club inventories, and concealing those inventories (p. 110).

The principals in Harding's investigation—the persons he placed on his "subject block"—included Sergeant Major Wooldridge and Sergeants Narvaez Hatcher, Theodore (Sam) Bass, William C. Bagby, John C. Nelson, and Zane Fox. A retired Sergeant Major Callahan was also involved, Harding said (p. 110).

Wooldridge was not serving at Benning but was, in 1967, Sergeant Major of the Army assigned to the Pentagon in the Office of the Army Chief of Staff, General Johnson. Hatcher, Bagby, Bass, Nelson, and Fox were stationed at Fort Benning. These men, along with Wooldridge, had all served together at the 24th Infantry Division, Augsburg, Germany.

Harding testified that his investigation began when Sergeant Major Camp, a member of the Benning open mess system board of governors, suspected irregularities in the operation of the clubs. Sergeant Major Camp assembled information and documentation to support his allegations. He turned this material over to the Fort Benning CID (p. 130).

CID agent Harding presented Sergeant Major Camp's material to Col. H. W. Blackledge, the Fort Benning Provost Marshal. Colonel Blackledge then gave Harding the go-ahead to conduct an investigation of the clubs (p. 130).

The inquiry began August 1, 1967 with a surprise 7 a.m. raid on the clubs. Financial documents and other records were seized. Harding, a veteran of 10 years in the CID, testified that preparations for this raid were as secret as those for any military maneuver he had ever participated in (pp. 130, 131).

Wooldridge's name came into the Fort Benning inquiry when Sergeant Major Oakley told the CID that Sergeant Narvaez Hatcher, a club system official, had tried to arrange to have 15 cases of liquor shipped on military aircraft from Benning to Washington. The liquor, the property of NCO clubs, was for Wooldridge in Washington, Sergeant Major Oakley said. Colonel Zimmerman at Fort Benning supported Oakley's assertion, Harding testified. The CID, Harding said, could not prove the liquor ever left Fort Benning. But Oakley's statement, corroborated by Zimmerman, said only that Hatcher had tried to arrange clearance for such a shipment (pp. 110, 123).

Sergeant Hatcher came to the attention of the CID for a second reason. Investigation disclosed, Harding said, that in April of 1967 two civilian employees of the Benning open messes spent 15 work days building a wooden fence in the backyard of Hatcher's house in Columbia, Ga. Harding said materials to build the fence were delivered to Hatcher's house in an open mess system truck and that the truck had been loaded at an NCO club system warehouse. The two open mess employees were paid from club funds, Harding said (p. 110).

Sergeant Bagby, who had served with Hatcher in the NCO club system in Augsburg, was involved in the Benning inquiry when Mrs. Barbara Jo Chappell, a club clerk-cashier, said Bagby had directed her to falsify records. Sergeant Bagby refused to make any statement to the CID in response to Mrs. Chappell's charges (p. 111).

Sergeant Theodore (Sam) Bass admitted to the CID that he had directed a club system clerk to alter inventory liquor sale records, Harding said, adding that Bass claimed to have taken this action to enable him to have more liquor on hand to present as gifts to Fort Benning personnel. Harding said his investigation could not establish that Bass had disposed of the extra liquor in that manner (pp. 110-111).

Also under investigation was an allegation that Sergeant Major Wooldridge, Sergeants Lazar and Bagby and other club system sergeants and former 24th Infantry Division commander General Cunningham had met privately at Fort Benning in July of 1967. The purpose of the meeting was said to have been to work out methods in which profits gained illicitly from GI clubs could be traded in the Vietnamese currency black market. A second meeting of a similar nature was alleged to have been held at a lake resort in upstate Georgia (pp. 119, 120, 188, 189).

In the course of his investigation, Harding heard about the Augsburg case from other CID agents. They informed him Wooldridge, Hatcher, Bagby, Bass, and Nelson were among those involved in the German investigation.

Harding contacted Warrant Officers Beard and Nestler, the CID agents he had been told were familiar with the Augsburg case. Beard and Nestler advised Harding to get a copy of the Augsburg file. They confirmed that Wooldridge, Hatcher, Bass, Bagby, and Nelson had been principals in their inquiry. All three agents agreed the Augsburg file would be useful in the Fort Benning probe, Harding said (p. 111, 128).

With the approval of Colonel Blackledge, Harding wrote the CID Detachment in Augsburg, Germany, to request the Augsburg papers. In this request, Harding said, he cited the file under and the names of several persons who had been under investigation (p. 115).

Harding said he also gave word of his request to Lt. Col. Jack G. Pruett, now Commanding Officer of the 1st CID Detachment, Washington. Pruett's office was responsible for investigations regarding personnel working at the Department of the Army level in Washington. Wooldridge, assigned to the Chief of Staff, fitted that category (p. 111).

Three unexpected developments then occurred in rapid succession that dampened Harding's hopes of moving forward with the Benning investigation—or uncovering the Army-wide conspiracy of sergeants he suspected existed.

First, Colonel Blackledge, his Provost Marshal, ordered him to delete all references to Sergeant Major Wooldridge in the Benning investigation (p. 112).

Second, a CID interrogation of Wooldridge was reduced to an "interview" at which time only certain questions could be asked of Wooldridge—and many more questions were not allowed (p. 113).

Third, Harding was refused access to the Augsburg file.

WOOLDRIDGE'S NAME IS DELETED FROM INQUIRY

Blackledge's order to delete all references to Wooldridge in the Benning inquiry came shortly after Harding had made his first progress report. Harding testified that the name Wooldridge may have "rattled" persons both in Washington and at Fort Benning. Blackledge and Pruett, for example, had both expressed concern about an investigation that involved a soldier as highly placed as the Sergeant Major of the Army, Harding said (pp. 112, 133).

Pruett, who testified before the subcommittee October 2, and 22, 1969, acknowledged that it was he who directed Blackledge to have Harding delete Wooldridge's name from the Benning inquiry; but Pruett said he was acting on orders from Major General Turner (pp. 148, 464).

Removing Wooldridge's name from the investigation had a negative effect on the case. It meant Harding and other CID agents had to pencil out Wooldridge's name in the working papers. And it meant certain interviews had to be conducted over again, with both parties to the interview not mentioning Wooldridge's name in either question or answer. Harding was also denied access to any records on Wooldridge at the Fort Holabird repository. An "informed source" within the CID advised him the Wooldridge's dossier at Fort Holabird was missing anyway (pp. 112, 113, 117).

Pruett, who had relayed the order to Blackledge to delete Wooldridge's name, conceded that the action ended, for all practical purposes, the investigation at Fort Benning (p. 148).

This exchange between Senators and Colonel Pruett reflected the reluctance with which he and Blackledge carried out their orders.

Senator RIBICOFF. For all practical purposes, once you so instructed Fort Benning [to delete Wooldridge's name] that ended it. They got the message loud and clear, did they not?

Lieutenant Colonel PRUETT. Yes, sir, they did.

Senator RIBICOFF. How did you personally react to such instructions?

Lieutenant Colonel PRUETT. I must admit I was thoroughly upset. It is unusual.

Senator MUNDT. How did Colonel Blackledge react over the telephone when you told him?

Lieutenant Colonel PRUETT. He was extremely upset because we realized that if you delete one subject and one offender from the file you might as well close your eyes.

Senator MUNDT. There were no conceivable security reasons for making this deletion?

Lieutenant Colonel PRUETT. None to my knowledge, sir, whatsoever.

Senator RIBICOFF. In other words, from your long experience you felt that this was a coverup pure and simple?

Lieutenant Colonel PRUETT. For whatever reasons I was so instructed to close this case, sir. I was upset about it. I knew no reasons why the case should be closed. I was given none. * * *

Senator GURNEY. What about General Turner? Did he seem to be upset at giving the order?

Lieutenant Colonel PRUETT. Not particularly, sir.

Senator MUNDT. I don't know how colonels react to generals, I have never been either one, but did you raise any protestation? Did you say, "General, I think this a kind of dangerous thing to do," or "This is unprecedented," or did you just say, "Okay, sir"?

Lieutenant Colonel PRUETT. Sir, after you have spent your life in the service you click your heels and obey your orders (pp. 148, 149).

General Turner acknowledged to the subcommittee that he had given the order to remove Wooldridge's name from the Benning investigation. But he issued that order, Turner said, because there was not sufficient evidence to warrant bringing Wooldridge's name into the inquiry (pp. 444, 445).

Nor was there sufficient evidence to justify an investigation into the possibility that Wooldridge was involved, Turner said. Recalling the manner in which he told Lt. Col. Pruett to direct Colonel Blackledge to delete Wooldridge's name from the case, Turner told the Senators:

* * * I said, "if you can't support the allegations, his [Wooldridge's] name should not be the subject of that investigation (p. 433).

In passing Turner's directive on to Blackledge, Pruett advised Fort Benning that all information on Wooldridge was to be forwarded to the 1st CID in Washington—and that any inquiry on the Sergeant Major of the Army would be handled there (p. 141).

Pruett's assertion that he reluctantly conveyed these orders to Benning was attested to by Col. James C. Shoultz, Turner's executive officer. Colonel Shoultz, who appeared before the subcommittee October 3, 1969, said Pruett complained to him at the time about "some very rigid guidance" Turner was imposing on an investigation at Fort Benning.

Shoultz said he remembered Pruett say:

* * * I have got to call them down there [at Benning] and tell them to take out some of the previous information they had in some of their statements (p. 168).

General Turner told Senators he saw no reason why removing Wooldridge's name hurt the Fort Benning inquiry. Gen. Turner and Senator Ribicoff discussed that point:

General TURNER. Senator, let me clear up a point, as I stated before. I said if the allegations cannot be substantiated, his [Wooldridge's] name should not be the subject of that investigation.

Senator RIBICOFF. But the whole purpose of the investigation was to substantiate it. This is the crux of this matter.

General TURNER. What would have kept them from interrogating all the other people? (p. 436).

In turn, General Turner, on the basis of the information available to him at the time, defended his decision to delete Wooldridge's name, saying:

I was confident, based on a combination of my confidence in Wooldridge's preselection screening and my aversion to

witchhunting, that my decision was just and that it served the best interest of the Army (p. 429).

Elaborating on his "aversion to witch-hunting," General Turner said:

I was apprehensive lest the Army sergeant major be smeared on unsupported accusations of another man (p. 429).

Later General Turner added:

I certainly didn't want capricious, malicious, unfounded facts circulating throughout the Army on a man who represented 90 percent of our Army (p. 437).

Warrant Officer Harding, following his orders, "sanitized" the inquiry—that is, deleted Wooldridge's name from the inquiry. "Sanitize" was General Turner's word to separate reliable information in an investigative file from unsubstantiated allegations. It was a new usage for Pruett and Harding (pp. 117, 448, 465).

Another English usage, also used at the Washington level and also new to Harding, brought the CID agent face to face with the second setback his investigation suffered. The word was "restrictive" and it was used to describe a CID interrogation or interview (p. 113).

THE "RESTRICTIVE" INTERVIEW WITH WOOLDRIDGE

On August 22, 1967, Pruett telephoned Harding and instructed him to fly to Washington immediately. Major General Turner, Pruett said, wanted Harding present for questioning of Wooldridge. The next day—August 23, 1967—Harding and WO Reis Kash of the 1st CID questioned Wooldridge (p. 113).

Harding remained silent while Kash asked Wooldridge questions about Hatcher's alleged attempt to arrange to ship 15 cases of NCO club whisky to Wooldridge aboard military aircraft, and about other matters related to the Benning inquiry. In limiting his questions, in asking only about specific points regarding the Benning probe—and in avoiding questions regarding Augsburg—Kash was following the orders of Lieutenant Colonel Pruett. And Pruett, in giving these orders to Kash, was following the directive of Major General Turner.

When Kash ran out of questions approved by General Turner he ended the interview. Wooldridge then refused to sign the interview transcript to attest to its accuracy. Then Wooldridge left (p. 179).

Anxious to continue to question Wooldridge, particularly about Augsburg and about Wooldridge's association with Hatcher, Bass, Bagby, and Nelson, Harding asked Kash, "What in the world is going on?"

"It's a —— fix," Kash replied (p. 179).

Kash testified that the "restrictive" nature of the interview was on orders from Turner through Pruett—and that Pruett, in conveying the directive to Kash, had been as upset with Turner's decision as Kash was (p. 179).

Pruett told the subcommittee that shortly before the restrictive interview Turner met in his office with Wooldridge. Next, Pruett said,

Turner called Pruett into the office and gave him the ground rules for the interview that Kash and Harding were to conduct.

Pruett testified:

These instructions which I subsequently gave to Kash were that Wooldridge would be given an opportunity to make a statement after being advised of his rights under article 31 of the Uniform Code [of Military Justice].

Wooldridge would be asked or questioned only on certain allegations pertaining to the investigation at Fort Benning, Ga. (p. 141).

During the interview, Wooldridge denied all suggestions of wrongdoing, giving what Kash described as a "self-serving statement" (p. 179).

Disappointed by the limitations on the questioning of Wooldridge, Harding testified that if the interview had not been restrictive he would have asked Wooldridge about Augsburg and about his relationship with open mess sergeants in Germany and at Benning. For while Harding had not yet received a reply to his request for the Augsburg file, he did know—from what Beard, Nestler, and others had told him—that Wooldridge had been investigated in that case.

CID Agent Harding believed the Benning investigation could only have benefited from a frank and open interrogation of Sergeant Major Wooldridge about Augsburg (p. 137). Puzzled about the restrictive interview, Harding returned to Fort Benning to continue his investigation, hoping yet that despite these two setbacks he could still achieve progress. But Warrant Officer Kash had second thoughts about any hopes for success Harding could look forward to. Kash told Senators:

As a result of my work with General Turner on the smuggling incident and my restricted interview of Sergeant Major Wooldridge, I formed the firm conviction that General Turner was in the process of covering up and whitewashing the case at Fort Benning involving Wooldridge (p. 179).

Pruett must have felt the same way, judging by Colonel Shoultz' testimony concerning the effect of General Turner's decisions in the Wooldridge matter. Shoultz, Turner's executive officer, said:

* * * Colonel Pruett, the CO [commanding officer] of the 1st [CID Detachment] was a very frustrated man and would stop by my desk or the deputy's desk to tell us of his problems.

In this particular case, he had been pretty well frustrated by some decisions he had gotten from the Provost Marshal General and he said to me that he was working on a case that involved Fort Benning and that the Provost Marshal General had just refused to let him go all the way; all out, on the case (p. 167).

In the late summer of 1967 Lieutenant Colonel Pruett made his second recommendation to Turner that Sergeant Major Wooldridge be allowed to retire from the Army "for the good of the service." The Benning inquiry, coupled with Wooldridge's police record, his two AWOL violations and his association with the abortive liquor smug-

gling effort, prompted Pruett to make the recommendation (pp. 143, 447).

But, again, Turner was unresponsive to the idea. The general's reaction, Pruett said, was:

* * * that many people are accused of many things and that Sergeant Major Wooldridge was just a good old country boy and that was the end of the discussion, sir (p. 144).

Senator Mundt asked:

Did you happen to tell the general that Jesse James was just a good old country boy?

Meanwhile, back at Benning, Harding, still pursuing his investigation, ran into the third—and final—obstacle to his case. He was refused access to the Augsburg file.

THE AUGSBURG FILE IS DENIED THE BENNING CID

The Augsburg file arrived from Germany at the Office of the Provost Marshal General, Major General Turner, October 2, 1967. Learning of its contents from a summary written by Warrant Officer Kash, General Turner told Pruett to release it to no one (pp. 446, 447).

Pruett testified that Turner said the orders to hold the Augsburg file—and not to allow Benning to have it—came from General Johnson, the Chief of Staff (pp. 446, 447). But General Turner told the subcommittee the decision not to make the Augsburg file available to Fort Benning was made by himself—and not by General Johnson (p. 454).

General Turner said he discussed Wooldridge's role in the Augsburg case with General Johnson (pp. 435, 454). But General Johnson, in an interview with subcommittee staff, said he was never informed of the Augsburg case when he was Chief of Staff (p. 470).

General Turner's knowledge of the contents of the Augsburg file came from an analysis of the file written by Warrant Officer Kash at Lieutenant Colonel Pruett's direction. Reading the file, Kash was immediately struck by the fact that the case had been closed as a DA Form 1932 when it should have been closed as a Report of Investigation or ROI. Kash explained to Senators:

An ROI would have a permanent status, would be cross-indexed and the information would be retained and be available as an investigative aid and a permanent record of the case at the repository at Fort Holabird, Md. However, a military police report on a DA Form DA-1932 would have a limited local distribution and would not be maintained as a permanent record. At the time of the Augsburg investigation, these military police records were not forwarded to Fort Holabird and were not cross-indexed in the Defense Central Intelligence Index (p. 180).

In his judgment, Kash said, the Augsburg case should not have been closed at all. But if appropriate authorities decide such an investigation should be ended, he added, the case should be terminated as an ROI-closed. Army regulations require the case be closed in that man-

ner, Kash explained. A DA Form 1932 would be used, for example, in a complaint report of a stolen bicycle (pp. 180, 181).

Colonel Shoultz testified that, as executive officer to Turner, he did not read or see the Augsburg file. But he did know of Wooldridge's involvement in the Benning probe and because of that he went to Major General Turner with information he thought might be relevant. Having served in Europe from 1964 to 1967, Shoultz told Turner, he remembered—but knew no details of—a criminal investigation in Germany that had involved Wooldridge (pp. 168, 169). Turner did not take kindly to Colonel Shoultz having raised the issue, Shoultz recalled, saying:

He [Turner] told me that he had looked into the matter thoroughly, that all people ever brought him were unsubstantiated allegations against the sergeant major and that he didn't believe any of them, that he had discussed the matter with the Chief of Staff and that the case was closed, that really Sergeant Major Wooldridge was a very simple fellow and people took advantage of him frequently; that he was just a good old country boy (p. 168).

For his efforts, Shoultz said, he was "thrown out of General Turner's office"—"figuratively," Shoultz added (p. 168).

Warrant Officer Kash told the subcommittee his summary of the Augsburg file—and, therefore, Turner's information of it—included allegations that senior NCO's in the Augsburg/Munich club system stole or improperly used club funds, services, food, liquor, and equipment; that the method of operation and many of the personnel involved were identical with those under investigation at Fort Benning; that Wooldridge used his official position to protect and promote individuals in the military club system who were members of the conspiracy; that Wooldridge participated in parties paid for with club funds, utilizing club food, liquor, and personnel, and at which improper conduct was reported; that Wooldridge and others utilized hotel facilities paid for with club funds and charged to other purportedly legitimate accounts; that club furniture and fixtures were diverted to Wooldridge for his own use; and that club liquor and bags of coins were put in Wooldridge's car (pp. 181, 182).

General Turner lent considerable weight to the fact that the Augsburg case had been closed out as a DA form 1932. Time and again he told the subcommittee that he based his decision not to send the file to Benning on the DA form 1932 termination of the investigation.

General Turner told Senators:

There was insufficient evidence to support the allegations.

And I did not take issue with the judgment of that senior commander who closed it out on a 1932. He was on the ground. He had access to the complete investigation.

By closing it out on a 1932 it was obvious that he decided that the allegations were not supported and I could not disagree with his judgment (p. 429).

For Harding, the rationale for withholding the Augsburg papers was of less consequence than the reality of the matter—he was not going to see them. Moreover, there was no question that he would not get the file. He was told twice.

Sometime in late September or early October of 1967, Harding received a letter from the 13th CID Detachment, Augsburg. The letter, signed by CID agent Yost, was in response to the original request from Benning for the Augsburg file. Yost's reply said that the Augsburg file would not be sent to Benning. Anyway, Yost wrote, the principals were not the same as those in the Benning inquiry (p. 125).

Compounding Harding's disappointment was a subsequent telephone call from Pruett in Washington, explaining that the Augsburg file was in the Office of the Provost Marshal General and that it would not be forthcoming for Harding. Pruett offered no further explanation, Harding said (p. 112).

WHY THE AUGSBURG FILE WAS IMPORTANT TO THE BENNING CID

Harding told the subcommittee:

* * * I was being barred from access to what I considered important information about the previous activities of Wooldridge, Hatcher, Bass, Bagby, and the others (p. 113).

With the Augsburg file, Harding said, he could have looked into the possibility that a pattern of illegal behavior was developing and that an Army-wide criminal conspiracy might exist. The ability of these sergeants, for example—Hatcher, Bass, Bagby, and Nelson—to move together from one open mess system to another several thousands of miles away also could have been examined more carefully by Harding had he had access to the Augsburg file (pp. 127, 128).

In turn, the involvement of Wooldridge in the Augsburg probe might have given Harding leads regarding the possibility that Wooldridge, from his important position of Sergeant Major of the Army, exercised undue influence in arranging new assignments for his associates from Augsburg. Harding, for instance, pointed out—as did Shultz, Pruett, and Kash—that the assignment of the group of sergeants to Fort Benning from Augsburg was unusual (pp. 118, 151, 166, 188).

In addition, when the CID raided the club system at Fort Benning, an unposted letter to Sergeant Major of the Army Wooldridge was found on the desk of Sergeant Bass. The letter, which began "Dear Tiger," was signed by Bass and asked for Wooldridge's help in arranging a new assignment for Sergeant Nelson. Nelson, at that time, was assigned to the 139th MP Company at Fort Benning but he worked in the club system. Enclosed in the envelope to Wooldridge, along with the letter, was a form 1049 request for assignment (p. 118).

Even without the Augsburg file, Harding continued his case at Fort Benning. But in January of 1968 he was transferred to Vietnam. Harding had known of his imminent Vietnam assignment 2 months before he began the NCO club probe (p. 117).

THE FORT BENNING CASE IS CLOSED

The Benning case was closed January 16, 1968, shortly after Harding left. No action was taken against any of the principals (pp. 111, 127).

On the occasion of the formal closing of the Benning probe Pruett made his third—and last—try at convincing General Turner that Wooldridge could best serve the Army by leaving it (p. 447). Pruett's final try failed. Wooldridge remained in the Army. His tour as Sergeant Major of the Army drawing to a close, Wooldridge was soon to be transferred to Vietnam where he would serve as the Command Sergeant Major for the Military Assistance Command/Vietnam or MACV. In this capacity, Wooldridge would report to the commanding general, Gen. Creighton Abrams.

During his Vietnam tour, Wooldridge again came to the attention of the CID, again in connection with the Augsburg inquiry—and again Army investigators were refused access to the file.

VI. GENERAL TURNER'S WEAPONS COLLECTIONS

SUBCOMMITTEE EXAMINES GUNS TRANSACTIONS BY GENERAL TURNER

The subcommittee's initial interest in Maj. Gen. Carl C. Turner's activities as Provost Marshal General concerned his efforts to prevent the CID from properly investigating Sergeant Major Woolbridge and other senior NCO's who were alleged to be involved in irregularities in open mess systems.

However, in the course of this inquiry, the subcommittee discovered evidence that General Turner, as Provost Marshal General, had taken possession of 397 confiscated firearms from the Chicago Police Department and 96 confiscated weapons from the Kansas City Police Department (p. 200). Of these 493 weapons, Turner turned over to the Army 56 guns, sold at least 23 to a gunshop in North Carolina and could not account for the remaining 414 (p. 207).

Subcommittee investigator Philip R. Manuel, who led the inquiry into this aspect of the case, testified October 6, 1969 that General Turner collected the confiscated firearms from the two police departments ostensibly to turn them over to the U.S. Army for training purposes or to use them as displays from his gun collection in lectures he gave to civic groups on gun safety (p. 200).

Manuel also testified that 195 firearms were shipped from Fort Bliss, the U.S. Army reservation at El Paso, Tex., to General Turner's Springfield, Va., home in December of 1967. Fifty-nine of these weapons were turned over to the Army, Manuel said, but the remaining 136 weapons were unaccounted for (p. 207).

Tracing General Turner's gun transactions was made difficult by the general's lack of memory on the size of his firearms "hobby" and previous purchases and sales—and by the fact that he could not produce his main record book on gun transactions, documentation which he, as a licensed gun dealer, was required to maintain under Federal law. Turner said the book containing all these records was lost, misplaced, or stolen in June or July of 1969 (p. 247).

TURNER AMENDS 1964-68 FEDERAL INCOME TAX RETURNS

General Turner told Senators he had made a "hobby" of collecting and trading and working on guns for 25 years. He said he had never considered his gun collection anything more than a hobby and that it never occurred to him it might be earning him a profit (p. 251). However, shortly after the September 24, 1969 subcommittee subpoena was served on Turner for his gun transaction records, the general amended his Federal tax returns for the years 1964 to 1968, declaring a total earnings for those years of \$6,800 from gun dealings (p. 254).

Subcommittee investigator Manuel pointed out to Senators that the extent of General Turner's gun sales was not known. The Federal Firearms Act required the general to keep records for the purchase,

acquisition, sale, and disposition of all firearms. But Turner had few records and those he had were inadequate (p. 208).

Compounding the problem was the discovery that a principal dealer in Turner's transactions could not produce adequate records either. Earl V. Redick, owner of the Pine State Gun Shop in Fayetteville, N.C., was arrested in June of 1969 by Federal agents for violations of titles I and II of the Gun Control Act of 1968—specifically, failure to maintain adequate records and possession of fully automatic weapons (p. 203).

Turner had sold to Redick at least 23 of the weapons he had obtained from the Chicago and Kansas City Police Departments. By Turner's own acknowledgment, Redick and he had been conducting business together since 1956 when Turner was stationed at nearby Fort Bragg. Redick, Turner testified, was the "best gunsmith that I believe I have ever known" (p. 220).

Investigator Manuel, trying to assess the amount of business Turner and Redick had done together over the years, said it was an impossible task "due to the obvious discrepancies in both sets of records" (p. 205). Manuel also pointed out that "evidence in our possession indicates" that certain of the firearms in the Pine State Gun Shop seized by Federal agents were "destined" for an organization of revolutionaries in Haiti (p. 207). This point was not developed during the hearings.

Seeking to gain new information on Turner's gun sales and dealings, Senator Ribicoff asked the general if he would name other persons or businesses with whom he had gun transactions over the last 25 years. Turner said he remembered dealing with the Pine State Gun Shop and with six other persons but could not name any other buyers. "Not at this time, I can't recall," Turner said (pp. 249-250). Turner did not volunteer the names of the Pine State Gun Shop and the six persons as a firm and persons he had dealt with. He acknowledged he had done business with them only upon learning the subcommittee had canceled checks indicating he had.

Six checks issued from April of 1966 to February of 1969 totaling \$2,514.15 from the Pine State Gun Shop were signed by Earl V. or Herta M. Redick payable to General Turner. Another 10 checks issued in 1968 and 1969 totaling \$1,936.75 signed by 10 separate persons were made payable to General Turner. Six of these transactions Turner remembered as having been connected with gun transactions; the other four he could not recall (pp. 398-400).

TURNER ATTORNEY TAKES BLAME FOR SECOND SET OF RECORDS

When the September 24, 1969, subcommittee subpoena was served on General Turner for his 1964 through 1968 records in gun sales, Turner was unable to produce his main gun transaction record book. So he tried to reconstruct a new record book from an inventory of the guns he had in his Springfield, Va., home at the time and from memory.

In response to the subpoena, Turner then presented the new record book to the subcommittee but he neglected to point out that the document was not the original. This omission troubled subcommittee Chief Counsel Jerome S. Adlerman. He remarked to Turner's lawyer, Walter J. Bonner, of Washington, that "you did not apprise us" that a second book had been substituted for the first (p. 228).

Bonner said Adlerman's assertion was "quite right." Bonner added:

I take the full blame for that, Mr. Adlerman. We asked the general to reconstitute as best he could from memory the former book. That is what he tried to do here. If there is any error in this it is my error, it is not his [Turner's] (p. 228).

Adlerman said that if Bonner wished to "take the blame for it," it was "all right" with him. "I do if there is any blame," Bonner said (p. 228).

The second record book purported to go back in time to 1939 and made note of 100 guns that had been bought, sold, traded or otherwise disposed of by Turner. One of these guns was listed as having come from the Chicago Police Department (pp. 229, 253). Turner said he prepared the book in one day after arrival of the subpoena (p. 230).

TURNER AND THE CHICAGO AND KANSAS CITY POLICE DISAGREE

General Turner said he collected a number of confiscated firearms from the police in Chicago and Kansas City but insisted he made certain that the responsible police authorities in both cities were aware that the weapons were for his personal use—and were not for the Army. The guns, Turner said, were given to him because he was a gun collector and gun hobbyist and he was free to make whatever use of them he wished (pp. 222-223).

The Kansas City Chief of Police and the Chicago Police Superintendent as well as other officials from both departments denied they gave Turner the weapons for his own use and said they would not have given him the guns had they known he intended to sell some of them.

THE CHICAGO FIREARMS

The subcommittee found that General Turner on four occasions in 1968—May 23, August 1, August 30 and November 14—collected a total of 397 confiscated firearms from the Chicago Police Department (p. 200). On each pickup, General Turner signed a statement that asserted the firearms would be used for Army training purposes and would be destroyed when they were no longer of use for training purposes.

Chapter 38, paragraph 24-6 of Illinois State law provides for the disposition of weapons seized by the police, indicating that:

* * * confiscated weapons when no longer needed for evidentiary purposes shall in the discretion of the trial courts be destroyed, preserved as county property, delivered to the Armed Forces of the United States or the Illinois National Guard or sold and the proceeds of such sale shall be paid to the County Treasurer (p. 211).

The statement General Turner signed four times as he accepted the weapons in Chicago said:

My signature hereon acknowledges that I have received all the inventoried items listed on this manifest and all of said property will be retained by the U.S. Army for training purposes. Destruction of all such items will be made by the U.S.

Army at such time that they have completed their usefulness as training aids (p. 201).

Investigator Manuel pointed out to Senators that Turner was not even in the Army when he made his November 14, 1968 pickup of guns in Chicago, the General having retired October 31, 1968.

General Turner, who testified October 6, 13 and 22, 1969, said whether he was in the Army or not was not relevant in each of the pickups—and each time he signed the statement—because he made it clear on all four occasions that the guns were for his own use and not for the Army's (pp. 222, 239).

Turner said he told Chicago Police Commissioner James B. Conlisk the guns were for his own personal use—and that on the November 14, 1968 pickup he also advised Conlisk that he was no longer in the service (p. 239). Turner testified that Conlisk told him the signing of the statement was strictly a formality, Chicago's "way * * * of clearing our record" (p. 222).

Conlisk, testifying before the subcommittee October 13, 1969 (pp. 361-396), contested virtually everything Turner said about the transfer of weapons from the Chicago Police Department to the General. Conlisk told Senators he gave the firearms to Turner only because he believed the weapons would be used by the U.S. Army—and because General Turner signed the four statements saying so. Under no circumstances did he ever think the weapons would be for General Turner's private use, Conlisk testified (p. 365).

Conlisk also denied Turner's statement that Conlisk knew November 14, 1968 that Turner had retired from the Army (p. 365). In addition, Conlisk denied ever telling Turner that the statements he signed were mere formalities to "clear our records" (p. 365).

TURNER AND CONLISK TALK ON THE TELEPHONE

Conlisk said he first learned of the possibility that Turner might have sold some of the confiscated weapons from agents of the Internal Revenue Service, September 8, 1969 (p. 364). After that first visit by Federal investigators to his office, Conlisk said, he was called twice by General Turner. During both calls, Turner asked him to destroy "receipts of the transfer of weapons," Conlisk testified. He said he informed Turner that "this would not be done" (p. 364).

Turner said he called Conlisk in August of 1969 to find out if there was "anything wrong" with the transactions due to the fact he had signed four false statements attesting the guns were for the Army. Conlisk advised him, Turner said, the transactions were "all right," that there was "no problem." Several days later—in early September—Conlisk called him, Turner testified, to inform him that investigators had "obtained the receipts for these guns" (p. 383).

Turner said he asked Conlisk to call the Alcohol, Tobacco and Firearms Division of the Internal Revenue Service and report that the weapons had been released to him for his own use, in spite of the four signed statements. According to Turner, Conlisk refused to do this (p. 383). Turner denied having asked Conlisk to destroy the receipts (p. 388).

THE KANSAS CITY FIREARMS

Subcommittee Investigator Manuel testified that General Turner picked up 96 confiscated weapons from the Kansas City Police Department on five separate occasions—August 1, 1966, November 22, 1966, September 12, 1967, January 16, 1968, and May 7, 1968 (p. 200).

On October 22, 1969, Clarence M. Kelley, the Kansas City chief of police, testified before the subcommittee. He was accompanied by Sgt. Thomas Whitney, the property custodian of the department, and Charles Don Bishop, now retired but who had been commanding officer of the department's community affairs division (pp. 404-416).

Kelley said the guns were given to Turner "to be exclusively for the use by military personnel." Kelley said he never understood the weapons to be for the general's personal use. Turner's request to take the weapons would have been denied had there been any indication they would be resold, Chief Kelley said (pp. 404, 405).

Kelley explained to Senators that Missouri law, unlike the Illinois statute, does not spell out specific ways to dispose of confiscated weapons. But for him to give away guns knowing the recipient intended to sell them would be a "violation of my moral obligations," Kelley testified (p. 406). Kelley said he did not give the confiscated firearms to Turner but that he approved the transfers on the recommendations of Bishop.

Bishop explained to Senators that Turner told him that some of the weapons would be used for lectures on firearms safety to Boy Scouts and other civic groups and that others would be used as spare parts to rebuild other weapons which were then to be donated to the Military Police Museum at Fort Gordon, Ga. These assertions by General Turner as to what uses he intended to make of the weapons formed the basis upon which he made his favorable recommendations, Bishop said (p. 409).

Bishop said he would not have made a favorable recommendation to Turner's request had he thought the general would sell any of the confiscated firearms (p. 410).

Sergeant Whitney, who gathered the guns to be given to General Turner, testified that the general "gave me the impression" the guns were to be used for a military museum and "for official use and use by the military" (p. 414).

TURNER'S LAWYER RAISES POINTS ABOUT KANSAS CITY GUNS

Turner's lawyer, Walter Bonner, raised two points about the general's taking possession of the weapons from the Kansas City Police Department. On one occasion, Bonner said he had added up the estimated value of the 96 weapons General Turner had taken from the Kansas City department and found their total worth to be \$662.75 (p. 414).

His other point was to "emphasize" the language in the internal memorandums from the Kansas City police files in which the transfer of the guns to the general was recommended. Nowhere in any of these documents was reference made to the assertion Turner was alleged to have made that the firearms were to be turned over to the

Army, Bonner said. These documents, Bonner said, "contradict the testimony" of Kelley, Bishop, and Whitney (pp. 411, 412).

At the direction of Senator Ribicoff, the acting chairman, the relevant language from the five memorandums is reprinted here.

In an August 1, 1966, communication from Bishop to Kelley on the subject of "Release of weapons to Maj. Gen. Carl Turner, Provost Marshal General, U.S. Army," Bishop wrote:

It is respectfully recommended these weapons be released to the above-named general officer of the U.S. Army for his use in dismantling for parts, etc., in connection with repairs to be made on other weapons which he maintains in a gun collection (exhibit 4, pp. 200, 411).

Bishop wrote a memorandum November 22, 1966, the subject of which was "Maj. Gen. Carl Turner, Provost Marshal General, U.S. Army," in which he advised Kelley:

The above-named will be a visitor in our city on Friday, November 25, 1966. As you know, he is a collector and a "tinkerer" of old model automatic pistols * * * which he repairs and uses for demonstration purposes, etc., when conducting classes in firearms safety for Boy Scouts and other civic groups.

Since it is nearing the time for us to dispose of a number of confiscated weapons, I am confident that a donation of approximately 10 or 15 such weapons would be very much appreciated by him (exhibit 4, pp. 200, 411).

Sergeant Whitney wrote a memorandum September 12, 1967, in connection with the third shipment of weapons for General Turner but made no reference to what uses the general would make of the firearms.

On January 16, 1968, Bishop wrote a memorandum to Kelley on the "Release of confiscated weapons to Maj. Gen. Carl C. Turner, Provost Marshal General, U.S. Army," in which he said:

Respectfully recommend approval for release of these weapons which will be used as part, etc., and in connection with firearms safety talks to Boy Scouts and other civilian bodies (exhibit 4, pp. 200, 411).

The May 7, 1968, memorandum from Bishop to Kelley on the subject of the "release of confiscated weapons to Maj. Gen. Carl Turner, Provost Marshal General, U.S. Army," used the same language of recommendation as the January 16, 1968, communication (exhibit 4, pp. 200, 411).

TURNER'S COUNSEL O'CONNELL QUESTIONS BISHOP

Edward C. O'Connell, also counsel to General Turner, said he telephoned Bishop, discussed the Turner inquiry and that Bishop conceded that the terms of the transfer of guns could have been "so vague" that the police assumed the weapons were for the Army while Turner understood them to be "for him personally" (p. 413). O'Connell made this assertion in a question he submitted to the subcommittee to be

asked Bishop. Subcommittee rules allow witnesses or counsel to question other witnesses in this manner.

Bishop said there was "no misunderstanding" in his mind; nor were the terms of the gun transfer so vague as to leave him uncertain as to what use Turner intended to make of the weapons (p. 413). But Bishop did acknowledge it was "possible" that Turner could have interpreted their conversations to mean the guns were for his own use.

Senator McClellan then said to Kelley and Bishop:

Let me ask * * * both of you: would you have let these guns go to General Turner except that you believed they were going to be dedicated to public use? (p. 413)

Kelley and Bishop reiterated that they gave the weapons to Turner for public use and would not have given them to him under any other circumstances (p. 414).

THE FORT BLISS FIREARMS

The 195 weapons which Investigator Manuel testified were shipped to Turner from the U.S. Army installation Fort Bliss were not from the Army at all, Turner told Senators. They were from the U.S. Customs Bureau at El Paso, Tex., located on the Mexican-American border, Turner said. Turner conceded, however, that it was an Army officer—the Provost Marshal at Fort Bliss—who shipped the weapons to him. After ascertaining that the weapons were about to be destroyed and that there were no "strings attached" to them, Turner said, he accepted the shipment (p. 225, 226). Turner said he rebuilt about 85 percent of these weapons and turned them over to the museum at Fort Gordon in 1968.

Later—in September of 1969—he found that rebuilding so many weapons was a bigger task than he could handle, Turner said, so, after conferring with his lawyer, he began turning them over to the Army. Some of the Fort Bliss guns were presented to the Army in 1969 in an overall bestowal of 202 weapons Turner gave to the CID, the retired general said (p. 249).

CHRONOLOGY OF DATES AND EVENTS

Among the 202 firearms Turner turned over to the CID in 1969 were 56 guns which he had received from the Chicago Police Department. The dates these and other weapons were given to the Army are noteworthy when placed in the chronology of other dates and events related to this inquiry. The chronology follows:

May 23, 1968: Turner received 63 firearms from the Chicago Police Department (p. 209).

August 1, 1968: Turner received 132 guns from the Chicago force (p. 209).

August 30, 1968: Turner received 66 guns from the Chicago police (p. 209).

October 31, 1968: Turner retired from the Army (p. 206).

November 14, 1968: Turner received 136 guns from the Chicago police (p. 210).

- January 23, 1969: Earl V. Redick, owner of the Pine State Gun Shop, Fayetteville, N.C., issued an \$835 check to Turner for an unspecified number of firearms (p. 224).
- February 17, 1969: Turner received \$1,122.50 payment from Earl V. Redick of the Pine State Gun Shop for 17 guns, of which 13 were traceable to being among those weapons given Turner by the Chicago police, one was traceable to the Kansas City police and three were untraceable (p. 202).
- March 5, 1969: Turner was sworn in as Chief, U.S. Marshals Service.
- June 27, 1969: Federal agents raided the Pine State Gun Shop, charged the owner, Earl Redick, with not keeping adequate records as required by Federal law and with violating Federal law prohibiting the housing of fully automatic weapons and seized a number of weapons of all types, including six guns which General Turner had picked up in Chicago and one weapon the general got in Kansas City (p. 203).
- June or July 1969: General Turner noticed for the first time that his main gun transaction record-keeping book had either been lost, misplaced or stolen (p. 247).
- July 8, 1969: Turner gave the Army three weapons, none traceable to Chicago (p. 206).
- August 1969: Richard Kleindienst, the Deputy Attorney General, informed Turner that the general's name might be prominent in this subcommittee's inquiry and if his involvement reflected unfavorably on the U.S. Marshals Service, Turner, as its chief, would be asked to resign (p. 472).
- September 3, 1969: Turner gave the Army 76 weapons, six of which were traceable to the Chicago police (p. 206).
- September 3, 1969: General Turner resigned as Chief U.S. Marshal.
- September 8, 1969: Chicago Police Superintendent Conlisk was informed by IRS agents that Turner was suspected of having sold certain of the confiscated firearms. This subject was discussed in two telephone calls between Conlisk and Turner (p. 364).
- September 23, 1969: Turner turned in to the Army 118 weapons, 50 of which were traceable to Chicago (pp. 206, 207).
- September 24, 1969: Turner was served with the subcommittee's subpoena requiring that he produce all gun records for the years 1964 through 1968 (p. 201).
- September 25, 1969: Turner reconstructed from guns on hand and from memory a gun record book showing that he had bought, traded, destroyed or otherwise disposed of some 100 guns since 1939 and showing one of these had been obtained from the Chicago police (p. 228).
- October 6, 1969: Turner amended his 1964-68 Federal income tax returns, declaring \$6,800 in previously undeclared earnings from gun sales (p. 250).
- October 7, 1969: Turner's lawyer, Walter Bonner, said he accepted "blame * * * if there is any" for the decision to submit a new record book to the subcommittee while neglecting to advise the subcommittee that the second ledger reflected only a part of Turner's gun transactions over the years (p. 228).

GENERAL TURNER CONCEDES HE ACTED IMPROPERLY

In this October 22, 1969 discussion with Senator McClellan, General Turner conceded it was wrong for him as Provost Marshal General of the U.S. Army and once after he retired from that position to have received confiscated weapons from police departments.

Senator McCLELLAN. Let me ask you, General, as a matter of ethics and morality, do you think it is proper and an acceptable practice for policemen who, in the course of their duty, have confiscated the property of others, to make it available to an individual for personal profit? Do you think that is proper?

General TURNER. Sir, these guns—

Senator McCLELLAN. I didn't ask you that. You know all the circumstances, and I haven't said anything here that is outside the evidence in this hearing—do you think it is proper or commendable for them to follow that course of action?

General TURNER. Sir, this is hindsight.

Senator McCLELLAN. I know we have some hindsight. But I am talking about either present sight, hindsight, or future sight. Do you think it is proper?

General TURNER. In the light that it has been presented here, I worked on these guns—

Senator McCLELLAN. I didn't ask you that. I don't care what you did with them. You took them and made a profit out of them. Do you think it was proper?

General TURNER. No, sir (p. 420).

VII. GI OPEN MESS SYSTEMS IN VIETNAM

THE AUGSBURG SERGEANTS GO TO VIETNAM

“A plague of locusts descended on Vietnam,” Senator Gurney observed, noting the migration of the Augsburg sergeants to that war-torn Asian nation (p. 291).

When Sergeant Major Wooldridge left Augsburg in January of 1965, he served for about 7 months at Fort Riley, Kans. Then he was assigned to Vietnam where he was command sergeant major of the 1st Infantry Division, serving there from September 1965 to July 1966 (p. 478).

On December 1, 1965—3 months after Wooldridge arrived—another Augsburg NCO, Sgt. Seymour (Sandy) Lazar, was named sergeant/custodian-in-charge of the 1st Infantry Division open mess system. Lazar went on to serve as custodian of the club system until November of 1967 when he left Vietnam. He retired from the Army December 31, 1967 (p. 491).

During Lazar’s tenure as head of the open mess, Wooldridge left the 1st Infantry Division to become—on July 11, 1966—Sergeant Major of the Army, the first in the history of that service (p. 478).

When Lazar departed from the 1st Infantry Division, the new sergeant/custodian-in-charge of the NCO clubs was another Augsburg veteran, Sgt. Narvaez Hatcher. Hatcher, retiring from the Army on November 1, 1968 (p. 514), continued the line of succession, turning over control of the 1st Infantry Division NCO club system to Sgt. John Nelson, who had served with Hatcher at both Augsburg and Fort Benning (p. 290).

Sgt. James R. Morrison, who had served in the club system in Augsburg, replaced Sergeant Nelson as 1st Division open mess custodian in May of 1969 (p. 291).

Meanwhile, at the Army’s massive Long Binh Post—headquarters for the U.S. Army/Vietnam or USARV—control of the NCO clubs fell into the hands of Sgt. William Higdon, another Augsburg veteran (p. 507). Higdon directed the open mess at the 90th Replacement Battalion, adjacent to the Long Binh Post, beginning July 14, 1966, and then, on November 24, 1967, assumed custodianship of the entire Long Binh club system. He served in that job until July 21, 1968 (p. 507).

In March of 1968, William Bagby, who had been investigated at Augsburg—and at Benning as well—took over as custodian of the open mess system at the Americal Division, Chu Lai, Vietnam, serving until February of 1969. Theodore (Sam) Bass, now a civilian, also moved to Vietnam during this period to work as a salesman of goods to NCO clubs (pp. 291, 292).

SPC. 4 JAMES MAY TRIES TO AUDIT THE 1ST

In the fall of 1968, Spc. 4 James May, an auditor from the USARV (U.S. Army/Vietnam headquarters) Internal Review Division, visited

Di An, a base camp for the 1st Infantry Division, to conduct an audit of the records of the clubs. May found the records in such disarray that he could not conduct a satisfactory audit, and left Di An after having stayed there 2 or 3 days (p. 287).

When subcommittee investigators arrived at Di An for the first time in May of 1969, Sgt. John Nelson was the custodian, and they interviewed him about May's unproductive visit to the 1st Division.

Nelson, who had been investigated in connection with his association with club activities in Augsburg and Fort Benning, remembered May. Under questioning, Nelson said May had told him about a conspiracy of sergeants in the open mess systems in Vietnam. Sergeant Nelson said May had described the group as consisting of Wooldridge, Lazar, Hatcher, Higdon, and General Cunningham, called them a "little Mafia," and had vowed he would expose them (p. 288).

THE RECORDS OF THE 1ST INFANTRY DIVISION ARE DESTROYED

Subcommittee investigators, working in Vietnam from March of 1969 through July of 1969, were anxious to examine the records of the open mess system of the 1st Infantry Division. Since December of 1965, the Division club system had been controlled by Sergeants Lazar, Hatcher, Nelson, and Morrison. In addition, Wooldridge had served there as command sergeant major when Lazar was appointed custodian.

Subcommittee investigators were disappointed to learn, upon arriving at club system headquarters in Di An in May of 1969, that most of the significant club records had been destroyed shortly before their visit (pp. 285-289). The records, investigators discovered, were destroyed by the club system bookkeeper, Sgt. George Lumm, in April of 1969. Sergeant Lumm told subcommittee investigators he destroyed the records after consultation with Sergeant Nelson. The records, covering Lazar's tenure as custodian as well as Hatcher's and Nelson's were taking up too much room, Lumm said.

Lumm said he had received permission to destroy the records from Spc. 4 Albert L. Lundquist, an auditor at the Internal Revenue Division of the USARV comptroller's office at Long Binh. Lundquist denied approving the burning of the records.

In an affidavit sworn to June 4, 1969, Lundquist said Sergeant Lumm had asked permission to destroy the records. But, after checking with his superiors, Lundquist said, he instructed Lumm not to destroy the records. Lundquist said:

* * * I made it very clear to Mr. Lumm that their records were not to be destroyed (p. 287).

Supporting Lundquist was a second affidavit, from Maj. Robert B. Himmelsbach. Himmelsbach, Lundquist's immediate superior at the Long Binh audit division, recalled Lundquist's inquiry regarding Lumm's request to burn the records. Himmelsbach told Lundquist the records could be retired but could not be destroyed. Himmelsbach said:

Lundquist called me with regard to the destruction of open mess records pertaining to the 1st Infantry Division.

I informed Lundquist that the records should not be destroyed and that they would probably be transferred to the records holding area in Okinawa (pp. 288, 289).

WARRANT OFFICER HARDING GOES TO VIETNAM

WO Rex Harding, commanding officer of the Fort Benning CID, was transferred to Vietnam in January of 1968. His inquiry into the Benning NCO clubs had resulted in no prosecution or action.

Harding's assignment came at about the same time Sergeant Lazar turned over the custodianship of the 1st Division clubs to Sergeant Hatcher. And, while Harding had not been allowed to see the Augsburg file, he did know, from CID Agents Beard and Nestler, that Hatcher and Lazar figured prominently in the investigation of NCO clubs at the 24th Infantry Division in Germany. Hatcher had also been under investigation in Harding's probe at Fort Benning.

In noting Hatcher's presence at the 1st Division, Harding guessed that other members of the Augsburg-Benning group of sergeants might be nearby. But Harding could only guess. He had no authority—and no reason—to investigate all South Vietnam on his own. He was assigned to the CID office at Qui Nhon, a major Army reservation near the South China Sea, and he had plenty of work to do there. Di An, headquarters for the 1st, in no way qualified as part of Harding's jurisdiction (p. 119).

There was another consideration in Harding's mind, too. It was that the Augsburg case had been one investigation, the Benning inquiry another. Harding had tried to convince his superiors that a pattern of wrongdoing—a possible conspiracy—existed. But no one had listened. As Harding told Senators:

I took it to Washington. That is as high as we can go (p. 129).

Now, in Vietnam, already frustrated by the lack of cooperation he had received from so senior an officer as the Provost Marshal General of the Army, Harding could not accuse Hatcher of illegal behavior without initiating at least a preliminary study. And, with Hatcher at Di An and himself stationed at Qui Nhon, he was in no position to investigate.

Several months went by and then, in the fall of 1968, Harding was able to provoke the preliminary inquiry needed—although he, limited to Qui Nhon, could not take part in it.

THE MAREDEM CO. ARRIVES IN VIETNAM

Captain Leach, an investigator with the Qui Nhon Inspector General's Office, came to Harding in the fall of 1968 with an account that interested the CID agent. Several companies that sold goods to NCO clubs in Vietnam, Captain Leach said, had complained to him that a new enterprise, the Mareдем Co., seemed to be enjoying an unfair advantage in selling to the open mess systems (p. 114).

Mareдем, Leach was told, had allegedly "squeezed out" other companies (p. 114). Mareдем was particularly successful, Captain Leach related, in selling to the Americal Division where a Sgt. William Bagby was custodian. Captain Leach also asked Harding if he had ever heard of a former sergeant named Theodore (Sam) Bass. Harding said yes. Bass, Captain Leach said, was the sales representative of Mareдем in Vietnam (p. 119).

Harding was also informed by Captain Leach that a Maj. Gen. William Cunningham, U.S. Army (ret.), was employed in Vietnam in an executive position with Pacific Architects & Engineers (P.A. & E.), a U.S. company doing considerable work in Vietnam under contract to the U.S. military and the American Agency for International Development, AID (p. 119).

Warrant Officer Harding turned over the information Captain Leach gave him to Lt. Col. Ferdinand (Bull) Kelly, commanding officer of the CID detachment at Long Binh. The CID at Long Binh, USARV headquarters, had the authority and the manpower to conduct the kind of comprehensive inquiry Harding thought was required. Lieutenant Colonel Kelly assigned a CID agent, WO Ellie Rollison, to investigate the Harding information (p. 114).

Harding briefed Rollison on what information he had. He recommended that Rollison try to obtain a copy of the Augsburg file. Yet Harding cautioned agent Rollison not to be too disappointed if the request were denied. According to Harding's testimony, Rollison was aware that there had been investigations at Augsburg and at Fort Benning and that several of the principals in both inquiries were the same (p. 114).

Harding, who said he was in contact with Rollison twice a week, provided the Long Binh CID with as many leads as he could. But before Rollison had developed the case sufficiently to come to any conclusions, Rollison was given a new assignment. Harding said he did not know if anyone else picked up the investigation where Rollison left off (p. 121).

Harding's last involvement with the inquiry occurred when an entertainment booking agent—Diana Flack, a citizen of Denmark—gave him information about club system sergeants who demanded kickbacks from agents for booking commercial entertainment acts at the clubs. This development late in 1968, was Harding's last occasion to communicate with Long Binh regarding the NCO club investigation (pp. 120, 121).

THE AUGSBURG FILE IS AGAIN DENIED THE CID IN THE FIELD

Unknown to Warrant Officer Harding, CID Agent Rollison and his associates at Long Binh did make an attempt to obtain a copy of the Augsburg file from Washington. But the request was denied. Here is what happened.

Lt. Col. Joseph E. Zaice succeeded Lt. Col. Jack Pruett as commanding officer of the 1st CID Detachment, Washington, D.C., in March of 1968 (p. 162). When Zaice took over, the departing Pruett showed him a file on Wooldridge marked "eyes only" for himself, Provost Marshal General Turner, Warrant Officer Shearer, the detachment operations officer, and Pruett's secretary, Mrs. Janet Neblitt (pp. 143, 162).

Pruett himself had told Senators about the "eyes only" file he had assembled on Wooldridge, describing it as an accumulation of all the unfavorable information that had come to the 1st CID detachment regarding Sergeant Major Wooldridge, including the 1943 arrest in England, the AWOL violations, the Augsburg allegations, the contraband whisky incident in Hawaii and the involvement in the Ben-

ning probe. Pruett testified that he organized the “eyes only” file on his own initiative because he was not permitted to open a case file on Wooldridge (pp. 143, 149).

The “eyes only”—or “reference”—file remained in the office of the 1st CID after Pruett’s departure and it immediately came to Colonel Zaice’s mind when, in September or October of 1968, he received a telephone call from the Long Binh, Vietnam CID, asking for information on Wooldridge. Lt. Col. Kenneth Buzzell of the Long Binh CID explained on the phone to Zaice, a personal friend, that Wooldridge was under investigation in Vietnam (p. 163).

Zaice, in an affidavit of October 1, 1969, recalled that he told Buzzell there was not an official investigation of Wooldridge at the Washington level—but that there was a file on him in the 1st CID office. Zaice advised Buzzell he would find out if it would be possible to send the “eyes only” file to the Long Binh CID. He would check with his superiors, Zaice said (p. 163).

He checked. The answer was no. But Zaice could not remember with whom he checked. He said it was either General Turner or the General’s executive officer, Colonel Shoultz (p. 163).

Colonel Shoultz said in testimony before the subcommittee that Zaice did not ask him. In fact, he said, he did not even know such a file existed until June of 1969, some several months after Lieutenant Colonel Buzzell phoned in the request to Zaice. No, the CID’s request for the “eyes only” file was not denied by him, Shoultz said (p. 169).

In turn, General Turner denied it was he who said no to Zaice’s request. Turner pointed out he retired October 31, 1968, and was on leave for all but 3 days of that month (pp. 438–440).

In any event, the answer Zaice received to Buzzell’s request was no. In a letter of October 21, 1968, he wrote Buzzell indicating that no Wooldridge file would be forthcoming—that the subject was a “political hot potato” at the Washington level and an earlier inquiry provided sufficient information to satisfy local requirements and that the case had been closed (p. 163).

PENTAGON “REDISCOVERS” AUGSBURG FILE

Lieutenant Colonel Zaice recalled that the subject of the eyes only file on Wooldridge did not come up again until June of 1969 when Colonel Shoultz asked for—and received—it (p. 164).

Shoultz, who had been the executive officer to Turner, was now deputy to the new Provost Marshal General, Maj. Gen. Karl W. Gustafson. Shoultz wanted the “eyes only” file, as well as the entire set of Augsburg papers, for investigators who were conducting a Department of the Army inquiry on the Wooldridge affair (p. 169).

Shoultz’s summoning of the heretofore filed away allegations about Wooldridge paralleled similar actions by subcommittee investigators in Vietnam. Assistant Counsel Duffy told Senators that it was his request to U.S. Military Assistance Command/Vietnam (MACV) headquarters in Saigon in June of 1969 that led the Army to rediscover the existence of the Augsburg file for use in its own investigation (p. 170). Duffy requested the Augsburg file after Ribicoff aide Fred Asselin learned of the German inquiry from CID Agent Robert McKenna in Bangkok.

VIII. THE FINANCIAL TRANSACTIONS OF THE SERGEANTS IN VIETNAM

FURCI AND GALAGAN AND THE FISHHEAD ACCOUNT

Frank Carmen Furci and James E. Galagan operated the American Service Sales Co. and the American Industrial Services Co., both Hong Kong enterprises selling goods to NCO clubs in Vietnam. From 1965 to the summer of 1967, Furci and Galagan sold \$2.5 million in goods to NCO clubs at the 1st Infantry Division where Sgt. Seymour (Sandy) Lazar was custodian and at the Americal Division where Sgt. William Bagby was the custodian (p. 478).

Furci and Galagan, besides doing business with Lazar and Bagby, also had financial dealings with Sgt. Maj. William O. Wooldridge. Galagan paid Wooldridge \$2,764 in the form of two checks, both dated August 29, 1966. The checks were deposited first in the Overseas Development Bank, of Geneva, Switzerland, and later transferred to Wooldridge's account at the First National Bank of Arlington, in Arlington, Va. (p. 479). In August of 1966, Wooldridge was working in Arlington, serving at the Pentagon as Sergeant Major of the Army. Prior to that, he had been Command Sergeant Major at the 1st Infantry Division in Vietnam.

Another sum of money, \$2,280, was transferred to Wooldridge's account at the First National Bank of Arlington. This deposit, made by a credit instrument, occurred November 25, 1966. The money was from Furci and Galagan or one of their associates. The \$2,280 credit instrument was from the "Fishhead" account No. 2573 in the International Credit Bank, of Geneva, Switzerland (p. 480).

Seymour (Sandy) Lazar was also sent a check drawn on the Fishhead account No. 2573 in the International Credit Bank of Geneva. Lazar's check arrived at the Mechanics National Bank of Burlington, N.J., June 14, 1966. This check, dated May 31, 1966, was for \$1,114 and was to be credited to his account at the Burlington bank. The check to Lazar was mailed in an envelope from James P. Does, Caravelle Depot, Saigon (pp. 480, 481).

The Fishhead account No. 2573 appeared to have been a secret drop point for funds resulting from transactions in open mess systems in Vietnam. The subcommittee found, for example, that Galagan and Furci together deposited \$362,000 in the Fishhead account. This money was first deposited in two accounts at the Marine National Exchange Bank of Milwaukee. Both accounts were controlled by Galagan. From these accounts, \$362,000 was transferred to Geneva to Fishhead.

The first of these two Milwaukee accounts was in the name of the American Vending Service, Ltd., in care of John B. P. Burn & Co., Gloucester Building, Hong Kong. The account was opened in person by Galagan, accompanied by his attorney, William Fox, on August 3, 1966 (p. 481).

The second account, also opened in person by Galagan with Fox standing by, was in the name of American Industrial Service, in care of John B. P. Burn & Co., Gloucester Building, Hong Kong.

Attorney William Fox owned 510 shares of American Service Sales Co., Furci and Galagan's other Hong Kong firm (p. 481). The signatories for both accounts in the Milwaukee banks were William Turnbull, Jr., and Howard Hobson.

THE TOM BROTHERS ARE INTRODUCED BY WOOLDRIDGE

The Tom Brothers & Co., owned by the Tung family, sold civilian clothes and other goods to NCO clubs of the 24th Infantry Division in Augsburg, Germany, in the early 1960's. One of their salesmen was Ron W. Alcorn, who in 1963 had given gifts to the 24th Infantry Division Command Sergeant Major, William Wooldridge (p. 34). With the buildup of the American presence in Vietnam, the Tom Brothers sold to NCO clubs in Vietnam.

From October 1966 to January 1967, William O. Wooldridge, the Sergeant Major of the Army, wrote four letters of introduction for representatives of the Tom Brothers. Wooldridge wrote identical "to whom it may concern" letters of introduction for Jimmy Tung, David Tung, Henry Tung, and Peter Zee (p. 480).

In the letters, Wooldridge pointed out he had known and been associated with the Tom Brothers for the past 7 years and had found the firm's products to be good. In turn, Wooldridge wrote, the Tom Brothers have earned an exceptional reputation among enlisted men and officers alike for "honest * * * business dealings" and a desire to insure a "more than acceptable product" for customers. The letters were signed "William O. Wooldridge, Sergeant Major of the Army" (p. 480).

The Tom Brothers paid Wooldridge \$1,000 in the form of a February 11, 1969, check drawn on the Dao Heng Bank of Hong Kong and deposited in Wooldridge's account at the Suburban National Bank of Virginia (p. 480).

LAZAR GIVES WOOLDRIDGE \$11,339

Sgt. Seymour (Sandy) Lazar issued seven personal checks totaling \$11,339 to Sgt. Maj. William O. Wooldridge from December 23, 1966, to August 26, 1967 (p. 482).

THE "A" BURG BROS.

In Augsburg, Germany, in 1965, Adolf Christian Rudolf Fritzsche, the civilian auditor of the 24th Infantry Division open mess system, overheard division Sergeant Major Wooldridge in conversation with NCO club system Sergeants Lazar and Hatcher. Fritzsche, a German, remembered the three sergeants discussing plans to form a business (pp. 273-275). For the subcommittee, this was the first occasion when any of the group of NCO club sergeants and Wooldridge were known to have discussed starting their own business.

Two years later Sergeant Lazar took steps to move the proposed business from the talking stage to reality. Now the custodian of the

1st Infantry Division open mess, Lazar wrote to Lester Hoover, an attorney in Junction City, Kans., on August 30, 1967 (pp. 269, 270).

In the letter, Lazar spoke of the possibility of opening a business, limited to six unnamed shareholders called "A" Burg Bros. Lazar pointed out to Hoover that the enterprise would "be dealing in club and hotel supplies" for U.S. military installations abroad and would not, at any time, operate on the economy or use the currency of foreign nations. Lazar also stipulated that a position of general manager of the company would be created, at a salary of \$2,000 a month (p. 270).

THE MAREDEM CO. IS FORMED

A company was formed by the sergeants from Augsburg. But it was not called "A" Burg Bros. It was a limited partnership, registered in Hong Kong under the name Maredem (p. 270).

The first board meeting was held at 4 p.m. in the 1325 Prince's Building in Hong Kong November 22, 1967 (pp. 270, 271). The partners were Seymour (Sandy) Lazar, William Wooldridge, Narvaez Hatcher, and William Higdon (p. 270). Hatcher and Higdon were associated with open mess systems. Wooldridge was at that time the Sergeant Major of the Army. Lazar was about to retire from the Army to work full time for Maredem.

The name Maredem was formed from the first letters of the first names of the wives of Hatcher, Higdon, and Lazar; that is, Marion Hatcher (Mar), Edith Higdon (ed) and Emilie Lazar (em) (p. 270).

Attending the first board meeting of Maredem were Seymour Lazar and Howard F. G. Hobson. Hobson was an associate of American Industrial Services Co. of Hong Kong, the business operated by Frank Furci and James Galagan, as a signator on the two bank accounts in Milwaukee through which \$362,000 was channeled into a Swiss bank account called Fishhead (p. 481).

At Maredem's first board meeting, Lazar appointed himself the sales manager at a salary of \$1,500 a month plus expenses. Hobson signed the meeting notes as "chairman." Notes of the first meeting indicate the bankers for Maredem would be the Banque Nationale de Paris of Queen's Road, Hong Kong; and the Crocker Citizens National Bank, of San Francisco. Lazar was authorized to sign checks and other financial instruments for Maredem. Auditors and secretaries for Maredem would be G. Ian McCabe & Co., of Hong Kong, at an annual fee of \$1,200 (p. 271).

At a second board meeting, December 21, 1967, Lazar's salary was increased to \$2,000 a month. And it was agreed that another account would be opened, this one at the Bank of America, Beverly Wilshire Branch, Los Angeles, with Lazar the signator. Hobson again signed the notes as "Chairman" (pp. 271, 272).

MAREDEM'S INITIAL CAPITAL

Maredem's initial finances were \$89,880. Money came from a variety of sources, much of it from Swiss and German bank accounts; \$13,000 came from the sale of a stolen freezer.

The first \$5,000 was from Frank Furci, of American Services Sales Co., and American Industrial Services Co., of Hong Kong. Furci pur-

chased a \$5,000 transfer check November 22, 1967, from the Hong Kong office of Deak & Co., an international financial and money changing firm. The same check was credited to Maredem on December 8, 1967, at the Bank of America, Los Angeles (pp. 276, 277).

Another deposit was made December 11, 1967, at the Crocker Citizens National Bank, of San Francisco, in the amount of \$2,000 in currency (p. 272).

On December 13, 1967, \$13,764.03 was credited to Maredem's account at the Crocker Bank in San Francisco in the form of seven checks, all of which were traceable. Among the checks were a \$9,000 check from the Foreign Commerce Bank of Zurich, Switzerland, payable to Maredem and two \$1,200 checks issued by Glenn Faulks to Georg Schell. Also included were a \$500 bank check from the Foreign Commerce Bank of Zurich payable to Georg Schell and a \$210 check from the 90th Replacement Battalion open mess to William Higdon. Two final checks were a \$1,618.42 payroll check to Charles R. Baker from Pacific Architects & Engineers (P.A. & E.); and a \$35.61 check from Vanlaw Food Products (p. 278).

Georg Schell was a fictitious name used by Sgt. William Higdon for his foreign bank accounts and transactions.

Glenn Faulks, whose two \$1,200 checks to Schell (Higdon) were drawn on the First National Bank of Miami, Fla., lived in Bangkok, Thailand and sold bar supplies to NCO clubs and post exchanges in Asia. Faulks, a representative of Envoy International, was a broker for National Distillers & Chemical Corp. (Old Crow and other beverages), Liggett & Myers Tobacco Co. (L. & M. cigarettes and other products), Bacardi International (rum), Royal Crown Cola Co., J. & B. Scotch, Falstaff beer, and Remy Martin cognac (pp. 278, 1001).

The \$210 check from the 90th Replacement Battalion is believed to have been payment to Higdon for his work as custodian of the open mess. He had been custodian of the battalion's NCO system before he was appointed custodian of the 30 clubs at the Long Binh Post (p. 279).

Vanlaw Product's check represented a 1-percent discount on two invoices on goods sold to NCO clubs and is believed to have been a commission to one of the club sergeants (p. 279).

The largest deposit to Maredem was a \$28,000 check drawn on the Zempralkaffe Wuertebergischer Volksbanken, a bank in Stuttgart, Germany. The money—112,254.80 deutsche marks—was drawn from her account at the Stuttgart bank by Emile Mendler and credited to the Maredem account at the Bank of America January 9, 1968. Emilie Mendler was Lazar's wife (pp. 279, 505).

A \$2,000 check was deposited January 19, 1968 in the Maredem account from Frederick Gillmore III, a Pensacola, Fla., realtor, who was involved in a land transaction with Sergeant Hatcher (p. 280).

On January 24, 1968, \$2,000 in currency was deposited in the Maredem account at the Banque Nationale de Paris in Hong Kong. And a transfer of \$4,365 from the Commerzbank of Munich was recorded in Maredem's favor at the Hong Kong branch, Banque Nationale de Paris, February 10, 1968 (p. 272).

Maredem was credited with a \$6,300 deposit February 19, 1968, resulting from a bank transfer from the Foreign Commerce Bank of Zurich (pp. 280, 483).

Peter J. Demetros' April 9, 1968, check for \$23.63, drawn on the Colorado National Bank and payable to Maredem, was credited to Maredem's Bank of America account May 31, 1968. Demetros was a Hong Kong insurance agent (p. 281).

Some \$1,933 was transferred from the Bayerische Hypotheken und Wechselbank-Munich to Maredem's account at the Bank of America April 24, 1968 (p. 280).

The next day—April 25, 1968—a \$67 check from Seymour Lazar was deposited in Maredem's Bank of America account (p. 280).

Clinton W. Lininger, a former aide to Wooldridge at the Pentagon who left the Army and went to work for Maredem, deposited \$5,000 to the Maredem account in Los Angeles July 29, 1968. The deposit included 93 \$50 bills totaling \$4,650 and 17 \$20 travelers checks (p. 281).

Finally, not the largest—but one of the most intriguing—of the deposits to Maredem's account in the early days of its operations was a \$13,415.86 check from the Long Binh, Vietnam, NCO club system. The check, payable to Maredem and deposited January 25, 1968, was signed by William Higdon, custodian of the Long Binh clubs. The check was supposed to be payment for a 20-ton, walk-in freezer Maredem had sold to the open mess (p. 282).

Subcommittee Investigator Carmine S. Bellino, who unraveled Maredem's complicated records for Senators, pointed out Maredem never owned the freezer—and its sale to Higdon's clubs by Maredem was a profitable ruse, engineered by Lazar, Hatcher, Higdon and Frank Furci.

THE FREEZER EPISODE

On March 30, 1967, the Board of Governors of the 1st Infantry Division open mess system instructed the custodian, Sergeant Lazar, to buy a freezer but not to spend more than \$7,000 for it. Lazar bought a 20-ton, walk-in freezer from Allied International Co. of San Francisco. Allied was represented in Vietnam by Frank Furci. Lazar paid Frank Furci \$9,171.75 for the freezer August 26, 1967. The cost included freight and packing fees (pp. 282–286).

The freezer remained at the 1st Infantry Division until the first week of January 1968. Then Lazar's successor, Sgt. Narvaez Hatcher, allowed the freezer to be shipped to Long Binh, Frank Furci's American Industrial Services Co. handled the shipment at a cost of \$225 (p. 286).

At Long Binh, the freezer was installed at annex 14, one of the 30 clubs under Higdon's supervision. Frank Furci's American Industrial Services handled the installation for a \$590 fee (p. 286).

On January 22, 1968, Sergeant Higdon signed a club system check for \$13,415.86, payable to Maredem, for the same 20-ton, walk-in freezer (p. 282).

To sum up, Lazar bought the freezer for use at Di An. Hatcher had Furci ship the freezer from Di An to Long Binh. Furci installed it. Then the Long Binh clubs, Higdon custodian, paid Maredem \$13,415.86—for a freezer Maredem never owned in the first place and which in fact was the property of the 1st Infantry Division (pp. 284–286).

WOOLDRIDGE SEEKS LEGAL ADVICE

About the time Higdon was giving more than \$13,000 to Maredem for having done nothing, another investor in Maredem, Sergeant Major of the Army William Wooldridge, was trying to win the Army's approval of his involvement in the new company.

As Staff Judge Advocate of the 24th Infantry Division, Augsburg, Germany, in 1962 and 1963, Col. Richard F. Seibert struck up an acquaintance with the Division Sgt. Maj. Bill Wooldridge. Subsequently, Seibert was the lawyer to whom Wooldridge turned in January or February of 1968 for legal advice regarding his Maredem association.

Colonel Seibert, interviewed in this matter by subcommittee staff, swore to an affidavit October 20, 1969, in Dallas, Tex., where he was serving as the General Counsel in the Army/Air Force [Post] Exchange Service (pp. 486-487).

Colonel Seibert said he told Wooldridge the investment in Maredem did not constitute a conflict of interest. But Seibert said he gave his opinion based on "misleading, inaccurate, and incomplete" information given him by Wooldridge; by Martin Sosin, Maredem's attorney; and by Clinton Lininger, Wooldridge's former Pentagon aide who had gone to work for Maredem (p. 487).

Unsatisfactory as the information was upon which Seibert based his judgment, Wooldridge believed Seibert's decision to be important. In April of 1969 and again in June of 1969, subcommittee investigators interviewed Wooldridge in the MACV (Military Assistance Command, Vietnam) headquarters located on the Tan Son Nhut Air Force Base compound on the outskirts of Saigon. Wooldridge at the time was the MACV Command Sergeant Major serving under the Commanding General of the U.S. Forces, Creighton Abrams. In his position, Wooldridge was the highest ranking enlisted soldier in Vietnam.

Questioned about his involvement in Maredem in both interviews, Wooldridge said his investment in the venture had received the approval of Colonel Seibert of the Army's Judge Advocate General's Corps. Wooldridge said he received a letter from Colonel Seibert giving his legal judgment that investment in Maredem did not constitute a conflict of interest nor violate Army regulations.

Seibert said he wrote that letter based on information Wooldridge had given him. He said Wooldridge told him the company was being formed by three former sergeants named Hatcher, Higdon, and Lazar and that Wooldridge's investment would be \$5,000. Seibert said he also communicated with Maredem attorney Sosin and Maredem employee Lininger before writing the letter (p. 487).

Had he known the truth about Maredem—that Higdon and Hatcher were in positions to buy from Maredem—Colonel Seibert said, he would have advised Wooldridge that Army regulations prohibited him from participating in this business venture (p. 487).

Seibert also noted that early in 1968 when Wooldridge first asked his advice Seibert said the Sergeant Major should talk to the Army Legal Assistance Office—not to him. Wooldridge, Seibert said, "insisted that he talk to me," adding that Wooldridge stated he was "not inclined to trust his partners or their attorney" (p. 487).

INITIAL INVESTMENTS ARE NOT CLEAR

Lazar, Hatcher and Higdon were each credited with 28.6205 percent of Maredem and Wooldridge got 14.1385. But Bellino, a certified public accountant, concluded none of the four men knew how much each had actually invested in Maredem. Bellino reached this conclusion after interviewing Lazar and Wooldridge and after noting the method used by Maredem's accountant in distributing the initial investment funds (pp. 275-276).

For example, Sergeant Major Wooldridge, interviewed in Vietnam, said his investment was \$14,000. But he was uncertain about how he invested it. First, he said the investment was \$10,000 in the form of U.S. currency and \$4,000 in checks. Then, in a second interview with subcommittee staff, he said he invested \$7,000 in currency on two separate occasions (p. 275). Earlier Wooldridge, seeking legal advice, said his investment was \$5,000, according to Colonel Seibert (p. 487).

CARBO-MIX IN VIETNAM SELLS TO NCO CLUBS

In May of 1967, Phillip M. Haar began selling his soft drink sirup, dispensers and machine maintenance services to NCO clubs in Vietnam. Haar had been in this business in Augsburg, Germany, and had sold his goods and services to NCO clubs at the 24th Infantry Division. Sgt. Narvaez Hatcher of the Augsburg club system had been the first custodian to contract with Haar, whose business then was known as Carbo-Mix. In Vietnam, Haar called his firm Bar Dispensers—Far East (pp. 295, 296).

The relationship between Haar's Carbo-Mix and the Augsburg sergeants—particularly Hatcher—was questioned by several persons associated with the club system at the 24th Infantry. Adolf Christian Rudolf Fritzsche, for example, the German auditor, recalled that Sergeant Hatcher had become "very excited and angry" when questioned about a contract Hatcher had signed with Carbo-Mix. There had been complaints in the Augsburg clubs that Haar's goods were "spoiled, half filled or completely unserviceable," Fritzsche said. Fritzsche said it was his understanding that Hatcher and the owners of Carbo-Mix were related through marriage (p. 274).

Sgt. Maj. Kenneth L. Parrent, suspecting wrongdoing in the Augsburg club system, also had been troubled by Hatcher's dealings with Carbo-Mix. Parrent, a member of the club system board of governors, pointed to the excessive cost of Carbo-Mix equipment. He recommended against the clubs buying Carbo-Mix equipment. But Hatcher bought Carbo-Mix goods anyway (pp. 35, 37, 40).

Haar, however, recalling his Augsburg transactions, claimed in an interview with subcommittee investigators, that his Carbo-Mix machines and services had saved the 24th Division clubs \$60,000 the first year they were installed (p. 296).

In Vietnam, Haar's sales representatives and maintenance men were Clifford (Terry) Terhune and Donald LeRoy (Lee) Brown. Terhune was hired at a salary of \$500 a month. But a disagreement with Haar over his first expense voucher led Terhune to quit his job and return to the United States. While back in the States, Terhune met with Haar and they came to a new arrangement. Terhune would receive \$2,000 a month, no expense money and a 20-percent share of Bar Dispensers—

Far East. Terhune arrived in Vietnam July 4, 1967, and went back to work for Haar (pp. 296, 297).

Donald LeRoy (Lee) Brown went to work as Terhune's assistant October 8, 1967, at a salary of \$1,000 a month, with the promise of \$2,000 a month if he did well (p. 297). That same month Terhune had a meeting with Sgt. Seymour Lazar, custodian of the clubs at the 1st Infantry Division, Di An. Lazar said he was retiring from the Army soon and that he was forming a company to sell goods to the clubs in Vietnam (pp. 296, 297).

Terhune, a former Army sergeant, was interviewed by subcommittee investigators in Hong Kong in May of 1969. Lazar told him, Terhune said, his company would be associated with Phillip Haar in the soft drink dispenser business but that the new enterprise would be selling other goods to the clubs as well. Lazar told Terhune he could make more money working for the new company since it would be selling general merchandise rather than soft drink dispensing goods only. Terhune returned to the United States in November of 1967 and came back to Vietnam in December and signed on with Lazar (p. 297).

LAZAR'S INTEREST IN HAAR'S SIRUP BUSINESS

There were three revenue-producing aspects to Phillip Haar's business. First, there were soft drink dispensers which Haar either sold outright or leased to the clubs. Second was the soft drink sirup the machines dispensed. And third was the maintenance of the machines which Haar, through his representatives in Vietnam, provided (p. 295).

Investigation revealed that Sergeant Lazar, while custodian at the 1st Division, was interested in getting into the sirup selling phase of the soft drink dispensing business. Bellino testified that in November of 1967, Lazar told Haar:

I don't want to go into the dispensary business. I want sirup. If you back off sirup, I will get the business for you (p. 304).

Knowing that Hatcher would soon replace him and that Higdon was firmly entrenched as the custodian at Long Binh, Lazar was in a position to guarantee sales of dispensers to Haar at two big club systems. As events turned out, Lazar also counted on sales to his associate from Augsburg, Sgt. William Bagby, custodian of the Americal Division clubs. But, in return for guaranteeing healthy sales, Lazar wanted the rights to Haar's sirup.

LEE BROWN URGES HAAR TO COOPERATE WITH LAZAR

On October 8, 1967, Donald LeRoy (Lee) Brown went to work in Vietnam for Bar Dispensers—Far East, Phillip Haar's enterprise. Brown, selling and leasing Haar's dispensers, selling his sirup and providing maintenance services for the machines, reported on his activities to Haar in letters he sent to the home office at 11020 Mercantile Avenue, Stanton, Calif.

Brown's letters, subpoenaed by the subcommittee, indicated trouble lay ahead for Bar Dispensers—Far East. Accommodation had to be

reached, Brown wrote, with two buyers—Narvaez Hatcher, succeeding Lazar at the 1st Division; and William Higdon, custodian at Long Binh. Brown warned that Hatcher and Higdon were demanding kick-backs, commissions and other gratuities in return for buying Haar's products (pp. 302, 303).

In a January 1968 letter, dated "Wednesday night," Brown told Haar:

Things sure need to get straight between you, Hatcher, and Higdon. They have a lot of pull. How strong is your connection with them (p. 303).

Brown, writing to Haar again January 26, 1968, said:

Things look good here, Phil, but you, H., H., and S. have to get your heads together and come to an agreement and we can get rolling. The future is unlimited (p. 303).

"H." and "H." were Higdon and Hatcher and "S." was Seymour (Sandy) Lazar.

On February 3, 1968, Lee Brown wrote Haar:

I would say Hatcher and Higdon have about 50 clubs. How many they have control over is hard to guess * * * February looks good if we can ever get loose * * * I think if we work things right we can get 98 percent of the business here (p. 303).

Brown was becoming more optimistic. For the "agreement" he had urged that Hatcher, Higdon, Lazar and Haar come to was soon to be hammered out. Lee Brown wrote to Haar February 11, 1968:

* * * I am sure Hatcher and Higdon are there by now. They will go over the problems with us over here. Sure hope you can straighten out things with them (p. 303).

But Higdon and Hatcher would not negotiate with Haar alone. For while Higdon and Hatcher were en route to California from Vietnam, William O. Wooldridge, the Sergeant Major of the Army, was having his travel orders cut at the Pentagon for a flight to California from Washington, D.C. Seymour Lazar was already in Stanton, Calif. Lazar, in fact, had worked out an agreement with Phillip Haar by the time the others arrived. But the other partners to MareDEM's future would not approve Lazar's agreement. It was revoked and another contract, much more acceptable to MareDEM, was entered into.

HAAR AND LAZAR AGREE

About a month before Seymour Lazar's December 31, 1967 retirement from the Army, he contacted Phillip M. Haar in Stanton, Calif. Lazar, soon to be the only civilian operator of MareDEM, needed office space. Haar provided it. He gave Lazar and the young company a desk, a telephone, part-time bookkeeping help, and an address in his offices at 11020 Mercantile Avenue, Stanton (pp. 269, 272).

Then, on January 4, 1968, Lazar entered into an agreement with Haar (pp. 304, 305). Under the terms of the agreement, Haar turned over the name Carbo-Mix sirup to MareDEM, giving Lazar exclusive

rights to the sale of the sirup for the next 5 years. A key provision of the agreement was paragraph two. It stipulated that Maredem would pay Haar a fee of \$1 a case for Carbo-Mix soft drink sirup. It was a short-lived agreement.

THE SERGEANTS RENEGE ON HAAR

In February of 1968, the Maredem owners met at the Grand Hotel in Anaheim, Calif., 5 miles from Stanton. The assistant manager of the Grand Hotel, John E. Small, said Higdon and Hatcher arrived at the hotel first, reserving four separate rooms for the period from February 14, 1968 through February 23, 1968.

In an October 10, 1969, subcommittee affidavit (pp. 485, 486), Small recalled that Higdon and Hatcher said that one of the rooms was to be used by the Sergeant Major of the Army, William O. Wooldridge. Since the rooms were preregistered, Small said he did not meet Wooldridge during his arrival. But in the course of checking the credit references of the sergeants during their stay, Small said, a man who identified himself as "W. O. Patty" laid out five \$100 bills and said "if you need more let me know." "W. O. Patty" also signed receipts for room service. Shown pictures of Wooldridge, Small said "W. O. Patty" and William O. Wooldridge were the same man.

Another guest at the hotel at this time, Small said, was Theodore (Sam) Bass. Bass, who had retired from the Army June 22, 1966, had worked in open mess systems in Augsburg and at Fort Benning. Not an original owner of Maredem, Bass became a partner with the others and was appointed the company's chief civilian representative in Vietnam (p. 292).

Lazar and Bass and the active duty sergeants, Wooldridge, Hatcher, and Higdon, met with Haar and expressed disappointment with the January 4 agreement Lazar and Haar had reached. A fee of \$1 per case of Carbo Mix sirup was too much for them to pay, they said; 50 cents a case fee for Haar was more like it. They also reminded Haar that without them—without their ability to both buy and sell his goods—he "would not have been able to sell anything," Bellino testified (p. 305).

Hatcher, after all, was the custodian—that is, the chief procurement officer—for the 32 clubs of the 1st Infantry Division. Higdon had the same position for the 30 clubs at Long Binh. And Wooldridge, as the first sergeant major of the Army, was the most powerful enlisted man in the Army. The three of them, with Lazar and Bass, convinced Haar of the correctness of their point of view. On February 15, 1968, the January 4 agreement was revised, making the payment for Haar 50 cents a case of sirup rather than \$1. Haar also agreed to put Sam Bass on his payroll, starting March 7, 1968, at \$1,500 a month (p. 306). Maredem was also given a share of Haar's Bar Dispensers—Far East (pp. 306, 307).

Ten days later—on February 24, 1968—Sergeant Higdon demonstrated his importance to Haar. Back in Vietnam, he asked—and received—permission from the Long Binh Board of Governors to buy eight Carbo-Mix dispensers at a cost of \$21,000 (p. 309).

THE SERGEANTS VISIT LAS VEGAS

The revised agreement between Maredem and Haar was signed February 15, 1968. The next day Wooldridge, Higdon, and Haar left Anaheim and went to Las Vegas, Nev., where they registered at the Riviera Hotel. They stayed 2 days. Dick Chappell, manager of the Riviera, showed subcommittee investigators hotel records under subpoena, indicating that Haar paid the bill for Wooldridge's room and room service, which was \$112.49, and for Higdon's room and room service, which was \$65.32 (p. 513).

In registering, Wooldridge gave his address as 453-A Sheridan Avenue, Washington, D.C., while Higdon said he lived in the Ambassador Hotel, Hong Kong (p. 513).

In the casino, Higdon established \$2,000 credit, listing his bank reference as the Foreign Commerce Bank of Zurich, Switzerland, and listing his Army serial number, RA14155610 (pp. 513, 530). Riviera records reveal that Higdon borrowed \$1,000 on his credit February 18, 1968, which he paid back in chips later that day. Higdon returned to the cashier—still February 18—and borrowed the full \$2,000. He repaid this loan March 27, 1968, using a check (p. 513).

Riviera files also show that on October 19, 1968, Higdon, back in the United States, borrowed another \$2,000 on his credit to play in the casino. He paid back this sum November 25, 1968, with a check (p. 513). Higdon's tour in Vietnam had ended July 21, 1968, and he was assigned to the Redstone Arsenal, Huntsville, Ala. (p. 507).

The day after Wooldridge, Higdon, and Haar left Las Vegas—February 19, 1968—a \$6,300 bank transfer from the Foreign Commerce Bank of Zurich was credited to Maredem's account at the Bank of America in Los Angeles (pp. 280, 483).

Wooldridge returned to Washington, D.C., February 23, 1968. Pentagon records show that for this trip he claimed 9 days of per diem, beginning February 14, at \$16 a day. He was reimbursed \$122.25 (p. 305).

THEODORE (SAM) BASS JOINS MAREDEM

In late 1967, Theodore (Sam) Bass became associated with Maredem and with his former colleagues from Augsburg. Phillip Haar paid Bass' salary, \$1,500 a month, for March, April, and May in 1968. Then Maredem returned him to its payroll (p. 306).

Bass went to Vietnam to represent Maredem there. He maintained a villa in Saigon where he entertained club system sergeants and other military personnel as well as civilians. Bass became a partner in Maredem in late 1968 when the company declared a \$15,000 bonus for him and he immediately invested the bonus in Maredem (p. 292).

Bass represented Maredem mainly in the Saigon area, leaving sales work in less secure areas like Nha Trang and Chu Lai to Maredem's second Vietnam representative, Clifford (Terry) Terhune.

MACAR IS FORMED

Haar and the Maredem officers formed a business to implement their soft drink sirup agreement. It was called Macar Corp. On March 1,

1968, the firm was incorporated, the Los Angeles attorney for Mare-dem, Martin Sosin, handling the papers.

The officers of Macar Corp. were Seymour Lazar, president; Phillip Haar, vice president and director; and Elsie I. Turner, Haar's secretary, secretary-treasurer and director (p. 307).

HAAR LOSES MONEY BECAUSE OF MAREDEM

Mare-dem made a profit while Haar suffered losses after he made the agreement with the sergeants' firm.

Mare-dem bought the sirup for \$5.97 a case and sold it to Higdon at Long Binh and to Hatcher at the 1st Division for \$11.80 a case. This was a profit of \$5.83 a case, reflecting a 98 percent markup. Haar lost \$7,435.16 under the agreement compared to what he would have earned had he been able to continue the business on his own (p. 307).

HAAR ENDS HIS ASSOCIATION WITH MAREDEM

Haar broke off his agreement with Mare-dem in May of 1968. He stopped paying Sam Bass \$1,500 a month on May 7, 1968. Asked why he ended the tie with Mare-dem, Haar said, "I got the Mafia treatment. They all want a rakeoff" (pp. 306, 307).

By severing his link with Mare-dem, Haar jeopardized his ability to do business in Vietnam. Letters to Haar from his representative, Donald LeRoy (Lee) Brown, indicate the difficulty of competing with Mare-dem.

A subpoenaed letter from Brown dated July 1, 1968 read:

Phil, the NCO club at Tan Son Nhut needs a master and two subs in about 3 weeks. Sam [Bass] offered him the equip-ment and sirup at a 10 percent kick [kickback] for \$11.80 * * * I told him Sam could not give his services. Gary and I talked it over and we think we should offer him 10 on the sirup (p. 310).

Brown's letter continued:

They are giving us a rough time about services at Long Binh so we are really going to give them everything and if then it does not work we have done our share.

It will only mean one thing, the major is in on the payoff. Sam and Terry [Terhune] are really spreading the rumor about us but it will only be a matter of time. I think we should spend the next 2 or 3 weeks here beating them at their own game. What do you think? (p. 311.)

Sergeant Higdon was still custodian at Long Binh, serving at the post until July 21, 1968. The "major" Lee Brown referred to was Maj. Nicholas Massei, the officer adviser at the Long Binh club system (p. 297).

IRENE TERHUNE'S ITER COMPANY

"I will take care of Terco and Mass. Will go into Saigon around November 5." This was a message Lazar cabled to Sam Bass October 29, 1968. "Terco" referred to Clifford (Terry) Terhune, one of Mare-

dem's civilian representatives in Vietnam. "Mass" was Maj. Nicholas Massei, officer adviser to the Long Binh club system (p. 297).

Terhune told subcommittee investigators he was complaining about the fact he was not receiving commissions from Sam Bass for his sales at Long Binh and at the 1st Infantry Division. Terhune said he could not convince Bass that the commissions were deserved since Hatcher and Higdon were determined to buy from their own company, Maredem, no matter what. Lazar, arriving in Saigon, sided with Bass but Terhune won the argument, Terhune explained (p. 297).

Following the resolution of this dispute, Terhune was paid by Maredem in four checks a total of \$102,681.52, deposited in care of the Iter Co. account at the Dao Heng Bank in Hong Kong. The Iter Co. was a firm in name only owned by Terhune and his wife, Irene, a British subject (p. 297).

Maredem issued the four checks from November 1, 1968 to January 16, 1969. On the top left hand corner of three of the checks the words "commissions due" were typed in. These three checks totalled \$93,-480.23. "Reimbursement for advance" was typed on the fourth check, for \$9,201.29. All four checks were endorsed by Irene Terhune (pp. 297, 525-528).

One of the checks was countersigned by David Tung of the Tom Bros. & Co., a supplier of civilian clothes and other goods to NCO clubs in Augsburg, Germany and in Vietnam. The Iter Co.'s address, 304 J. Ho-tung House, Kowloon, was the same as the Tom Bros. (p. 302).

In an interview with subcommittee investigators, Lazar said the \$102,681.52 paid by Maredem to the Iter Co. was payment for commissions to salesmen and for labor and parts, expenses Terhune had incurred working for Maredem. However, the subcommittee found no evidence that Terhune paid any labor or parts bills (p. 302).

MARMED, INC., IS FORMED

Maredem, Ltd., was incorporated in California September 3, 1968 as Marmed, Inc. State authorities recommended a new name because they believed it inadvisable to operate under the name of an already existing limited partnership. However, the company noted it intended to continue to do business as Maredem (p. 291).

MAREDEM'S MODE OF OPERATION

Of Maredem, Bellino said:

Their mode of operation was to contact former suppliers of the clubs and advise them if they expected to do business with the clubs they had to do business through Maredem Corp. and pay them commissions or a share of the profit on all goods (p. 269).

Maredem was not a supplier. It was a broker. And, on occasion, it simply moved into already developed markets and either took over the field or extracted a percentage of the proceeds. The example of Phillip Haar's plight—in which Maredem assumed a part of his business in Vietnam—has already been cited.

The Haar illustration was typical of the Maredem operation. It could offer the big suppliers an advantage no other broker could—that is, guaranteed sales. But, as in the Haar case, Maredem could also use the threat of no sales to enforce its will. Two of the biggest markets in Vietnam, the 1st Infantry and Long Binh Post, were controlled by Maredem owners. A third sizable market, the club system at the Americal division, was controlled by a custodian friendly to Maredem, William Bagby.

Maredem could deliver its promises as well. In 1 year's time, Maredem sold \$1,210,871 in goods to clubs in Vietnam. Of that amount, 87 percent or about \$1,035,000 of its business was done with Higdon, Hatcher, and Bagby. Higdon bought \$468,000 worth of goods from or through Maredem; Hatcher \$293,000; and Bagby \$274,000 (pp. 269, 292).

As Captain Leach of the Qui Nhon Inspector General's office learned from his informants, Maredem had "squeezed out" the competition.

Also reflective of the Maredem mode of operation was what happened to Hermar & Co. of Manila (p. 269). Hermar had served as broker in Vietnam for Diamond Head Food Co. of Los Angeles, a supplier of large amounts of snack bar items to the clubs. Snack bar items—such as pretzels, sausages, peanuts and potato chips—constitute a substantial monthly procurement at NCO clubs.

Subcommittee investigation revealed that most open mess systems, supporting a division complement of some 15,000 to 17,000 troops, spent about \$40,000 a month on snack bar items. When Maredem began business in Vietnam, it became the broker for Diamond Head Food Co. Hermar was dropped (p. 269).

However, since Maredem did not have sufficient cash on hand to guarantee the orders it placed with Diamond Head, Maredem turned to Great West Food Packers Co. of San Francisco to act as purchaser (p. 269). Diamond Head would then make shipment on receipt of orders from Great West. Instead of one broker, Hermar, there were two—Great West, which took 10 percent of the selling price, and Maredem, which took 15 percent. Hermar had taken 12 percent (p. 269).

Of the \$1,210,871 in sales that first year, Maredem sold \$471,703 in orders it placed directly with suppliers. Another \$635,967 in orders were filled through Great West Food Packers, and some \$103,201 in orders were filled by Maredem through World Importing & Exporting Co. (p. 292).

Eventually, Great West Food Packers itself was cut out by Maredem, as Maredem either won the confidence of Diamond Head or developed sufficient cash reserves. In any event, Maredem began dealing directly with Diamond Head.

In its dealings with Great West Food Packers, Maredem used inflated freight costs to increase profits. In 17 invoices examined by subcommittee staff, excess freight charges totaled \$10,708.50. This excess charge was divided up with Maredem receiving \$9,101.10; Great West receiving \$524.81; and Pelligrino Pelligrini, Great West's military sales representative, receiving \$282.59 (p. 293).

One of the suppliers Maredem bought from was World Beverages, Inc., of San Francisco. The subcommittee examined invoices and other

records regarding 21 shipments from World Beverages to clubs controlled by Higdon, Hatcher, and Bagby (p. 294).

Seven shipments to the Americal Division where Bagby was the custodian were listed for a total cost of \$18,575.60. But the selling price was \$33,033 for a gross profit of \$14,457.40. The markup ranged from 46 percent to 83 percent (p. 294).

At Hatcher's 1st Infantry Division, eight shipments, with a total cost price of \$32,940.75, were sold for \$60,818.20, leaving a gross profit of \$27,877.45 and a markup range from 36 to 159 percent (p. 294).

Subcommittee inquiries revealed that average markups elsewhere in Vietnam ranged from 25 to 30 percent (p. 294).

EARNINGS AND FINANCIAL STATEMENTS

Maredem's profits for the first 13 months of operations were \$131,761 (p. 292).

In February of 1969, Maredem's owners submitted personal financial statements to the Bank of America, Beverly Wilshire Branch, Los Angeles, showing a combined net worth of about \$318,026.

Seymour Lazar said his net worth was \$54,903.

William Higdon listed his at \$115,000.

Narvaez Hatcher reported \$86,500.

William Wooldridge said \$49,212.

Theodore Bass claimed \$12,321 (pp. 292, 293).

LAZAR GAMBLES FOR LARGE STAKES

Like all GI's in Vietnam, Seymour Lazar did not have to file Federal tax returns until he returned from the war. In 1968, Lazar filed returns that showed gambling income to have been \$6,568 in 1965; \$45,143 in 1966; and \$60,220 in 1967—a 3-year total of \$111,931 (pp. 493, 500).

Lazar claimed gambling losses of \$54,673. To document these losses, he cited certain bank withdrawals, asserting they represented payment for gambling debts. Following are sample withdrawals cited as gambling losses:

Mrs. N. Lazar: September 7, 1966, \$600.

Mrs. E. Mendler: October 25, 1966, \$2,000.

Mechanics National Bank: November 9, 1966, \$2,000.

Theodore Bass: November 28, 1966, \$1,000.

Mrs. E. Mendler: November 29, 1966, \$1,289.

Cash, Bank of Rohner (Zurich): December 5, 1966, \$1,500.

W. O. Wooldridge: January 9, 1967, \$2,939.

Tom Bros. & Co.: January 16, 1967, \$1,000.

C. Y. Tung: February 3, 1967, \$5,000.

Mildred E. Patty: March 21, 1967, \$400.

Mrs. Nobuko Lazar: July 24, 1967, \$1,000 (pp. 500, 501).

AUGSBURG GROUP INVOKES FIFTH AMENDMENT BEFORE SUBCOMMITTEE

Sgt. Maj. William O. Wooldridge, Sgt. William E. Higdon, Seymour Lazar, and Narvaez Hatcher appeared before the subcommittee October 23, 1969. Wooldridge was stationed at the White Sands Missile Range, New Mexico and Higdon's duty station was the Redstone

Arsenal, Huntsville, Ala. Lazar gave his address as Anaheim, Calif., and Hatcher said he lived in Pensacola, Fla. Wooldridge, Higdon, and Hatcher were accompanied by their counsel, David L. Thomas of Huntsville. Lazar's counsel, Larry Steinberg, accompanied him.

The witnesses would give only their names and addresses and invoked their constitutional privilege under the fifth amendment not to testify to all other questions on the grounds that their answers might incriminate them.

While Wooldridge would not speak up in his own defense in the hearing room, he did comment about the allegations against him in an interview with a Scripps-Howard newspaper reporter, the late Jim Lucas. The article printed in the Washington Daily News, October 7, 1969, was made a part of the hearing record (p. 486). The headline over the article was, "Top Army Non-Com Is 'Shocked, Sick, Stunned'." The article is printed here in its entirety.

William O. Wooldridge, 47, first sergeant major of the Army, smiled ruefully.

"If half what they tell about me is true," he said, "I've been able to control every general in the Army, including the chief of staff, I've been powerful enough to conceal and destroy records at Ft. Holabird (Md.), depository for the CID (criminal investigation division), and direct the military assignment of personnel all over the world.

"And I only got to the 10th grade in school."

A scant 2 months ago, Sergeant Wooldridge was the Army's most respected enlisted man. Today, his name is fair game for sick jokes.

Day after day, in a Senate committee room he has heard witnesses before the Permanent Investigations Subcommittee tear his reputation to shreds.

He has been compared to Jesse James by Senator Karl E. Mundt, Republican, South Dakota, described as the head of a "khaki Cosa Nostra" by Senator Charles H. Percy, Republican, Illinois, and as a "fictional character" by Senator Abraham Ribicoff, Democrat, Connecticut.

The charges against Sergeant Wooldridge, never formalized, have come from a number of CID men who have been investigating him since 1965. They are that he was head of a "syndicate" of noncommissioned officers who have controlled Army clubs on three continents, raked an estimated \$350,000 a month off slot machine receipts, organized businesses to sell to the clubs they controlled, arranged their own "rotation" between Europe, the United States and Asia, manipulated foreign currencies, and held summit meetings to discuss the division of their loot.

How does he feel?

"Shocked," Sergeant Wooldridge says. "Sick. Stunned. I've been in the Army 28 years. Never, in my wildest nightmare, did I believe this could happen to me."

Will he remain in the Army if he is cleared? He seemed surprised at the question.

"I'm ruined," he said. "could never effectively serve another command because I'd always be remembered as the sergeant mixed up in 'the club deal.'"

Sergeant Wooldridge is scheduled to be called as a witness Thursday.

He says he will not testify. He says he will invoke the fifth amendment against self-incrimination. He says he knows what that means. To most Americans, it will be a tacit confession of guilt.

He will be acting on advice of counsel.

"To open this man up to a grilling—not questioning, but grilling—by a panel like that, by U.S. senators who have already found him guilty and made sick jokes about him, is something I cannot do," said David L. Thomas of Huntsville, Ala., his attorney. "As his attorney, the only proper advice I can give him is to exercise his Constitutional right, a right he has fought for in three wars."

But Sergeant Wooldridge and his attorney did agree to discuss the charges with me. We met in a downtown hotel where a room costs \$12.50 of Sergeant Wooldridge's \$16-a-day travel allowance. I knew Sergeant Wooldridge in Vietnam, where he was sergeant major of the 1st "Big Red One" Division. (The division was adopted by the city of Birmingham, and Sergeant Wooldridge flew there to accept the honor for his troopers.) If he exercised any control over the club then, it was minimal. There was a two-beer-a-day ration in a rain-soaked tent.

One of the charges—by several CID men, including Irvin E. Beard of Carlisle, Pa.—is that Sergeant Wooldridge and seven other noncoms "dominated and controlled the operation of the club mess system of the 24th Infantry Division" in Germany and that the division commander "covered up" for them.

Sergeant Wooldridge says his only connection with the NCO club there was that, as sergeant major, copies of the minutes of a monthly board meeting passed thru his hands. He concedes he visited the club "usually twice a week." He denies that he was ever involved in any "rakeoff."

"How can you answer a thing like this?" he says angrily. "There are no facts. The only evidence is that a Sergeant Jones was caught, was prosecuted and punished. Sergeant Jones said he 'understood' there was a conspiracy extending to higher-ups, and might include me. Does that make me guilty?"

He is accused of being a stockholder. He says he bought his stock last year after clearing it with the judge advocate general in Vietnam and being assured there was no conflict of interest. He says his dividends so far have amounted to \$3,500.

Investigators quote "informed sources" as saying there have been "summit" meetings of sergeants at Ft. Benning, Ga., and Lake George, N.Y., to divide their spoils.

Sergeant Wooldridge says he has been to Ft. Benning twice, both in his capacity as sergeant major of the Army (once

to address a graduating class.) He said he has never been to Lake George; surmises that the CID may be referring to an annual meeting of 3rd Army sergeants major which was held there last year. He did not attend, he says.

He is accused of having liquor shipped to him in Washington from Ft. Benning, of having "fixed" a subsequent investigation thru Maj. Gen. Carl Turner (ret'd.) then Army provost marshal, and of succeeding in having records of the investigation destroyed or rewritten.

Mr. Thomas said a full investigation revealed the shipment was a "myth", that no liquor ever was sent to Sergeant Wooldridge from Ft. Benning. He concedes the records were altered, but were altered only to "protect an innocent man"—Sergeant Wooldridge.

CID men said someone removed a record of Sergeant Wooldridge's early offenses from the files at Ft. Holabird.

"The records are still there, and they haven't been altered," Mr. Thomas says.

Sergeant Wooldridge admitted that in 1943 he was convicted in England of breaking into a pay phone and stealing the equivalent of \$8. He was a 20-year-old private at the time. His next promotion was a combat jump from private to staff sergeant.

"Another guy and myself had been drinking beer," he says. "We were drunk. We broke into a telephone box to get money to buy more. When we sobered up, and were called in, we admitted everything."

CID men said his early records revealed several AWOL's (unauthorized absences.)

"The only time I was AWOL was when I was eight hours late getting back to the hospital in England," he says. "I had been wounded at Aachen."

He is accused of arranging the assignment of members of the "syndicate" to areas where they could control clubs.

"At the Pentagon," he says, "for the sergeant major—or even the chief of staff—to fix an assignment is physically impossible."

Mr. Thomas says all the "evidence" against his client to date has been hearsay. But he says it has been so distorted Sergeant Wooldridge already has been found guilty by the subcommittee.

"The only forum we've had is the press," he said, "and until now that has been closed to us—and wide open to our prosecutor-judges."

He adds: "I am convinced we can get a fair trial in a military court, and Bill is, too. But it may be difficult with this kind of political pressure on the Army."

Sergeant Wooldridge lives in Junction City, Kans., in a three-bedroom house he bought in 1965, on which his payments come to \$142 a month. He deposits \$700 in the bank there at the first of each month, and "at the end of the month the wife is afraid to write checks."

He has five children. Bill, 21, is a senior at Alabama University. Terry, 20, is at Kansas University and worked as a waiter this summer at Estes Park, Colo. Susie, 17, Jack, 15 and Mike, 12, are at home.

He worries about how all this will affect his family.

He has two Silver Stars, two Legions of Merit, a Bronze Star and a Purple Heart. He has rejected his attorney's suggestion he wear them to the hearings.

A Distinguished Service Medal, awarded him for his work in the Pentagon, was abruptly withdrawn in August. No explanation was given him.

"The one they took away from me," he says with a slight grin, "I didn't get fighting, anyhow. So I don't mind * * * yes, I do. It hurt * * * it hurt like hell * * * after 23 years service, this * * *."

IX. WILLIAM CRUM IN VIETNAM

HISTORY OF PRICE & Co.

William Crum left Korea in October of 1960, shortly before the court-martial of Sergeant Lyons, the club system official accused of having accepted bribes from Crum. In exile from Korea, Crum was reunited with Asa Albert (Ace) Smith, a friend and associate going back to Shanghai days. Crum continued selling to clubs and post exchanges in other countries of the Far East. The principal enterprise through which he conducted these sales was a firm known as Gande, Price, Ltd., of Hong Kong. Ace Smith was also involved in this company (pp. 879-881).

The firm of Gande, Price, Ltd., was an old one in China, registered in Shanghai for the first time in 1892, as a supplier of "wine and spirits." The company was incorporated in Hong Kong under the Hong Kong Ordinances April 21, 1921, and registered again in Hong Kong in 1946 (p. 880).

A memorandum on the stationery of Gande, Price, dated March 14, 1961, was found by the subcommittee in the subpoenaed files of William Crum's brother, Whitney Crum, in his Tradewell Co. office in Sherman Oaks, Calif. The memorandum listed the officers of Gande, Price as Otis Terrell, permanent director; and A. A. Smith, W. J. Crum, and C. C. Chu, directors (p. 880).

The memorandum indicated Gande, Price represented Hiram Walker & Sons of Canada and San Francisco; John Haig & Co., Ltd., of London; Tanqueray, Gordon & Co., Ltd., of London; Peter Dawson, Ltd., of Glasgow; J & F Martell of Cognac, France; Justerini & Brooks of London; and Glenmore Distilleries Co., Louisville, Ky. (p. 880).

The letterhead read:

Gande, Price, Ltd.

Wine and spirit merchants

Established 1892

Hong Kong office, room 324, Gloucester Building

GPO Box 2621

Cable address: Tradewell—Hong Kong

A Dun & Bradstreet international report dated April 15, 1961, listed three directors of Gande, Price as Terrell, Smith, and Chu. Crum was not mentioned, his name showing up only in Gande, Price correspondence. Dun & Bradstreet noted that Gande, Price enjoyed a good business reputation, met its bills promptly and employed "desirable agents." The D & B report pointed out that Terrell, Smith, and Chu were operating the firm Tradewell, Co., Ltd., which engaged in import-export activities in South Korea. Again, Crum was not mentioned (p. 880).

By 1964, Gande, Price was offering U.S. military clubs, messes, and exchanges a variety of goods, among them Heinz soups, Hiram

Walker liquor, and Carling beer. Also included in the Gande, Price inventory were coin-operated amusements and gambling machines made by Service Games, Japan, and other entities of the worldwide slot machine syndicate, Club Specialty Overseas, Inc., or Service Games (p. 881).

But this line—the Service Games products—was earning a questionable reputation in the Orient, particularly on U.S. Air Force installations. On April 10, 1964, Gande, Price learned that the U.S. 13th Air Force, headquartered in Hawaii, would no longer allow its clubs, messes, and exchanges, situated throughout the Pacific area, to buy from, or in any other way do business with any Service Games entity. The machines and their salesmen were barred from Air Force installations (p. 881).

On April 22, 1964, Crum wrote to Maj. Gen. Sam Maddux, Jr., commander, 13th Air Force, to offer to “cancel our arrangements” as agent for Sega machines in order to continue to sell other goods at Air Force installations. The Air Force Pacific Command, May 12, 1964, assured Crum that Gande, Price, Ltd., had not been barred from selling all products—only prohibited from selling Sega machines on Air Force installations (p. 881).

On June 5, 1965, Gande, Price, Ltd., was reorganized and renamed Price & Co., with Crum, Smith, and Chu serving as directors. Otis Terrell was said to have retired (p. 881).

CRUM BRINGS SARL AND PRICE TO VIETNAM

William Crum expanded his commercial ventures to Vietnam as the American presence there grew. His two principal companies in Vietnam were Sarl Electronics and Price & Co. He was also head of Vietnam Electronics and was an owner of the Century Trading Co. (pp. 883–884, 888).

Sarl, chartered in Hong Kong, April 1, 1965, by Crum and Ace Smith, was the outlet through which Crum sold and leased coin-operated gambling devices and amusements such as pinball machines and jukeboxes to nonappropriated fund activities of the U.S. military in Vietnam. These machines were made by Sega Enterprises of Japan and its predecessor companies, entities owned by the Service Games organization (pp. 804, 873, 882–884, 886).

Price & Co., which Crum and Smith had formed in June of 1965 from the older firm of Gande, Price, dealt with clubs and exchanges, selling liquor, beer, and other goods (p. 881).

Vietnam Electronics was an enterprise associated with Sarl Electronics. It served two purposes. First, Vietnam Electronics provided maintenance and repair services for coin-operated machines sold or leased by Sarl. Second, Vietnam Electronics sold or leased slots and other coin-operated machines to bars and hotels on the Vietnamese economy (p. 807).

The Century Trading Co. was formed in early 1966 by Crum, Smith, Milton Petrick, and Lindy Johnson. Petrick and Johnson were Hong Kong merchants whose clothing lines included Dynasty Fashions and Mandarin Textiles. Century Trading was created to give Crum those lines of goods in Vietnam (p. 888).

Crum also had a business affiliation with Joseph DeMarco, a former sergeant who represented Star Distributing Co., which held exclusive distribution rights for Stars and Stripes and other periodicals read by GI's in Vietnam (p. 1034).

In addition, William Crum was associated with his brother, Whitney Crum, whose Tradewell Co. of Sherman Oaks, Calif., had been a supplier for his enterprises since the 1950's in South Korea (p. 875).

Questions were raised during the hearings about the extent of control Crum exercised in Sarl and Price & Co. One former employee of Sarl and of Price & Co., Jack W. Bybee, said that all major decisions having to do with Sarl Electronics were made not by Crum but by Scott Dotterer, the Hong Kong operative of Club Specialty Overseas, Inc., Panama (CSOI), also known as the Service Games organization. Bybee said copies of all Sarl records were sent to "Josephine Tan," an employee of CSOI, who worked in Panama (p. 1043).

Martin Bromley, the head of the Service Games organization, testified that his firm's Panama office manager was Josefine de Tam, which was probably the name Bybee was trying to recall when he said Josephine Tan (p. 1967).

Regarding Bybee's assertion that Crum made major policy decisions only after clearing with Scott Dotterer, the Service Games agent in Hong Kong, it is worth reiterating that CSOI owned Sega Enterprises of Japan, the firm which made the coin-operated machines which Crum sold and leased on an exclusive basis in Vietnam. The name "Sega" itself was formed from the "Se" in Service and the "ga" in Games, reflecting the history of the organization which was once known as Service Games, then Club Specialty Overseas, Inc. (pp. 1043, 1766).

Bybee believed that CSOI, which controlled Sega, also controlled Sarl Electronics. Martin J. Bromley told the subcommittee that, while CSOI did control certain of its distributors such as Siam Electronics of Thailand, CSOI did not control Sarl (pp. 1834, 1840, 1841).

Bybee, however, went on to tell Senators that Crum was the true owner of Price & Co., with Ace Smith also having had an investment in the firm. But the subcommittee introduced into the record of the hearings correspondence from CSOI's Scott Dotterer to the Lorillard Corp., in which Dotterer referred to Price & Co. as if it were part of the CSOI operation. Both Bromley and Dotterer were making an effort in 1969 to win the Lorillard Vietnam account for Price & Co. (pp. 1717-1723). This led Senators to ask Martin Bromley if he or CSOI controlled Price. No, Bromley said (p. 1835).

Questioned about information the subcommittee had, that more than \$7 million was transferred from a Sarl Electronics account in a Los Angeles bank in 1968 and 1969, to a CSOI bank account in Panama, Martin Bromley said he had no knowledge of how or why—or even if—this transaction occurred (pp. 1847, 1848). Bromley pointed out that Miss de Tam handled all such matters for him (pp. 884, 1967).

The subcommittee could learn very little about how Sarl was formed, or how it tied into the Service Games syndicate, because Martin Bromley and his associates—Richard Devant Stewart, Raymond LeMaire, and David Rosen—claimed to know nothing about William Crum and his business practices.

Bromley said his most knowledgeable associate in this matter was Scott Dotterer. But Dotterer, according to his attorney, Hans Nathan, of the Washington law firm of Trammell, Rand, Nathan & Bayles, refused to appear before the subcommittee and, because he lived in Hong Kong, could not be subpoenaed to appear (pp. 1868, 2026).

Furthermore, Crum, who could have provided the most information about Sarl, Price & Co. and other enterprises he was connected with, was invited to attend through his attorney, Hans Nathan, but Crum did not accept the invitation (pp. 1938, 2041).

CRUM, SMITH, AND ASSOCIATES PROVIDE LITTLE INFORMATION

William Crum and Ace Smith and their associates consistently sought to conceal the nature of their firms' activities (pp. 882, 883).

In 1966, the American consulate in Hong Kong was refused when it requested "basic information" (p. 882) from Sarl, information it gathered on all Hong Kong companies which import goods from the United States. Again in 1966, the consulate was turned down when it asked Price & Co. for similar information. The U.S. consulate tried a second time to obtain fundamental facts from Price & Co. in 1969, only to be refused by Price's Hong Kong office manager, Herbert A. Edelstein, who wrote back:

Our firm is a Hong Kong limited company which does no business in the United States. I therefore feel it would serve no useful purpose to complete the enclosed form which I return herewith (p. 883).

The consulate seemed neither equipped nor inclined to apply pressure to extract information out of Sarl or Price. One of the consulate officials, Frank C. Bennett, felt Sarl would not provide information because of fear of the U.S. Internal Revenue Service—but there was no indication the consulate or Bennett tried to find out what Sarl was trying to hide from the IRS (p. 882).

Later, Bennett advised another consulate official in a memorandum that the Sarl, Price & Co. matter had been neglected in the past, but that the "secretiveness" of these two firms stemmed from concern about the IRS and not "because they are diverting goods to Communist China" (p. 883).

The subcommittee fared no better than the consulate in obtaining information from the Hong Kong offices of Crum's enterprises. Letters dated June 24, 1969, and signed by Senator Abraham Ribicoff, the acting chairman, were hand-delivered by staff investigators to Price & Co., Sarl Electronics, and Century Trading, Ltd. In the letters, Senator Ribicoff said this subcommittee was examining nonappropriated fund activities of the U.S. military; and in view of the "substantial business" these companies conduct with American troops in Vietnam and elsewhere, it was requested that investigators be given an opportunity to look at their records (pp. 809-811).

R. H. Hindmarsh, signing as "director" of Price & Co., refused the request as did D. A. Hussey, "managing director" of Sarl's Hong Kong office, and Yiu Sik Chiu, "director" of Century Trading, Ltd. The letters were worded in similar fashion (pp. 809-811).

After the letters were made part of the hearing record by Assistant Counsel LaVern J. Duffy, Senator Ribicoff turned to the next witness, Secretary of the Army Stanley R. Resor, and said:

Sarl Electronics does millions of dollars worth of business with our military authorities in the Far East. Under what authority can U.S. authorities obtain access to their records to determine if kickbacks are paid or if companies are involved in other illegal transactions? (P. 811.)

Secretary Resor said there was no regulation or avenue through which a duly authorized investigative team from the Federal Government could demand to see the records of a foreign-based company that did substantial business with U.S. military nonappropriated fund activities.

Senator Ribicoff went on:

I am not talking irresponsibly, but it would seem to me that it wouldn't be very difficult to amend Army regulations and say to a company like Sarl, "If you want to do business with us, you have to open your books for audit under these circumstances" (p. 812).

Senator Gurney added:

What is wrong, for example, with putting in a rule that a company doing business with the Department of Defense which refuses to testify before a congressional committee concerning transactions which it is having with the Department of Defense * * * would be prevented from further bidding? (P. 813.)

Secretary Resor said he would look into these suggestions.

CRUM'S DIVERSE VIETNAM INTERESTS PROSPER

In Hong Kong in 1966, the U.S. consulate made unsuccessful efforts to learn more about Sarl Electronics and Price & Co. Meanwhile, in Vietnam, both these Crum enterprises were aggressively seeking to exploit the rapidly growing GI nonappropriated fund market. Crum's fortunes rose as the U.S. troop commitment increased. So fruitful were his efforts that during the years 1967, 1968, and 1969, William Crum became the single most important American businessman in Vietnam (p. 885).

Through Sarl and Vietnam Electronics, Crum controlled almost all sales, leasing, and maintenance of slot and pinball machines, jukeboxes, and other coin-operated amusements on U.S. military installations (pp. 883-884).

Through Price & Co., Crum's Jim Beam bourbon was the No. 1 best-seller for the years 1966 through 1969, outdistancing its nearest competitor, Old Granddad, 1,522,812 bottles sold to 1,026,528. Assistant Counsel Duffy pointed out that Jim Beam's strongest competitor in the U.S. market is Old Crow, but Old Crow finished fourth with only 771,000 bottles sold. Crum also offered Carling Black Label beer and a varied assortment of other goods through Price & Co. (pp. 887, 959).

Proceeds from Sarl, Price & Co., Vietnam Electronics, Century Trading, Ltd., Tradewell Co.; his ventures with Joseph DeMarco; and other economic activities made Crum a rich man. Senator Gurney said information he gained on his trip to Southeast Asia in connection with this investigation, indicated that Crum's net worth was about \$40 million. Investigator Bellino then testified that U.S. Internal Revenue Service records showed that Crum paid no Federal income tax on his Vietnam profits (pp. 884, 885).

CRUM WINS LUCRATIVE CONTRACT FROM HOUSE GUESTS

A benchmark in William Crum's rise to fortune in Vietnam occurred when his Sarl Electronics won a concession contract June 27, 1966, with the Vietnam Regional [Post] Exchange (VRE) under which Sarl would provide, install, maintain, and repair coin-operated amusements in exchange facilities. Slot machines were not included.

This contract was an important one for Crum, coming as it did in the early stages of the American troop buildup (p. 885). In the words of Jack Bybee, Crum's former employee, this—

* * * PX contract for jukeboxes in military installations in Vietnam * * * was a million dollar contract and it was the base upon which Mr. Crum was able to build his vast financial empire (p. 1051).

The circumstances surrounding the award of this lucrative contract to provide jukeboxes for PX's in Vietnam were noteworthy—for they gave insight into the manner in which William Crum conducted business in Vietnam.

Until late 1965, the post exchanges in Vietnam were managed by the U.S. Navy. But, with the rapid troop buildup of 1965, the Defense Department decided to transfer administration of the exchange system from the Navy to the Army-Air Force (pp. 888, 892, 894). The Army-Air Force PX officials—one officer, four civilians—were assigned to Vietnam by the Army/Air Force Exchange System (AAFES) located then in New York, now headquartered in Dallas. When these men arrived in Vietnam, William Crum and his associates were ready to make their stay more comfortable (p. 894).

The commanding officer of the Vietnam Regional Exchange, as it took over from the Navy, was Lt. Col. John G. Goodlett, Jr. He was assisted by four civilians: Peter B. Mason, general manager of the VRE and chief civilian executive; Richard Llewellyn, chief for procurement; Clarence Swafford, chief for food branch and concessions; and Ralph White, chief for retail operations (pp. 912, 913).

Shortly after these five men arrived in Vietnam in the fall of 1965, they moved into a villa provided them by William Crum. It was not clear what if anything they paid Crum to stay in the villa. Colonel Goodlett, for example, said in a July 30, 1970 subcommittee affidavit that he paid \$100 a month to Swafford but that was for food only. But Jack Bybee, Crum's former employee, testified that he and his wife lived there after the PX officials had moved out and that rent, coupled with the other extras Crum provided such as maid and chef service, came to about \$2,000 a month (pp. 912, 913, 1051).

Crum himself in a September 1965 letter to Jim Beam Bourbon vice president Mel Peterson talked about his villa and the PX officials living in it:

DEAR MEL: I want you to know that Peter Mason and Dick Llewellyn, the two top civilians for the Army & Air Force Exchange Service, have arrived. I showed them the brand new house I am decorating for them and they are absolutely delighted.

We are getting along like peas in a pod and they are real sharp operators, so I feel we are going to get a lot more action than we did in the past.

Believe me, I am practically moving right in with these boys without jeopardizing our reputation. Got them a delightful 4-bedroom house which I'm doing the living room in natural rush rattan, installing wall to wall rush carpet and bamboo bar, etc. Also I include in the rent, the cook and two maids, utilities, and other local expenses, so they pay me in dollars once per month at quite a saving. The cook is a real pro and their cuisine will be only second to mine in Southeast Asia (pp. 895, 896).

Colonel Goodlett, who said for all this he paid \$100—not for rent but for food—stated that he moved into the villa after his chief civilian assistant, Peter Mason, advised him that he had made all the arrangements for the PX officials to take occupancy (p. 913).

In his letter to Jim Beam's Mel Peterson, Crum said the villa had four bedrooms. Goodlett, in his affidavit, recalled there were six bedrooms, that in fact the structure was not one but two villas "joined by a single common wall in the style of French architecture" (p. 913).

Colonel Goodlett said he worked at the exchange 12- and 14-hour days "7 days a week" and did not spend much time at the villa. But, he added, Mason, Llewellyn, and Swafford went home at quitting time where they were frequently joined by William Crum and Joseph De-Marco for parties at which "arrangements were made for women to be part of the entertainment" (p. 913).

Colonel Goodlett acknowledged he made a mistake living in the villa and allowing the other PX officials to live there as well, saying:

I learned sometime in mid-1966 that the villa was being rented by William J. Crum. Mr. Crum was associated as a vendor with Sarl Electronics, which supplied slot machines to the servicemen's clubs. He also represented Jim Beam liquor in Vietnam. When I learned that Mr. Crum was paying for the villa, I should have immediately moved out of the home and ordered the others to move out as well. But I didn't. By staying there I exercised a serious error in judgment (p. 913).

Colonel Goodlett added:

My assignment as commander, Vietnam Regional Exchange, was the most demanding of my career. We were given the assignment on a very short notice of expanding in an incredibly short time a PX capability for 100,000 men to an exchange able to serve 450,000 men. We got the job done.

But I paid dearly. After several major operations I was retired with 60 percent disability by the Army. Now, in light of developments brought out by this Senate committee inquiry, it seems my reputation is going to suffer. And for this I have only myself to blame. But I can say—and I say it in truth—I did not accept payment or any other form of gratuity from William Crum. But I did live in his villa and that was a mistake (p. 913).

In his affidavit, Colonel Goodlett also spoke about the contract for coin-operated juke boxes that was awarded to Sarl Electronics by the PX officials while they lived in Crum's villa. Goodlett said:

In 1966, a sizable PX contract was awarded to Sarl Electronics for installing and maintaining juke boxes in Army/Air Force Exchange System exchanges in Vietnam. As commander of the Vietnam Regional Exchange, I signed that contract. But the staffing was directed—and the recommendation to give it to Sarl—was made by Clarence Swafford. This was in keeping with his job description as head of concessions (p. 913).

When he left Vietnam in August of 1966, Goodlett said he moved his belongings out of the villa—and Mason, Llewellyn, Swafford, and White were still living there.

SUBPENAED LETTERS REFLECT IMPORTANCE OF PX OFFICIALS

To William Crum and his associates, the top PX officials were very important persons. They were empowered to enter into contracts with vendors, certify to PX headquarters in New York—later in Dallas—the demand for certain beers and liquors and, in general, exercise a major say as to which companies participated in sales to the massive PX market in Vietnam.

The subcommittee subpenaed the records of Jim Beam liquor company, the Carling Black Label Brewery, the Tradewell Co. managed by Whitney Crum, the Lorillard Corp. and other enterprises in the United States associated with William Crum. Letters taken from these records were introduced as evidence at the hearings because they reflected the enthusiasm with which Crum and his associates sought to win the confidence of the PX officials. The letters also demonstrated how much importance Crum and his clients lent to the PX officials (pp. 893-898).

By the summer of 1965, news was out as to who would be heading up the new Army/Air Force management of the Vietnam exchange when the Navy left. At least Mel Peterson of Jim Beam knew, for on August 12, 1965, he wrote William Crum to say he was "well acquainted" with Peter Mason, having known him in Europe, and he knew Dick Llewellyn although not as well (p. 893).

On August 13, 1965, Peterson again wrote to Crum, explaining he had spoken with Peter Mason that morning in Atlanta and that Mason "mentioned he had just received a letter from you in relation to the house and seemed pleased about it." Peterson added:

I am sure you will like Pete as he is a nice fellow and at this moment, he is not sure exactly how whiskies will be handled, although they will be under the Army and Air Force Exchange * * * I know that you will do the usual grand job in laying the right foundation in getting the business * * * (p. 893).

Crum's Hong Kong partner, Ace Smith, advised Jim Beam's Mel Peterson in an August 13, 1965, letter that Mason and Llewellyn would arrive in Saigon from Beirut September 9 and that William Crum will "be sure to meet them at the airport" (p. 893).

In an August 26, 1965, letter to Ace Smith, Peterson said he did not know Colonel Goodlett, knew Llewellyn slightly and had "always been on most friendly terms" with Mason and "I am sure he is on our side" (p. 894).

Peterson, in an August 30 letter told Crum he could "well sympathize" with Crum's efforts to find housing in Saigon for "the PX gang" (p. 894).

Word of Mel Peterson's friendship with Peter Mason was heard by Milton Petrick, a Hong Kong merchant whose Dynasty Fashions and Mandarin Textiles would in 1966 be represented in Vietnam by Crum's Century Trading, Ltd. But in a September 1, 1965, letter, Petrick said Saigon business "is really jumping" and then requested details on Peter Mason's "likes, dislikes, what he likes to do, his personal life, and so forth." Petrick also asked Peterson to "drop a kind word" about himself and his associate Lindy Johnson in any letters he might be writing Mason (p. 894, 895).

Ace Smith assured Peterson that he was "hopeful" that under the new Vietnam Post Exchange management Jim Beam "cordials and liqueurs as well as the gin and vodkas" would sell well. Smith told Peterson:

You may be assured that Bill [Crum] will give it the old school tie try and with the new group living in Bill's house, the odds work out about six to five in our favor (p. 895).

On September 8, 1965, Peterson wrote Smith, saying:

* * * Bill will be housing Pete Mason and his crowd which certainly won't hurt the situation (p. 895).

Replying to Petrick's questionnaire on Peter Mason, Mel Peterson said in a September 9, 1965, letter that Mason was a bachelor who enjoyed the "normal bachelor activities," had dated Dynasty Fashions models in Germany, requested Vietnam assignment for the "combat experience," supported his mother in an apartment in Greece and is "the type of fellow you can fly down to Saigon to talk with and get some straight answers." Peterson also said he was sure Crum and Smith would soon "be cuddling up close" to Mason and "it might be worthwhile letting them see what they can do with Dynasty" (p. 895).

On September 13, 1965, Crum told Peterson he was "getting along like peas in a pod" with PX officials Mason and Llewellyn, having put them up in a villa, complete with comfortable furnishings, and chef and maid service. However, Crum pointed out he could not "get any new action out of the Navy," but that the picture should improve when the Army-Air Force management assumed control (p. 896).

Responding, Peterson's September 21, 1965, letter to Crum congratulated him "for a job well done" in arranging "accommodations" for the "new boys" of the PX (p. 897). But Peterson wasted no time in reminding Crum to encourage the PX officials, now comfortably housed, to return a favor with a favor. In a September 24, 1965, letter, Peterson said Mason should be reminded of the popularity of "Belle of Kentucky Blended Whiskey" among U.S. military people in Europe, and that this line would be a "good item to work on for additional business" in Saigon (p. 897).

Crum said in an October 5, 1965, letter to Peterson:

* * * The boys in PX all joining me for dinner on the town tonight. Ace and I are going all out on furnishing of their house. In fact we are in for about five grand so far (p. 898).

NAVY PX OFFICERS ALSO LIVE IN CRUM'S VILLA

Goodlett, Mason, Llewellyn, Swafford, and White—all associated with the Army-Air Force exchanges—were not the first PX officials to live in a Saigon villa provided by William Crum. Crum offered a similar service to two Navy officers who worked at the exchange when it was managed by the Navy. In August of 1965, two Navy exchange officers—Lts. (j.g.) Charles M. Foster and Kim R. Martiny—moved into a Saigon villa Crum rented. They lived there 6 months (p. 891).

Information about the arrangement Martiny and Foster had with William Crum was provided to the subcommittee by Lt. Comdr. Julian Baxter (Jay) King, who was the liaison officer for clubs and messes of the PX in Vietnam from April 1965 to April 1966. In an affidavit of October 29, 1970 (pp. 1016-1018), King recalled that he was at a party in Crum's own villa when Crum explained that he had "loaned" Foster and Martiny \$2,500 for them to take over a villa for themselves (p. 1016).

According to King, Crum said he owned the villa, but had arranged for the loan to be transacted by Sarl Electronics Saigon office manager, Graham Welton, "so as to avoid the appearance of an impropriety" (p. 1016).

King said he felt it was "still an impropriety" (p. 1016) since Martiny and Foster were in PX positions "to actually award contracts to Crum" (p. 1017). King said it was a "conflict of interest" (p. 1017). Col. George S. Prugh, staff judge advocate at the U.S. Army Command, reached a similar conclusion in a judgment given May 23, 1966, in which the colonel ruled Martiny and Foster had violated Department of Defense prohibitions against accepting favors from contractors.

Word of Foster and Martiny's housing arrangement with Crum came to the attention of the Army and Colonel Prugh following an investigation triggered by Crum himself, King said. King recounted that Crum did not feel Foster and Martiny were "living up to their end of the bargain" and had not given him enough business. Crum then had his Vietnamese secretary, An Toan, turn them in to military authorities ostensibly for "living it up" in the villa while U.S. soldiers were "dying in the war," King said (p. 1017).

Learning from Crum about the \$2,500 loan, Commander King said, he asked Martiny and Foster about it. They replied that they had sought and received the approval of the officer in charge of the Navy exchange, Capt. Archie C. Kuntze, King said.

He added that Kuntze was no better than his two subordinates as the captain was living comfortably in a villa himself, enjoying goods, materials, entertainment, and domestic personnel supplied at no cost by the PX. King said :

With Captain Kuntze, our commanding officer, setting this example in Vietnam, it was not surprising that Lieutenants Foster and Martiny should enter into this arrangement with William Crum (p. 1017).

Later, Captain Kuntze was brought before a court-martial and "found guilty of some minor charges," King said (p. 1017).

CRUM TRIES TO COMPROMISE COMDR. JAY KING

King described the manner in which William Crum sought to cultivate the good will of PX personnel in Saigon, saying Crum entertained them often and, "by Vietnam standards, lavishly, providing good food, plenty of liquor and female companionship." King said Crum used this entertainment device to "ingratiate himself" and "put us in compromising situations" so that PX officials would feel obliged to do more business with Sarl Electronics, Price & Co. and other Crum enterprises (p. 1017).

Crum even tried to provide special treatment for King, the commander said in his affidavit. Subcommittee investigators showed King a July 13, 1965, telegram which Crum had sent his Hong Kong office. The cable said :

Club messes Comdr. Jay King arrives PAA Thursday.
Fix him up with top VIP at Conrads [Hong Kong Hilton Hotel]. Sarl to pay (p. 889).

Commander King said he remembered that trip he made to Hong Kong and Crum's attempt to arrange quarters for him. Fortunately, King said, a mixup occurred in transmission of the wire and "no suite was reserved for me" so he stayed in a \$12 room which he paid for himself. King recalled that this was "one occasion when Crum could have seriously impaired my ability to carry out my duties in an objective manner" (pp. 889, 890), adding :

I was fortunate that there was a mixup in the telegram. Had it not occurred, I would have enjoyed Crum's hospitality, not have paid for the suite and, therefore, been in his [Crum's] debt. I should not have allowed myself to be placed in a situation so potentially compromising (p. 890).

On July 14, 1965—the day after he sent the wire to Hong Kong—William Crum wrote to Jim Beam's vice president, Mel Peterson, to say he had become "very friendly" with Commander Jay King and that "we go out to dinner at least once a week." Crum added, however, that King "has had his wrist slapped" and was no longer able to "buy liquor direct" and had "also been stopped on beer purchasing" (p. 890).

JOSEPH DEMARCO PROVIDES VILLA FOR PX OFFICIALS

In a January 22, 1968, letter which William Crum wrote to G.P. (Tommy) Thompson of Carling Black Label Beer, Crum referred to his many friends among club system custodians—Narvaez Hatcher at the 1st, Ira Strack at the 101st Airborne, Bill Briscoe at the 9th Division—and then went on to comment about “Joe DeMarco of Star Distributing and myself and our combined group of companies” (pp. 1033, 1034).

A year later—in March of 1969—DeMarco, following Crum’s example, supplied a villa for two civilian executives of the PX in Saigon. The PX officials were Fred Burgess, chief of services, Vietnam Regional Exchange; and Ted Miller, chief contracting officer (p. 917).

Burgess and Miller lived rent-free in the DeMarco villa until June of 1969 when DeMarco supplied separate villas for them, Miller remaining in the first home at 9 Dug Tan, Saigon, and Burgess moving to 96 Hung Thap Tu, Saigon (p. 917).

Burgess, accompanied by James J. Orlow of Pennsylvania, his counsel, appeared before the subcommittee February 19, 1971. To each question relating to having lived in the DeMarco villa, Burgess invoked his privilege not to testify under the fifth amendment of the Constitution (pp. 989–998).

X. COLONEL JACK ICE TAKES OVER VIETNAM PX

COLONEL ICE LIVES IN VILLA 3 WEEKS

Lieutenant Colonel John Goodlett rotated out of Vietnam in August of 1966. Before he left, he met his successor, Colonel Jack Ice, as he arrived at the airport in Saigon. According to Ice, Goodlett invited him to stay at the William Crum villa until he found his own quarters. Ice said Goodlett did not tell him that Crum paid for the villa and that he learned it only recently from newspaper accounts about the hearings (pp. 1413, 1416).

Colonel Ice, who testified before the subcommittee March 8, 1971 (pp. 1405-1426), said he lived in the villa 3 weeks while waiting for his own quarters atop the exchange headquarters building to be renovated. Subcommittee Assistant Counsel LaVern J. Duffy challenged the colonel on this, stating that in an interview with Richard Llewellyn, a PX official who lived in the villa, Llewellyn said that Ice moved out of the home only because the lease was about to expire. Ice denied the assertion (pp. 1410, 1411).

Colonel Ice, now the director of plans and management of the U.S. 6th Army, Presidio, San Francisco, said he contributed \$70 for food while staying in Crum's villa but paid no rent as he was "a guest of the people living there." Ice told the subcommittee he saw nothing wrong with his living in the villa. He said it was common military practice to invite a newcomer to be a house guest until he got his affairs settled. Moreover, his presence there, he said, in no way obligated him to Crum or any other vendor (p. 1411).

Colonel Ice said the villa Crum provided PX officials was a relatively ordinary structure, not at all extravagant. Questioned by Senator Percy about whether he noted the PX officials living "high on the hog" at the Crum villa, Ice replied that nowhere in Saigon had he observed anyone living "high on the hog," a figure of speech, he said, particularly ill fitted to describe the Crum villa (p. 1417).

Any "foreign home" in Vietnam was called a villa, Ice said. He pointed out that in some parts of the world the word villa connotes a spacious home but that in Saigon villa did not necessarily mean a "plush" house. The Crum villa, Ice said, had four or five bedrooms, was two stories high, had a living room and a dining room, a bath and a half downstairs and two baths upstairs, a fence around it, two maids and a cook. Ice recalled:

It [the villa] wouldn't compare with a lot of the four or five bedroom house we find in our own areas (p. 1417).

ICE IS MENTIONED IN JIM BEAM, CARLING LETTERS

Colonel Ice was asked about a letter dated March 8, 1967, from Jim Beam's Mel Peterson to William Crum which said in part:

I am anxious to hear from you as to whether or not Gen. Earl Cole was successful in persuading Jack Ice to put another special order in for Jim Beam for Saigon for 5,000 cases, as we discussed on the Sunday before my departure. We both know that the market can certainly stand this additional order and chew it up without interfering with the regular, normal orders that we are receiving (p. 1503).

Colonel Ice said he had no idea what Peterson meant in this letter because he could not remember Brig. Gen. Earl F. Cole ever asking him to order Jim Beam products or any other line of goods (p. 1412). General Cole was the U.S. Army/Vietnam (USARV) Deputy Chief of Staff for Personnel and Administration.

Both Senators Percy and Ribicoff pointed out that William Crum was apparently the kind of man who would exaggerate his own importance and ability to influence PX officials, particularly in comments he might make to his clients such as Mel Peterson. Commenting on the March 8 letter from Peterson to Crum, both Senators agreed that "certainly there is nothing" in that letter from which "you could impute that Colonel Ice did something wrong" (p. 1425).

Colonel Ice was asked about another subpoenaed communication involving one of Crum's clients, an April 4, 1967, memorandum from Carling Beer's G. P. (Tommy) Thompson to D. J. Dittman, a Carling executive. In the memorandum titled "off the record," Thompson advised Dittman that Colonel Ice said he had "doubled his requirements for beer and soft drinks" and that Ice had "suggested 'that if we want our share,' " Carling should have a representative "stationed close to the 'top people'" at PX headquarters in Dallas, Tex., for the next 2 or 3 months (pp. 1413, 1414).

Colonel Ice explained to Senators that the memorandum could have been based on the fact that the Vietnam Regional Exchange "only ordered quantities of beer and soft drinks" and that the exchange headquarters in Dallas decided on brands and quantities of brands. Ice denied he advised Thompson to have a Carling agent assigned to be near the "top people" at Dallas offices (p. 1414).

ADLER SAYS PX IS "A SMALL COSA NOSTRA," CRITICIZES ICE

A sweeping indictment of the entire U.S. military post exchange operation was made by a diamond merchant named Jacques H. Adler, president of the House of Adler of Denver, Colo. Testifying March 8, 1971 (pp. 1391-1404), Adler charged PX's are in the hands of "a small Cosa Nostra" that "nobody * * * has the power to check" (p. 1400).

Adler said the Army/Air Force Exchange System offered vendors such as his House of Adler no right of appeal, has "no avenue of complaint" and is managed by people who "are in business for themselves" (p. 1401). Adler's denunciation of PX's in general was so all-inclusive that Senator Ribicoff asked:

The military, whose basic mission is to defend the security of the United States either in war or in peace, should they be in the retail business at all? (P. 1400.)

Adler said the PX operation "could be very legitimate * * * and excellent" if Congress "had the power to look into it" (p. 1400). He said his enterprise had been doing business with post exchanges for 30 years. He said he had been in Vietnam since 1965—and had been consistently discriminated against by Vietnam Regional Exchange commanders, Col. John Goodlett and Col. Jack Ice, and then by Col. Jack Potter, although his situation improved somewhat with Potter managing the exchange (p. 1396).

Adler claimed he submitted low bids on PX diamond concession contracts only to have Goodlett and Ice award the contracts to Caribe Diamond Corp., a higher bidder. The result of this, Adler said, was that GI's paid more for Caribe diamond jewelry when the diamonds of the same quality could have been sold to the troops cheaper (p. 1395).

Adler was particularly critical of Ice and explained that in May of 1967 he had complained to Brig. Gen. Earl Cole and Maj. Gen. Frank Miller. Cole, as Deputy Chief of Staff for Personnel and Administration at the U.S. Army/Vietnam (USARV) headquarters in Long Binh, was chairman of the Vietnam Regional Exchange Policy Board. General Miller was a board member, he said (p. 1394).

Adler said his firm received fairer treatment from Ice's successor, Col. Jack Potter, but that Caribe still continued to receive preferential treatment (p. 1396).

THE MISKE AFFIDAVIT

Walter L. Miske, of Honolulu, was executive vice president of the House of Adler until February of 1970 and went to Vietnam in June of 1966 to establish jewelry concessions in the exchange system for Adler. Miske, in a February 1, 1971, subcommittee affidavit (pp. 1499-1503), said House of Adler had been granted the concession to supply and sell diamonds to U.S. Armed Forces in Vietnam by the post exchange system. Adler's bid, he said, was 5 percent lower than a competitor's, Caribe Diamond. But Miske found upon arriving in Vietnam that Caribe's representatives were already there and were opening as many jewelry concessions as was House of Adler (p. 1500).

Colonel Goodlett was about to leave Vietnam, Miske said, so he and the company president, Jacques Adler, went to his successor, Col. Jack Ice, and complained about the "allotting of locations to Caribe Diamonds when Caribe Diamonds actually was the higher bidder in the original contract bid." In addition, Miske said, Caribe had fewer trained sales personnel and charged GI's 5 to 10 percent more for its jewelry than did House of Adler (p. 1500).

Miske said the "numerous complaints" to Colonel Ice, lodged by Adler and himself, were not successful for Ice "could not be moved" so in April of 1967 they personally took their grievances to Gen. Earl F. Cole, chairman of the policy board of the post exchange. After this meeting, Miske said, Adler's situation improved but concession locations were still "in favor of Caribe" (p. 1500).

Miske said Colonel Ice initiated a series of administrative actions against House of Adler for alleged violations of minor contract regulations. The violations cited by Ice were "mediocre," Miske said, and indicated to him that Ice was using them to put the Adler organization out of business (p. 1500).

Miske said he discussed his PX problem with Joseph DeMarco, a concessionaire who got along well with Ice. DeMarco, Miske said, tried to talk him out of going to his Colorado congressional delegation, suggesting instead "through innuendos" that "I pay some gratuity" to Colonel Ice. Miske said he replied that Jacques Adler would "not consider" a bribe and that he would probably seek to have the congressional delegation correct the situation (p. 1501).

DeMarco, who represented Star Distributing Co., a PX concessionaire, must have told Ice of their conversation, Miske said, because the next time he saw Ice the Colonel said he was "the boss" of the Vietnam exchange and "no pressure from any Congressman could change" his decisions (p. 1501).

Miske added that it was a "standing joke" among other PX concessionaires in Vietnam that Jacques Adler was a "cheap Charlie," was not "paying off"—and, in return, could look forward to winning the diamond concession along the Demilitarized Zone (p. 1501).

While Adler suffered harassment for "minor violations," Miske said, Caribe Diamond was guilty of major violations such as displaying diamonds over the \$1,000 value limitation and selling jewelry the firm was not authorized to sell such as watches (p. 1501).

Miske recalled one incident in which, he said, Ernest J. Murray, a Caribe Diamond agent, was apprehended by Vietnamese customs for having "a large number" of diamonds and U.S. dollars in his apartment. Pointing out he had "no firsthand knowledge of what had occurred after the seizure" of the dollars and diamonds, Miske said "it was openly discussed" among PX vendors that Colonel Ice had "intervened" with Vietnamese customs, enabling Murray to get his currency and jewels back (p. 1501).

Supporting Miske in the matter of the seizure was a report written by George Roberts, senior customs adviser to Vietnamese customs, U.S. Agency for International Development (AID) (pp. 1409-1410). Senator Ribicoff read into the record of the hearings an extract from the report in which Roberts said that an Ernest J. Murray, a former AID employee and now an employee of Caribe Diamond Corp., was arrested in his home June 8, 1967, in possession of 42 kilos of pearl jewelry worth \$3,252.38 and U.S. dollars totaling \$2,700. Roberts' report went on to point out that the jewelry was "consigned to the PX" but was delivered to Murray's home directly from the airport by PX employees without clearing customs. Roberts added:

Colonel Ice, Vietnam Regional PX C.O., intervened and stated that the jewelry was in Murray's house because of lack of warehousing and storage facilities in the PX (pp. 1409, 1410).

Shown the report written by Roberts, Colonel Ice denied having intervened. He said he remembered an incident involving a Caribe representative being arrested by Vietnamese Customs in possession of pearl jewelry and U.S. dollars but that he did not remember the name Ernest Murray—nor did he intervene or call the Customs officials in this matter (p. 1409).

In his affidavit, Miske also alleged that Ice discriminated against House of Adler in favor of Caribe regarding the diamond concession

at the International House in Saigon. The International—or “I”—House was a U.S. Embassy-sponsored establishment in downtown Saigon that contained a bar, restaurant, snack bar, dance floor, gift shop and many slot machines and other concessions available for American civilian personnel and other authorized persons (pp. 1501, 1502).

Miske thought of the I House as a “choice location” for diamond sales and submitted a bid for it but, he said, the concession went to Caribe. Later the manager, Gilbert Danner, admitted to him that Colonel Ice urged him to award the concession to Caribe, Miske said. Miske added that he saw Caribe display diamond jewelry at the I House in excess of the \$1,000 limitation on value (p. 1501).

Colonel Ice denied he had any involvement in Caribe Diamond’s winning any locations for diamond sales. He also denied discriminating against House of Adler (pp. 1408, 1409).

COLONEL ICE RECEIVES, RETURNS \$4,000

The most serious charge that Jacques H. Adler, president of the House of Adler, made against Col. Jack Ice was that Ice demanded and received a \$4,000 bribe from a Korean Army Colonel in return for the award of a PX laundry concession.

Ice returned the \$4,000, Adler said, after Adler and the Korean, Colonel Yi, complained to General Earl F. Cole that the bribe had been paid—but that Ice had not granted the laundry concession to Yi’s family. Adler’s allegation was supported by Robert J. Carkhuff, an employee of the House of Adler, who, in a February 12, 1971 subcommittee affidavit, claimed to have helped Ice return the \$4,000 to Colonel Yi (pp. 1402–1403).

Ice acknowledged to Senators that he had received \$4,000 in 39 \$100 bills and five \$20 bills in an envelope, postmarked Vietnam, from Colonel Yi in August of 1967. Ice said the envelope was at his new duty station near Washington, D.C.—Arlington Hall, Va.—when he arrived there after his Vietnam tour ended. Inside the envelope with the cash was a note signed “Ike”—Yi’s nickname (pp. 1407, 1415)—requesting that Ice hold the money for him until further notice. Without thinking about it—or notifying authorities—Ice said, he locked the money in his desk. Later when he was assigned to another Army installation in Tooele, Utah, he took the cash with him, he said, locking it in his desk again (pp. 1405, 1406, 1421).

Ice said he returned the money in December 1967 by depositing it in the Bank of Denver in an account held by Robert J. Carkhuff of the House of Adler, headquartered in Denver. Ice said his understanding was from a second set of instructions from Colonel Yi that the money would then be transferred from Carkhuff’s account back to Yi. Colonel Ice said he did not save the envelope the money came in—nor did he keep Yi’s instructions (p. 1406).

Senator Percy suggested to Colonel Ice that, since his acquaintance with Colonel Yi was only a casual one, it appeared that the Korean’s action in sending him \$4,000 in cash was either a bribe or the initiation of a black market transaction. Ice answered: “Something is involved; yes, sir” (pp. 1425, 1426).

Ice then agreed with Senator Ribicoff who said Ice had "certainly used bad judgment" in involving himself in the receipt and return of the money without notifying proper authorities (p. 1426). According to Jacques Adler, however, Ice did not receive the money in the mail at all. Colonel Yi gave it to Ice in his office in Vietnam, Adler asserted (p. 1392).

Adler said he became involved in this situation when Colonel Yi, a friend of his, explained that his family had deeply indebted itself to raise the \$4,000 to bribe Colonel Ice—and now had nothing to show for it since Ice had left Vietnam and had not given the laundry concession. Adler said he and Yi drove to Long Binh and went to General Earl Cole's trailer where Yi and Cole talked privately in the bedroom out of Adler's earshot for about 20 minutes. As they drove back to Saigon, Adler said, Yi told him General Cole had promised to write Ice (p. 1397).

Adler, who said he was fond of Republic of Korea (ROK) Forces because they had assisted him in his business, offered to help Colonel Yi get his money back in any way he could. Yi took him up on the offer, Adler said, and through his employee in Vietnam, Robert Carkhuff, arranged to have Ice return the \$4,000 by first depositing it in Carkhuff's House of Adler account in Denver. Using Carkhuff's account was necessary, Adler said, because Yi believed that Ice did not wish to return the money directly (p. 1397).

Independent inquiry by the subcommittee staff established that Col. Jack Ice purchased a \$4,000 cashier's check at the Beehive State Bank, Tooele, Utah, December 29, 1967. The check was deposited to the account of Robert Carkhuff at the Bank of Denver in Denver, Colo. (pp. 1397, 1398). On January 17, 1968, L. W. Kent, an employee of House of Adler in Denver, purchased a bank draft for \$4,000 on the Carkhuff account made payable to Mrs. Choi Yung Suck, Colonel Yi's wife. The draft was mailed to Carkhuff in Saigon. The endorsement on the draft indicated it was cashed February 12, 1968, at the First City Bank, Seoul, Korea and then the funds were deposited in Colonel Yi's personal account at the same bank (p. 1398).

Cables between Carkhuff and his Denver office confirming certain of these transactions were apparently intercepted by the Vietnamese Customs who, interpreting the messages as indications of a currency black market scheme, raided the House of Adler office in Saigon, jailed Carkhuff and set his fine at \$33,177, Adler said. Adler added that he paid the fine for Carkhuff (p. 1399).

The arrest and fine of Carkhuff alerted the Army CID to the incident. CID agents interviewed Colonel Ice four times. He gave a number of explanations, his final two accounts being that the \$4,000 was a bribe he had given Ice and which Ice had returned to him through Carkhuff.

In a sworn interview with the CID July 4, 1970, Colonel Yi responded to questions about the transaction this way:

Answer.—Some time in June 1967, I visited Colonel Ice at his office and asked him to get me a laundry concession with the Vietnam Regional Exchange. He told me he would try his best. At that time I put on his desk an envelope which contained \$4,000 in greenbacks.

Question.—What is the reason that you put the money on Colonel Ice's desk?

Answer.—I didn't tell him what the envelope contained; however, I left the money for him to use in trying to get me a laundry concession and to express my gratitude in advance.

Question.—Did you ever get the laundry concession later?

Answer.—In July 1967, Colonel Ice left for the United States and I did not get any laundry concession (p. 1404).

Then, Yi explained, he and Jacques Adler went to General Cole's trailer and told him the story of the bribe attempt that failed. General Cole suggested writing Ice and gave the Korean Ice's Arlington Hall, Va., address, Yi told the CID. Yi sent two letters to Ice, the second one containing a threat that he would report to a "general officer" unless the \$4,000 were returned, the ROK colonel said. The second letter also carried the instructions for going through Carkhuff's Denver account, Yi related (p. 1404).

Questioned as to why his earlier versions of the \$4,000 transaction had differed from the last two, Colonel Yi explained:

Since I got my money back, I did not want to see Colonel Ice harmed in any way; however, I finally decided to tell the truth due to investigative persistence (p. 1404).

Ice, when interviewed by the CID, said essentially what he told the subcommittee—that the money came to him at Arlington Hall, that he held it, then returned it 6 months later, using Carkhuff's account as the drop point.

Colonel Ice testified no bribe was involved and that an Army review of the transaction had exonerated him of any wrongdoing (p. 1420). Colonel Ice informed Senators that if he had the whole thing to do over again he would have immediately alerted his superiors of the arrival of the \$4,000 and followed their directions on what to do with it. Then he asserted:

In my 28 years', almost 29 years' service I have never been pressured. I have never done anything wrong to defame my uniform or my country. I have never been pressured by anyone to give preference to anyone. I can appreciate what this committee is trying to do. Maybe we should have in the system done some of them before. But I have done nothing to defame this uniform in any way whatsoever (p. 1419).

ICE, CRUM INTERPRET LETTER DIFFERENTLY

One of the more noteworthy actions William Crum took was to represent himself as being an official of the Vietnam Regional Exchange or VNRE in order to import vehicles into Vietnam duty free. Crum identified himself as being with "Hdqs. VNRE, APO 96283, Operations Division" in a September 22, 1967, memorandum to the U.S. Embassy he wrote and signed requesting "TN" license plates for 10 automobiles and pickup trucks (p. 1286). The "TN" designation meant the vehicles were to be used in support of the allied effort and, as such, were imported into Vietnam duty free.

The subcommittee indicated that Crum's assumption of the right to represent himself as a PX employee was based on a letter written to him

by Col. Jack Ice, commander, Vietnam exchange. The letter, dated September 17, 1966, and addressed to Crum as the "Operations Manager" of Sarl Electronics, said:

Subject: Authorization vehicle registration.

Dear Mr. Crum: Reference your conversation regarding concessionaire vehicle importation and registration. It is deemed advisable by this headquarters that you continue to process this paper work only until such time that written procedures are established by the Vietnam Regional Exchange, Customs and Transportation Branch. You will be notified in writing of such action (p. 1212).

Col. Jack Potter, who replaced Ice as head of the Vietnam exchange, saw a copy of the memorandum Crum of the PX "Operations Division" had written to the American Embassy. Potter said he referred the memorandum to Mr. Blair, the exchange official "responsible for the admonishment, reprimand, and so forth" of vendors and concessionaires who violate contract regulations (p. 1211).

Blair, Potter said, wrote to Sarl Electronics asking to know who in the PX had given Crum authority to represent himself as an official. Potter said he did not know if Sarl ever replied to Blair's letter.

Meanwhile, Potter told Senators, he initiated his own study of the files left by Colonel Ice and came upon the September 17, 1966, letter Ice had written Crum. Colonel Ice said he authorized William Crum to bring in one automobile—but only one. He said he did not recall having written a letter which Crum could interpret as giving him the right to say he was an exchange official and request TN license plates (pp. 1211, 1212, 1423).

The subcommittee could not confront Ice with a copy of the September 17 letter because the document was not available at the time the colonel testified (p. 1423). The letter was made a part of the hearing record, however (p. 1212).

Colonel Potter said that when he realized the implications of the Ice letter to Crum he wrote a September 23, 1967, letter to Crum in which he stated:

This is to formally advise you that any authority which may have been implied for you to register vehicles on behalf of the exchange under the letter of 17 September 1966 is rescinded (p. 1293).

In his appearance before the subcommittee, Colonel Ice was accompanied by his counsel, Jacob A. Stein, of Washington, D.C. Colonel Potter testified without counsel March 2, 1971.

XI. CRUM'S PROBLEMS WITH CUSTOMS

WHALEN DELAYS DELIVERY OF SARL SHIPMENTS

Former Gen. Earl F. Cole told Senators that he and William Crum were not very close friends, that during his 30-month tour in Vietnam the two of them had gotten together socially about 15 times. Senator Allen asked if business matters were discussed at these social engagements. Cole replied that Crum rarely discussed business but when he did it usually concerned "his problem with customs" (p. 1567).

Other witnesses testified about Crum's "problem with customs."

Jack W. Bybee, a former employee of William Crum, testified that he remembered a young Army officer named Whalen who sought to prevent certain Sarl shipments from being cleared at the Saigon Port. The goods were ultimately cleared. Bybee said, and Whalen's efforts were only a "minor inconvenience" to Crum (p. 1048).

Thomas J. Whalen, now an attorney in a New York law firm, served as a captain in the Judge Advocate General Corps (JAG) at the Saigon Port from October 4, 1966, to August 31, 1967, with the 125th Transportation Command. He testified March 1, 1971 (pp. 1138-57, 1173-75).

Whalen advised Senators he tried to stop two Sarl shipments he thought were being imported illegally—and that he cleared the shipments only after Brig. Gen. Earl F. Cole told him to (pp. 1144-46).

The primary mission of the Transportation Command, Whalen said, was to advise and assist the Vietnamese officials at the Saigon Port and "to improve port operations and reduce port congestion by bringing about a more orderly and expeditious movement of cargo through the port" (pp. 1138, 1139).

As procedures tightened up at the port, the congestion problem declined, Whalen said, and he devoted attention to other difficulties, one of which was the generally unsupervised import of products in support of nonappropriated fund activities such as clubs, messes, and exchanges (p. 1140).

Whalen testified he learned that Sarl Electronics, an importer of slot machines, coin-operated amusements and other products for use in U.S. NCO clubs, was leasing many of these machines to the clubs and then extracting one-third of the take from the machines. This arrangement violated agreements under which businesses dealing with nonappropriated fund activities were allowed to import duty-free goods to be owned by the clubs, Whalen said, adding:

It seemed to me that the receipts of 1 or 2 months' use of the machines would pay for the machines themselves; and that a shockingly large amount of the money taken in by these machines was going to an outsider, and not to a military welfare fund (p. 1143).

In addition, Whalen pointed out, Vietnamese customs agents believed Sarl Electronics was importing slot machines and coin-operated amusements duty-free and selling some of them on the Vietnamese economy. Whalen said two jukeboxes imported by Sarl were found in a Saigon bar and several Datsuns—Japanese-made automobiles—Sarl had brought into Vietnam duty-free were discovered in use on the local economy (p. 1150).

The Army customs officer at the Saigon Port under Captain Whalen was 1st Lt. John L. Fisher, Jr. In a November 10, 1969, subcommittee affidavit Fisher said that he, too, suspected Sarl Electronics was importing goods duty-free “in contravention of Vietnamese laws” (p. 1168). Fisher and Whalen both stated they decided to delay delivery of further Sarl shipments until the company could present proof that this cargo was reaching the clubs and messes it was consigned to.

In July of 1967, when a Sarl employee arrived at the port to pick up a shipment of goods, Whalen refused to clear the machines and advised the Sarl man that he had to show “proof that they were going to the open messes and would be owned by them” (p. 1144).

WHALEN SAYS GENERAL COLE CALLED HIM

A few days after the visit by the Sarl employee, Brig. Gen. Earl F. Cole called him, Whalen said. Cole identified himself as having “authority over the open mess system” and wanted to know why the Sarl shipment was being held up, Whalen recounted. (p. 1144)

Whalen said he explained to the general that since the clubs did not own—“and probably would not own”—the machines, a custom-free clearance for Sarl equipment was not justified and violated shipping laws and regulations (pp. 1144, 1145). Cole thought the Vietnamese customs agents were responsible for holding up the Sarl hardware and suggested they were doing it because they were corrupt, Whalen testified, adding that he quickly informed the general that it was he—not the Vietnamese—who had initiated the action. (pp. 1151, 1152).

Whalen said General Cole “did not deny” the assertion that Sarl’s duty-free importation privileges were in violation of regulations but instead explained:

* * * every time a new man came into port, he [Cole] had to go through this whole exercise again (p. 1145).

Cole said he had taken this question to the Military Assistance Command/Vietnam (MACV)—the highest U.S. military authority in the country—where a judgment was made that Sarl’s importation privileges were valid, Whalen testified. Whalen told Senators that Cole said his aide, a lawyer and Fordham Law School graduate, also concurred in the MACV opinion. (p. 1145)

Whalen said he then objected to the high profit Sarl enjoyed on leased machines. To that, Cole replied the leasing arrangement was “to insure that the machines would be properly serviced” and provided with spare parts, Whalen said. Cole told him to “go ahead and look into the entire situation,” Whalen said, but to move quickly so the machines could be taken from the port to the clubs (p. 1145).

WHALEN RECEIVES A SECOND CALL

According to his "best recollection," Whalen testified, he was called about 5 or 6 days later by the aide Cole had described as a Fordham law graduate. The aide, whose name Whalen could not remember, engaged him in a "relaxed conversation" about the legal merits of the Sarl importation issue, pointing out that "possession" was what counted and that, therefore, it was not relevant whether the clubs owned or leased the machines as long as they possessed them. Whalen said he disagreed (pp. 1145, 1146).

General Cole, who had apparently been listening in on an extension, broke into the conversation, Whalen testified, to say "firmly" that there was "nothing wrong with the Sarl transactions," that the matter had been properly researched and that MACV had "said it was OK." Whalen continued:

General Cole then informed me I was to expedite the release of the slot machines to Sarl Electronics. General Cole told me he would stand behind the propriety of the release (p. 1146).

In the face of this encouragement from a general officer, the young captain said, he held his ground, advising Cole that there was concern at the port that Sarl was not only importing goods in violation of regulations, it was also diverting products consigned to the clubs. Whalen said Cole instructed him to report back if "I found anything to be wrong" (p. 1146).

Fisher—now a chemist in Huntington, W. Va.—said he was not present during a telephone conversation Captain Whalen had with General Cole. But he said Whalen told him of a conversation in which Cole "had been very emphatic" about the need "to release the shipments for Sarl" and "not to interfere with them any more" (p. 1168).

In an October 1969 sworn interview with the CID in Germany, Cole was asked if he had made a telephone call to the Saigon port "directing release" of a shipment of Sarl slot machines. Cole's reply was:

I do not recall making such a telephone call to anyone at the port (p. 1528).

However, during the hearings Cole said he did remember making a telephone call with reference to slot machines at the Saigon port. Cole told Senators:

I called the port to seek the release of machines ordered by the club and mess system and the bill of lading I believe was to that club and mess system. I believe that the port had legitimate purchase orders from that club and mess system.

It happened that the merchandise was from Sarl Electronics but in my view I was intervening to get the club and mess system what they had required in their club and mess and what they had ordered (p. 1604).

To the remarks by Whalen that he had spoken with a Fordham University law school graduate who worked as an aide to Cole in Vietnam, Cole testified:

Captain Whalen testified that my aide, a Fordham graduate, called him. I had no aide. I had no Fordham graduate working for me. I checked the entire USARV section and no one was a Fordham graduate, but this is what he remembered (p. 1956).

WHALEN RELEASES SHIPMENT OF SARL GOODS

His commanding officer, Colonel Collins, was concerned about Cole's telephone calls, Whalen said, not only because of the Sarl controversy but also because the general had taken action outside the military line of command. However, Collins suggested to Whalen that the dispute might be resolved by studying the MACV legal opinion Cole had referred to. Whalen testified (p. 1152).

Inquiring at the MACV international law division, Whalen could find no one who knew anything about the Sarl situation at the Saigon Port; nor did anyone know about a legal opinion that had been handed down on the matter. Whalen said a U.S. Navy lieutenant commander in the law division concurred with Cole's decision after Whalen had given him the facts of the case. The Navy officer's assessment influenced Whalen's thinking for he came to the conclusion that if the question ever were brought to the attention of MACV the decision would go Cole's way (p. 1154).

When he returned to the Saigon Port, Whalen released the shipments of Sarl machines, convinced, he said, Cole's position "probably would be upheld even though I was certain in my own mind it was wrong" (p. 1146).

To Fisher's recollection, Whalen's decision to turn the shipments over to Sarl was based on one call from General Cole (p. 1168).

WHALEN, FISHER CONTINUE INQUIRY

Still convinced Sarl was in the wrong, Whalen, with his customs officer, Lieutenant Fisher, began checking destinations of Sarl slot machines and other equipment, hoping to provide proof that some of this equipment was not being delivered to the clubs, the former Army captain testified (pp. 1146, 1147).

Whalen said he assigned Sgt. William Gossett to check out Sarl's operations, noting that Gossett found a Sarl warehouse containing a "considerable stock" of slot machines. Gossett, Whalen said, also interviewed a club system custodian who told him some machines he had ordered from Sarl had never been delivered (p. 1147).

Throughout his inquiry, Whalen said, he worked with Vietnamese customs agents and their U.S. Agency for International Development (AID) American advisers in seeking evidence to demonstrate Sarl sold duty-free products on the Vietnamese economy.

Scheduled to leave Vietnam in August of 1967, Whalen was to be replaced by another judge advocate general corps officer, Capt. Daniel W. O'Connell. With Customs Officer Fisher, Whalen and O'Connell discussed the Sarl situation as well as the possibility of sending questionnaires to open mess systems in Vietnam in further pursuit of evidence that Sarl was not delivering all consigned equipment to the

clubs. In November of 1967, O'Connell wrote him, Whalen said, and pointed out the questionnaires had been sent to the clubs and that in turn he had received a telephone call from "you know who" and "I was squeezed a bit" (pp. 1147, 1159, 1160).

O'CONNELL TRIES TO GATHER DATA ON SARL IMPORTS

Daniel W. O'Connell, testifying before the subcommittee March 1, 1971, succeeded Captain Whalen as a staff judge advocate for the 125th Transportation Command at the Saigon Port in the summer of 1967 (pp. 1157-1167). O'Connell, now an attorney practicing law in West Palm Beach, Fla., said Whalen, before leaving Vietnam, briefed him on his duties and discussed with him the Sarl Electronics duty-free importation controversy and General Cole's advocacy of the Sarl point of view. O'Connell said they also discussed the possibility of sending questionnaires to clubs and messes to gather information on what Sarl did with duty-free goods consigned to open mess systems (p. 1157).

After Whalen left, O'Connell said, Vietnamese customs agents came to him with a request for documentation regarding the importation of slot machines and jukeboxes to determine if the equipment had been imported for use in NCO clubs (p. 1157).

Responding to the Vietnamese customs request and their own interest in Sarl's operations, O'Connell and Fisher prepared and sent questionnaires to a selected number of clubs and messes asking for listing of coin-operated machines and other equipment Sarl provided. O'Connell said the form letter also requested data on the size of the cut Sarl was extracting from the profits from leased coin-operated equipment. O'Connell told the subcommittee he had heard that some clubs were giving up as much as 60 percent of the profits to Sarl, a percentage twice what Whalen had thought to be the case (pp. 1158, 1277).

VIETNAMESE CUSTOMS AGENTS SUSPECT SARL OF SMUGGLING

The U.S. AID mission in Vietnam assigned American advisers to help Vietnamese customs agents combat customs violations and currency black market transactions. One such American adviser, Robert W. Flynn of Chula Vista, Calif., explained in a November 5, 1970, subcommittee affidavit that Sarl Electronics and an affiliated firm, Price & Co., had come to the attention of the Vietnamese Customs Fraud Repression Service for violation of importation laws (pp. 1171-1173).

Vietnamese custom agents, Flynn said, suspected Sarl Electronics of diverting duty-free goods consigned to the NCO clubs and selling these goods on the Vietnamese economy (p. 1171).

Flynn recalled that in the summer of 1967 the Vietnamese Fraud Repression Service raided Sarl and Price & Co. offices throughout Vietnam. The raids, even though coordinated, had turned up "very few documents" showing wrongdoing, Flynn said. But one of the documents that was found was a directive from Sarl's general manager in Saigon, Graham (Bill) Welton, instructing personnel to destroy certain records. The Vietnamese agents, Flynn said, believed the Welton memorandum had been sent out because "somebody had tipped off Sarl that this raid was to take place." (p. 1172).

In spite of the futility of the countrywide raids, Flynn said, evidence continued to be assembled by Fraud Repression Service agents concerning Sarl and "it became apparent to them that Sarl was diverting goods into the local economy" in violation of Vietnamese law (p. 1172).

To enlist the support of the Saigon Port authorities in the Sarl matter, Flynn said, the Vietnamese customs agents met with Captain O'Connell, with himself and his associate, Bill Knierim. At the meeting, Capt. Daniel O'Connell agreed to send out a questionnaire to clubs and messes in Vietnam, asking for serial numbers of coin-operated machines brought to them by Sarl, Flynn recounted (p. 1172).

Fisher remembered the customs agents' request for assistance and, in his affidavit, said that while they had asked that eight shipments be checked out he and O'Connell actually traced 16. Such a survey, Fisher explained, had been planned by Whalen and himself anyway—until General Cole recommended to Whalen that getting involved in Sarl's importation operations was unnecessary (p. 1168).

O'CONNELL RECEIVES A TELEPHONE CALL

The questionnaires were sent to the clubs September 7, 1967, O'Connell testified. A few days later, he said, Brig. Gen. Earl F. Cole called him. O'Connell related:

General Cole asked me what was going on down in Saigon Port. He asked me what kind of investigation we were running. He used a very emphatic tone of voice in asking why we had sent out the form letters (p. 1158).

O'Connell said he explained to the General that he and Lieutenant Fisher were carrying out the inquiry at the request of Vietnamese customs as well as to satisfy their own interest in Sarl's procedures (p. 1160).

Cole's reaction, O'Connell said, was to ask "what authority I had to run an investigation" (p. 1160). Cole also inquired if any irregularities had been found. O'Connell added:

* * * I felt from the general nature of the questions [Cole asked] that we had done something wrong (p. 1159).

O'Connell told Senators General Cole employed a "command, direct voice" during the conversation, giving the young JAG officer the feeling he was "under cross-examination." It was the first and only time in his military career he received a telephone call from a general officer, O'Connell testified (p. 1158).

On November 4, 1967, O'Connell wrote Whalen. The letter, identified by O'Connell and introduced into the hearing record, said in part:

We sent out letters a couple of months back on certain forms re slot machines and jukeboxes. You know which ones. That was to certain clubs and messes. You know who called and I was squeezed a bit (p. 1159).

Being "squeezed a bit," O'Connell advised Senators, meant "I felt pressured" by General Cole's telephone call. It prompted in him, O'Connell said, "introspective" thoughts in which he wondered if by sending out the form letters he had "done something illegal or immoral" (p. 1159).

The Army Customs Officer, John Fisher, recalled that about 2 days after the questionnaires were sent out, O'Connell spoke of having received a telephone call from General Cole in which the general "berated the allegations or insinuations against Sarl Electronics" in a "very vehement" manner (p. 1168).

COLONEL OSBORNE CALLS COLE BACK

O'Connell testified that he reported the Cole telephone conversation to his commander, Col. Lloyd A. Osborne. The colonel called Cole, O'Connell recounted. After speaking to the general, Osborne explained that Cole was "interested in cleaning up" any irregularities at the port "if they existed" but that O'Connell and Fisher had "used bad judgment in mentioning only Sarl Electronics in the form letter," O'Connell testified (p. 1160).

O'Connell said he was in Osborne's office when the colonel spoke on the telephone with Cole and could not testify to what was said by General Cole (p. 1161). However, Colonel Osborne described in a subcommittee affidavit two phone conversations with General Cole in which Cole stated "we ought to lay off Sarl Electronics." Colonel Osborne said General Cole also stated that "if it were not for firms like Sarl, we would not have clubs such as we had," an assertion with which no members of the subcommittee took issue (p. 1170).

In his affidavit (pp. 1169, 1170), Colonel Osborne said it was his "impression" that General Cole had received a "complaint from someone" because Sarl Electronics had been singled out as a "firm suspected of wrongdoing" in the O'Connell-Fisher questionnaire.

Summarizing the first conversation with Cole, Osborne said there was "no doubt" that General Cole was "displeased" about the form letter and that:

The gist of our telephone conversation was that General Cole felt that although Sarl Electronics might have taken some short cuts in importing, we would not have had decent service clubs without help from firms like Sarl. The general indicated to me that, by naming Sarl in the letter, we were persecuting Sarl Electronics (p. 1170).

Fisher said he was present during a telephone conversation between Osborne and Cole. The main reason for Cole's interest, Fisher said, was "the identification of Sarl" in the letters he and O'Connell had sent out (p. 1168).

American Customs Advisor Robert Flynn had no knowledge of General Cole's calls but he did remember O'Connell telling him that "pressure had been received" to stop sending out questionnaires and that a general officer—"whom he did not further identify"—had expressed an interest in the Sarl issue. Flynn said the "lack of assistance from the U.S. Military" rendered the customs inquiry "ineffective" (p. 1172).

Meanwhile, Flynn said, Vietnamese customs raids turned up Rockola jukeboxes and Sega slot machines—both Sarl imports—in Vietnamese bars. Sarl was fined, Flynn said, since the importation for sale on the economy of slots and jukeboxes was prohibited in Vietnam at that time. Flynn said Vietnamese Fraud Repression Service agents also

found Sarl's representative in DaNang, Tony Furio, to have attempted to "circumvent the prohibition against slot machines" (p. 1172).

Some days after the form letters were mailed, Fisher recounted, two Americans, identifying themselves as Sarl employees, came to the port, explained that in the future any questions about the firm's procedure should be directed to them and then pointed out that "few companies operating in Vietnam were able to operate entirely on legal basis." The men, whose names Fisher could not recall, also predicted that the questionnaires would probably provide data that would conflict with port figures on Sarl imports but any such discrepancies would be the result of cancellation of orders, Fisher said (p. 1169).

The two Sarl employees might have saved their disclaimers for another occasion as O'Connell, Fisher and Flynn all said the response to the questionnaires was poor, the figures incomplete and the investigative benefit to the Vietnamese Fraud Repression Service insignificant.

THE CID IS SENT IN

Shortly after the telephone call from General Cole to O'Connell, an Army investigator identifying himself as representing the USARV Provost Marshal arrived at the Saigon port and asked for a copy of the questionnaire, a list of the clubs the letters had been sent to and an accounting of the duty-free goods which were being traced, O'Connell stated. The investigator also wanted to know "who started the investigation." O'Connell said he could not remember the investigator's name but the subcommittee staff identified him as CID Agent Jack W. Smith (p. 1162).

Smith was the first of a long line of CID agents who were to visit the port in connection with the Sarl case, O'Connell testified. They all asked similar questions, he recalled, but no investigative results seemed to be forthcoming. Finally, O'Connell said, he became impatient with them and told them he was "sick and tired" of their interviews "when nothing was ever done" (pp. 1162, 1163).

Fisher said he also found the stream of CID agents "somewhat annoying" because no progress seemed to be made. But Fisher added that, while he "considered it wise" not to pursue the inquiry into Sarl in view of General Cole's "very emphatic" opposition, he felt it was best to be cooperative with the CID agents as they represented the only hope that Sarl could be properly investigated. Fisher said he hoped—

* * * that personnel from the CID office who were trained to investigate criminal activities would be able to use our information to good advantage (p. 1169).

Flynn said the CID was turning over some of its findings to the Vietnamese Fraud Repression Service. With documents from the CID and a raid on a Sarl broker, Flynn said, Vietnamese Customs agents "ascertained" that Sarl Electronics was falsifying purchase orders so that more machines could be imported duty-free (p. 1173).

ST. MARTIN, YOUNG VISIT SAIGON PORT

O'Connell said he and Lieutenant Fisher were visited December 27, 1967 by Maj. Clement St. Martin, club officer at Long Binh, and by

Capt. William Young, a judge advocate officer at Long Binh. They were curious about a shipment of Japanese automobiles which had been imported duty-free by the Long Binh club system but which no one at the club system recalled having ordered (p. 1163).

O'Connell related that he told St. Martin and Young that the Japanese vehicles would not be released until proper documentation was shown as proof that the cars were destined for use at Long Binh (p. 1163). Acknowledging a "foggy" memory of this meeting, O'Connell said St. Martin's interest in the Japanese vehicles had been triggered when the major conducted his own inquiry and concluded that someone "is using our club to get vehicles in country." St. Martin also mentioned that General Cole was involved, O'Connell said (p. 1164).

When Senator Gurney asked if both St. Martin and Young were "sincere" in wanting to determine how the cars were brought in, O'Connell replied, "yes, sir, definitely." O'Connell also noted that he had considerable respect for Young as an attorney, having "practiced in a couple of cases against him" (p. 1163).

COLONEL MILLER CALLS FISHER, O'CONNELL TO LONG BINH

A few days after the visit by St. Martin and Young, O'Connell and Lieutenant Fisher were called to Long Binh by Colonel Miller, the Saigon support command staff judge advocate. They were asked what they knew about allegations Maj. St. Martin had made regarding the importation of Japanese vehicles and about "turkeys, some silverware and gifts to visiting dignitaries," O'Connell said (p. 1164).

General Jones directed Colonel Miller to conduct the inquiry, O'Connell stated, when he learned that Maj. St. Martin had received orders transferring him out of Long Binh "all of a sudden" shortly after having made the allegations, some of which involved General Cole. O'Connell said he could not remember how many automobiles were at the port. Senator Gurney said staff inquiry found there were 36 (p. 1164).

O'Connell testified that after the meeting he and Fisher had with Colonel Miller, the stream of CID agents visiting the port continued, taking his time and taxing his patience. On April 29, 1968—4 months after the meeting with Colonel Miller—a CID agent named Terry interviewed him and it seemed Terry "was starting the investigation over again," O'Connell said (p. 1165).

CID AGENT SCARA MEETS DICK WRIGHT

In December of 1966, CID Agent Robert V. Scara, working out of the Army Saigon Headquarters Area Command (HAC), met Richard (Dick) Wright, of Price & Co., Saigon office. Scara said Wright offered to put him on the Price & Co. "payroll" in exchange for advance information about Vietnamese Customs activities that might "adversely affect Price & Co. or its affiliate, Sarl Electronics." Learning of this offer, Scara's commander, Captain Edward Demorest, directed him to open a reading file on Wright, Price & Co. and Sarl as a preliminary step leading to the opening of an official investigation (p. 1178).

While devoting most of his time to an investigation into the black market in currency, Scara said, he "maintained a continuing interest" in Wright, Price & Co. and Sarl. In several conversations with Wright, Scara said, he was told by Wright that William Crum was the real boss of Price & Co. and Sarl, that Crum had influential friends of long standing in the military whom he frequently entertained at his Saigon villa and that one of these military friends was Brig. Gen. Earl F. Cole. Scara testified:

Wright indicated to me that whenever Crum had problems in dealing with the military services or with Vietnamese Customs, he telephoned General Cole to get the problems resolved (p. 1178).

GENERAL ASHWORTH "BLACK LISTS" CRUM

Warrant Officer Scara served under the command of Brig. Gen. Robert I. Ashworth, the Headquarters Area Command or HAC commanding general from April 1, 1966 to September 12, 1967. In a January 15, 1971 subcommittee affidavit, General Ashworth, now retired, said he, his Provost Marshal, Lt. Col. Hugh Riddle, his CID Chief, Captain Demorest, and CID Agent Scara held frequent meetings at which the activities of William Crum and his enterprises were discussed (pp. 1187-1189).

General Ashworth recalled that Crum was associated with Sarl Electronics, Sega, Tradewell, American Industrialization Services, and the American Vending Service and that Warrant Officer Scara was assigned to investigate Crum and these affiliates (p. 1188.) Ashworth recounted that he visited General Cole at his office in March of 1967. The retired general said that at this meeting:

* * * General Cole brought up the subject of Mr. Crum. General Cole spoke favorably about Mr. Crum. General Cole said: "I knew Crum from before. My people here in Vietnam have made a very thorough investigation of Crum and found him to be very clean and OK" (p. 1188).

General Ashworth said he disagreed with General Cole's favorable assessment of Crum and his operations. Ashworth said:

Replying to General Cole, I said our investigation was finding evidence that indicated Mr. Crum was engaged in illegal activities and that I intended to bar Mr. Crum, his employees, and the firms he represented from doing business within my command. General Cole did not raise this subject with me again (p. 1188).

On March 9, 1967—shortly after his meeting with Cole—General Ashworth said he discussed the Crum matter with CID agent Scara and with members of his command. After the meeting, Ashworth said, he officially blacklisted Crum, his employees, and the firms he represented from doing business within his command (p. 1188).

General Ashworth also pointed out in his affidavit that when he spoke with General Cole about the alleged illegal activities William

Crum was engaged in, Cole was the Deputy Chief of Staff for Personnel and Administration, USARV. In this position, Ashworth said, Cole "exercised staff supervision over the Army/Air, Force Regional Exchange (PX) which in turn controlled PX operations throughout Vietnam." General Ashworth added that his staff "referred matters relating to PX functions to General Cole's office" (p. 1188).

SCARA DOUBTS SARL SLOTS ARE NEW

Scara told Senators he kept his contacts with Wright, maintained his reading file and conducted his own inquiry into the slot machines Sarl provided military clubs, concluding in the spring of 1967 that Crum's machines sold and leased to the clubs were not new but were old, used, rebuilt equipment (pp. 1178, 1179).

Scara, wishing to get Crum's reaction to this assertion, said he told Wright of his belief of the age of the machines and Wright, echoing Crum's response, replied later that the machines had been new when first bought but that they had been stored for several years before being delivered to the clubs (p. 1179).

Scara noted that Wright and Crum's explanation was false information since "no one would store expensive and intricate gambling machines for a period of years" (p. 1179).

CUSTOMS RAIDS SARL AND PRICE & Co.

Vietnamese Customs raided Sarl and Price & Co. offices in the spring and summer of 1967, Scara said, and Vietnamese agents asked him to accompany them on some of the raids because both target companies were "duty-free agents who were engaged solely" in business dealings with U.S. Forces. The raids, Scara said, were based on the Customs agents' contention that Sarl and Price & Co. were selling duty-free goods on the Vietnamese economy (p. 1179).

The enthusiasm with which Vietnamese Customs Fraud Repression Service agents carried out these and other raids was described by their American adviser, Robert Flynn, in his affidavit. Pointing out that a number of the Vietnamese Customs agents were either indifferent to their work or saw it mostly in terms of personal gain, Flynn said that many of the members of the Fraud Repression Service were basically honest, determined to be fair and just, particularly with Americans, and "never used any type of duress or coercion to accomplish their goals" (p. 1171).

Flynn said that on some raids Vietnamese Customs men were too lenient with persons suspected of smuggling or black market transactions. When raiding Americans, Flynn said, the agents were hesitant for fear their actions could be seen as a political matter and that the U.S. Government would frown on it (p. 1171).

Vietnamese Customs agents raided the main Sarl office in Saigon July 20, 1967, Scara said. A Sarl salesman, Anthony J. (Riggs) Renieri, appeared in the office at the time, said Scara, who accompanied the Customs agents in the raid.

Scara recalled Renieri's briefcase was searched and found to contain the Graham (Bill) Welton memorandum to all Sarl branches,

directing that certain records be destroyed, others sent to Hong Kong and others be otherwise altered in one way or another (p. 1178).

In the course of the raid, Vietnamese agents came upon 25 slot machines marked for delivery to NCO clubs. No documents justifying the presence of the machines were produced by Sarl employees, Scara recalled, adding that they said William Crum "had the paperwork and carried it around with him" (p. 1180).

Also discovered in the Sarl office was a pad of blank U.S. military nonappropriated fund purchase orders. Explaining their significance, Scara told Senators:

I understood at the time that certain vendors, including Price & Co. and Sarl Electronics, were able to bring into Vietnam quantities of goods without payment of Vietnamese customs duties simply by increasing the orders which had been submitted by military club systems and then using the changed purchase orders to pass the extra items through customs.

On arrival in the hands of the vendor, the extra items would be removed from the shipment, the open mess would be billed for the original number of items ordered and the supplier would have a stock of goods available to dispose of as he wished, without the payment of Vietnamese Customs duties (p. 1180).

Asked why the blank purchase orders were in the office, the office manager, a Korean, said they were for the convenience of club custodians who "often came into the office" to place an order but forgot their forms, Scara explained. Renieri offered another explanation, saying that Sarl used the blank purchase orders "to make copies of club purchase orders for other Sarl offices," Scara said, adding:

Such practices, of course, obviously negated all military controls over purchase orders (p. 1180).

CRUM'S VILLA IS RAIDED

On July 22, 1967—2 days after the raid on Sarl's main Saigon office—Vietnamese Customs agents converged on William Crum's villa in Saigon. Scara once again accompanied the agents. The agents found several crated slot machines, consigned to NCO clubs, in a small warehouse near Crum's villa, Scara said. He testified that Crum, who "did not seem surprised by the raid," explained the slot machines were there because the clubs which had originally ordered them "no longer wanted them." Crum said he held the machines for "immediate delivery" to "other clubs" in need of slots, Scara recalled. Scara pointed out to Senators:

The flaw in this practice * * * was obvious. The "other club" mentioned by Crum would have to prepare a purchase order for a transaction, which would simply furnish Crum with an additional purchase order to process normally, enabling him to bring additional merchandise into Vietnam duty free to augment the supply of "extra items" he already had on hand and which he could sell wherever he wished. He seemed to me

to have a replenishment device calculated to circumvent customs controls (p. 1180).

Scara said Crum served soft drinks to him and the Vietnamese raiders as they searched the premises. As the agents worked, Scara and Crum conversed. Crum mentioned his friendship with Brig. Gen. Earl F. Cole, Scara said. Crum also recalled that Cole visited his villa to attend parties and also "inferred" that Scara "could be invited" to these parties, the CID agent informed Senators (p. 1180).

Later, Scara said, he received a telephone call from an Army major who said he was calling from General Cole's office. The major, Scara said, advised him General Cole had learned that the CID had raided Sarl offices and William Crum's villa. The major, whom Scara was unable to further identify, said General Cole "wanted the details of the raid." Scara said he informed the major that Vietnamese customs—not the CID—had conducted the raid, and that he had already prepared a report for the provost marshal of the U.S. Army Headquarters Area Command (HAC) in Saigon (p. 1181).

Scara agreed with Senator Gurney that the major's phone call "was a most unusual procedure." "It was," Scara said, "cutting short the chain of normal command." Scara felt General Cole "wanted to know immediately" if the raid had resulted in "something substantial" (p. 1183).

THE ASHWORTH MEMORANDUM

Central to Scara's inquiry was evidence indicating that Crum and his associates were abusing privileges granted to them because of their work in selling to exchanges. Yet Scara believed Crum's efforts were almost all directed toward clubs and messes—that his post exchange business was not significant.

Scara told Senators he was particularly struck by the "TN" or official license plates Anthony (Riggs) Renieri, Welton, and other Crum employees had on their cars. These license plates had been given out because allegedly Sarl was a Vietnam Regional Exchange concessionaire, Scara said.

Using this concessionaire status, Crum and his associates were able to import duty free and tax free, automobiles for their personal use, enjoyed APO and other mailing privileges, avoided Vietnamese license fees and taxes, and were granted credentials giving them the right to buy at post exchanges. Scara questioned Crum's right to all these privileges—including the premise upon which they were issued; namely, that Crum and his employees were contributing to the Allied effort. Scara's thinking was along the same lines of Captains Whalen and O'Connell, the Saigon Port legal officers, who objected to Sarl's duty-free importation privileges (pp. 1181, 1183).

Briefed on Scara's findings, the HAC commanding officer, Brig. Gen. Robert I. Ashworth, then wrote a memorandum to the commanding general, U.S. Army/Vietnam (USSARV) (pp. 1183, 1287).

In his affidavit, General Ashworth said he sent the memorandum in late August of 1967, assuming that, since it had to do with PX matters, "normal course would be that it would be referred to the G-1, General Cole," who had staff supervision over the Vietnam Regional Exchange (p. 1188).

The memorandum was a strong indictment of the Exchange, General Ashworth said, recalling that in the document he alleged that William Crum was importing vehicles into Vietnam illegally, registering these vehicles as though they were being used in support of PX activities, and arranging for his employees to receive PX identification and ration cards (pp. 1183, 1184, 1188).

In addition, the Ashworth memorandum cited Crum's alleged irregularities as reflective of the overall inability of the Vietnam Regional Exchange to cope with these importation procedures of its concessionaires (pp. 1287-1289).

The exchange neither adequately monitored nor maintained records about goods ordered and then shipped into Vietnam duty free, General Ashworth asserted, and, with the exception of occasional "spot checks," the Exchange had no system of finding out what cargo was coming into country or what its true destination was. The memorandum concluded:

*** the "door" is wide open for black marketing, currency manipulation, and other lucrative activities through the questionable APO and duty-free import privileges given to concessionaires and their "friends."

*** It does not appear that the VNRE [Vietnam Regional Exchange] is fulfilling its responsibilities to either the U.S. Government or the Government of the Republic of Vietnam by its present policy *** and in fact condones a situation that could become extremely embarrassing to the U.S. Government (p. 1289).

General Ashworth said neither he nor his staff received a response, either in writing or by telephone, to his memorandum. But Ashworth said there was a response of an "irregular" nature—CID Agent Scara, whose investigation formed the basis for the Ashworth memorandum, was interrogated by the Vietnam Regional Exchange commander, an action not in keeping with the Army's "normal procedure" (pp. 1188, 1189). Later, Scara was investigated by the USARV CID.

CID AGENT SCARA FACES PX OFFICIALS

Shortly after the Ashworth memorandum was sent out, Scara was directed by the Headquarters Area Command deputy provost marshal to brief Col. Jack Potter, the exchange commanding officer, and his staff on matters pertaining to the investigation he had conducted (pp. 1184, 1185).

Scara said he received the directive on a Friday afternoon to appear at a 10 a.m. Saturday meeting. Scara said he understood Colonel Potter wished to "discuss matters relating to the exchange system" which had been mentioned in the Ashworth memorandum. Once inside Potter's office, however, Scara said, he found the emphasis not on a discussion—but instead "I realized I had been invited to attend what amounted to a tribunal" (pp. 1184, 1185).

Scara described the scene in which Colonel Potter sat behind his desk, flanked by four to six of his aides, while the CID agent was directed to take a chair in the middle of the room facing his interviewers. Colonel Potter began the meeting, Scara said, by asserting

he had called the group together to get "at the truth, not what was written in the letter" from General Ashworth. "The only conclusion I could draw," Scara testified, "was that he was calling me a liar" (p. 1185).

Scara said that Colonel Potter stated he would refute key points in the Ashworth document and demonstrate "where I had reported false information." As the confrontation progressed, Scara said, the HAC Provost Marshal, Lt. Col. Richard E. George, made a surprise entrance, pulled up a chair beside Scara and remarked to him:

It is probably a little warm in here for you but the fire is going to be put out right now (p. 1185).

Colonel George also mentioned to Scara that he had heard this meeting had been called to "crucify" me," Scara testified. With Colonel George present, Scara said, the "entire tenor" of the meeting improved as the CID agent was "permitted to explain, expand upon and support" the many assertions in the Ashworth memorandum (p. 1185).

General Ashworth, who was informed of the meeting later, had this to say about it:

It was my opinion at the time—and still is—and Colonel George's opinion as well, that Colonel Potter was acting in an irregular manner when he directed a CID investigator to attend this meeting and be subjected to questioning regarding my letter. Normal procedure would be that Colonel Potter would request the appearance of persons under my command through the Provost Marshal, Colonel George, or through me personally (pp. 1188, 1189).

COLONEL POTTER RECALLS THE SCARA MEETING, ASHWORTH MEMO

Col. Jack Potter, who replaced Col. Jack Ice as commander of the Vietnam Regional Exchange in mid-July 1967, testified before the subcommittee March 2, 1971 (pp. 1203–1229).

Potter had been on the job about a month when the Ashworth memorandum came to his attention. Potter, now commanding officer of the Sacramento, Calif., Army Depot, said the memorandum caused him considerable concern, acknowledged that the meeting with CID agent Scara occurred but a "hazy" (p. 1209) memory prevented him from remembering the specifics of the meeting. When Senator Ribicoff asked him to comment upon the meeting as described by Warrant Officer Scara, Colonel Potter replied:

Sir, I do not recall the specific details of that particular meeting that I had with Scara (p. 1203).

Potter went on to explain that he did not receive the "action" copy of the Ashworth memorandum—but that his copy was for his "information" only. "Information" copies are to inform, Potter explained, but do not require that action be taken (pp. 1204, 1205).

Colonel Potter said he did not know who received the "action" copy of the Ashworth memorandum but that he "would think" General Cole received it. Colonel Potter remembered discussing the memorandum with General Cole but could not recall the "time or place or the

details" of that discussion. Potter did concede, however, that the Ashworth assertions "upset me very much" (p. 1205).

Senator Ribicoff asked Colonel Potter to respond to Scara's statement that he had been invited to a "tribunal" at which Potter was said to have vowed to show the "false information" of the Ashworth letter. Potter answered:

I am not prepared to accept that statement that he made as being completely what I might have had in mind. I would not consider that it was to be a tribunal. The staff officers * * * would have been those who were involved in trying to ascertain what the actual situations were and what it was that we might have to do or should do in order to make corrective action if such was required (p. 1207).

Senator Ribicoff turned the questioning over to Senator Gurney, who was equally unsuccessful at eliciting specific, unqualified answers from the witness. Senator Gurney said it was "surprising" that Potter could not remember details about "serious allegations" which, "had they been pursued," could have resulted in criminal charges. This discussion ensued:

Senator GURNEY. * * * Yet somehow you can't remember any details about this at all. Surely, you must have a better recollection of something as serious as this. When that letter came into your headquarters you must have gotten right up out of your chair and gone through the ceiling.

Colonel POTTER. I was disturbed.

Senator GURNEY. Where did the letter come from?

Colonel POTTER. Sir, I can't recall.

Senator GURNEY. You have no recollection at all?

Colonel POTTER. I do not remember the exact source of the letter, sir (p. 1209).

Senator Percy asked Colonel Potter about the Scara meeting—and about the CID agent's recollection of how the "entire tenor" of the meeting changed when Lieutenant Colonel George entered the room.

Senator PERCY. Why this sudden change of tone and attitude when Lieutenant Colonel George entered the meeting?

Colonel POTTER. Sir, I can't respond to what the inference or consideration was which made him feel was to be the tone of the meeting.

* * * * *

Senator PERCY. What difference did it make that Lieutenant Colonel George entered the room and suddenly Mr. Scara has an advocate there, or whatever it may have been?

Colonel POTTER. Sir, it should not have made any difference and I am not prepared to say that there was a difference (p. 1224).

Colonel Potter said he could remember little about these matters because he had much to concern himself with in Vietnam, was working "14-hour days, 7 days a week" and through continued effort had

been able to reduce "the rate of exchange losses" from 9 to 6 percent. Colonel Potter also recalled that he had briefed the acting chairman of the subcommittee, Senator Ribicoff, in Vietnam in 1967 when the Senator was chairing an Investigations Subcommittee inquiry into diversion and loss of goods under the U.S. AID commodity import program (pp. 1222, 1225).

However, Colonel Potter was not considered a responsive witness, particularly regarding the Ashworth memorandum and the Scara meeting. The following remarks at the end of the colonel's testimony reflected the subcommittee's attitude toward him:

Senator RIBICOFF. I think the witness has been completely unsatisfactory.

Senator GURNEY. I agree.

Senator RIBICOFF. Frankly, he remembers nothing (p. 1229).

CID AGENT SMITH INVESTIGATES CID AGENT SCARA

CID agent Robert V. Scara of the headquarters area command (HAC) said the U.S. Army/Vietnam (USARV) CID investigated him for investigating William Crum and Sarl Electronics. Scara said General Cole directed the USARV CID commanding officer, Lt. Col. Bill Solley, to find out why Scara was conducting his inquiry and what the investigation had shown (pp. 1185, 1186).

In the summer of 1967, Scara said, a CID agent from Army headquarters at Long Binh, WO Jack W. Smith, was interviewing investigators and other people and "generally checking on my investigation of Sarl and Bill Crum." Feeling his "integrity was being questioned," Scara went to CID Agent Smith and asked him what was going on. Scara testified that "Smith admitted that he had been assigned to check on me" but that nothing had been turned up to show that Scara had done anything wrong (p. 1185).

Scara said that in January of 1969, while stationed in Germany, he discussed his Sarl inquiry—and the Smith inquiry of him—with Smith's immediate superior, Colonel Solley. Scara asserted:

Colonel Solley told me my investigation of Crum had caused some problems. He told me that he had been stopped in the hallway of the USARV headquarters one day by Brigadier General Cole, who asked him who an investigator named Scara was and why he was investigating Mr. Crum. Apparently, General Cole was implying that I was conducting my own "private investigation" on Sarl Electronics (p. 1186).

On March 2, 1971, CID Agent Smith, the agent Solley had assigned to investigate Scara's inquiry, testified before the subcommittee (pp. 1195–1203). Smith said his initial involvement in the Crum and Sarl affair was in raids conducted by Vietnamese Customs July 20 and 21, 1967. These raids of Sarl offices, Smith said, had been carried out by the Vietnamese with the cooperation of the USARV CID commanded by Colonel Solley (p. 1197).

The day after the raids, Smith testified, he received a request, initiated by General Cole's office, for a "fact sheet" on why and how the

raids were carried out and what was found. It was common for General Cole, as deputy chief of staff for personnel and administration, to request information on CID activities—yet Smith said he was “puzzled” nonetheless as to why Cole expressed this interest in the Vietnamese raids on Sarl’s offices (p. 1198).

Then, in the fall of 1967, Smith was directed to conduct an inquiry into the HAC CID’s—that is, Scara’s—investigation into Sarl Electronics. Pursuing his inquiry, Smith found that HAC CID Agent Scara had “developed information linking” General Cole and William Crum of Sarl Electronics. Scara found evidence, Smith said, to indicate Crum had represented himself as being a PX official and had obtained official or “TN” license plates for automobiles (pp. 1198, 1199).

Smith testified that he presented Col. Jack Potter, the Vietnam regional exchange commanding officer, with Scara’s findings. Smith also said Colonel Potter indicated to him that he had turned over to General Cole copies of the memorandum written by General Ashworth and the letter in which Crum had represented himself as a PX official (p. 1200).

Captain O’Connell and Lieutenant Fisher told him of Cole’s intercession at the Saigon Port regarding the form letter they had sent out to trace Sarl imports, Smith said. Smith added that this was the first and only time in his 18 years of investigative work in the Army that he had ever run across information that a general officer was “intervening in matters such as this” (pp. 1200, 1201).

Smith testified that he believed an investigation of Crum and Sarl should have been begun by the USARV CID—but that none ever was (p. 1202). A “lack of personnel and time” was the reason Smith gave for no inquiry having started at the Army headquarters level. But subcommittee chief counsel Jerome S. Adelman pointed out that in a prehearing interview Smith had said no USARV investigation had been started on Sarl and Crum because the USARV deputy chief of staff for personnel and administration, General Cole, was involved. However, the prehearing interview was not under oath and Smith dismissed Adelman’s comment by saying, “I personally have no knowledge of this” (p. 1201).

Following his fall of 1967 inquiry into what Scara was up to, Smith wrote a memorandum to his superior, Colonel Solley. The memorandum was to be referred to General Cole and in it Smith stated:

Sarl Electronics is not now, nor has it ever been, the subject of investigation by a U.S. Army/Vietnam (USARV) CID unit (p. 1201).

Asked why he wrote that statement, Smith said:

First, to get General Cole off our backs (p. 1201).

Asked to elaborate on that, Smith said:

I should say every time the Vietnamese Customs or fraud repression would make some inquiry concerning Sarl, or anyone would make some inquiry concerning Sarl, the first thing that happened is we would have to find out who did it and why. He [Cole] kept insisting that the CID, Mr. Scara, was investigating Sarl Electronics (p. 1201).

Smith added that his memorandum to Colonel Solley was “primarily worded in such a way” to indicate “there was no formal investigation” of Sarl or Crum. It should be noted that the memorandum Smith wrote stated there had been no inquiry at the Army headquarters—that is, USARV—level and made no reference to Scara’s HAC investigation (p. 1201).

Smith reluctantly but assuredly left no doubt that in his judgment the USARV investigation of Sarl—which he had vowed in the memorandum had never taken place—should have been conducted. This discussion developed between Senator Gurney and Smith.

Senator GURNEY. How much evidence do you need to open up a case [on Sarl]?

SMITH. Myself? I don’t need anymore than that.

* * * * *

Senator GURNEY. Then it is your opinion that your boss should have opened an investigation?

SMITH. Yes, sir.

Senator GURNEY. And it was highly irregular that he did not?

SMITH. Yes, sir.

* * * * *

Senator GURNEY. I agree with you. I want to make sure we have that on the record (p. 1202).

XII. THE JACK W. BYBEE TESTIMONY

BYBEE MAKES DAMAGING REMARKS ABOUT WILLIAM CRUM, EARL COLE

Jack W. Bybee of Foster City, Calif., gave testimony February 22, 1971, that was damaging to William Crum and General Earl F. Cole (pp. 1042-1065). Bybee worked for Crum in Saigon from January to November 1967, serving with Sarl Electronics until March and then with Price & Co. Bybee asserted that:

1. Crum used fraudulent Army nonappropriated fund purchase orders to smuggle duty-free goods into Vietnam (pp. 1044, 1045).

2. Crum and Cole conspired to allow Crum to store smuggled goods on U.S. Army reservations (pp. 1047, 1048).

3. Cole protected Crum from raids by Vietnamese Customs and from apprehension by the CID (pp. 1046, 1048).

4. Cole wrote to Vietnamese Customs on Crum's behalf (p. 1046).

5. Cole, at Crum's request, set in motion a Vietnamese Customs raid on Crum's competitors, Frank Furci and James Galagan, who, as a result of the raid and subsequent fine, went out of business (pp. 1048, 1064).

In addition, Bybee said Crum bribed custodians, paid kickbacks, falsified promotional expense accounts, invested in the currency black market in Vietnam, destroyed business records, claimed that General Cole "was costing" him \$1,000 a month and managed his affairs on the assumption that everyone could be bought for a price (p. 1045).

Moreover, Bybee said, Sarl Electronics was not controlled by Crum but by the Service Games organization known as Club Speciality Overseas, Inc., Panama (p. 1043).

CORROBORATING EVIDENCE ASSEMBLED BY STAFF

Bybee's testimony was not only damaging to Crum and Cole. It was also heavily documented and corroborated by investigative work by subcommittee staff.

Subcommittee staff first interviewed Bybee in August of 1970. Investigators worked the following 6 months checking out the assertions Bybee made. This corroborating evidence was made a part of the hearing record by Carmine S. Bellino and LaVern J. Duffy and other members of the subcommittee staff February 22, 1971, and at other times throughout the hearings. Witnesses and sworn statements also supported Bybee.

BYBEE MEETS WILLIAM CRUM IN KOREA

Bybee, an employee of the Military Service Co. in Korea in 1959 and 1960, sold goods to NCO clubs and got to know William Crum. Bybee said Crum, representing Gande, Price, Ltd., sold goods to open mess systems in Korea—and that Crum was the subject of CID and

Korean Government investigations for allegedly smuggling into Korea duty-free products under fraudulent NCO club purchase orders. Crum would then sell these goods on the Korean economy, Bybee said (p. 1042).

Bybee said Crum left Korea in 1960 when the Korean police were about to arrest him. Bybee added that he saw records indicating Crum's smuggling activities because he was hired to close out Crum's books when Crum left Korea (p. 1042).

Testimony from former CID agent Augustin J. Manfredi and subcommittee affidavits from former CID agents Roy Roan and Arnold Decker and from Lawrence I. Baker supported Bybee's account of Crum's activities in Korea.

BYBEE JOINS SARL, CSOI

In January of 1967, Bybee, who had remained in the Orient following his employment in Korea, went to work for Sarl Electronics. Crum offered him the job of general manager of Sarl, Bybee said, but before he could be formally hired Scott Dotterer had to approve him. Scott Dotterer was the Hong Kong representative of Club Speciality Overseas, Inc., Panama (CSOI), more commonly known in the Far East by its former name, Service Games. Bybee said Dotterer was the liaison man between Sarl and CSOI. Bybee went to Hong Kong where Dotterer met and approved him (p. 1043).

This gesture to Dotterer—and more that followed—indicated to him that Sarl was controlled by CSOI and that Crum was the syndicate's Vietnam representative, Bybee said. Bybee also noted that he was paid by CSOI—not Sarl (p. 1043).

Bybee told Senators that most of Sarl's products, particularly the coin-operated slot machines and amusements, were manufactured by Sega Enterprises of Japan, an organization also controlled by CSOI. Bybee said Martin J. Bromley, assisted by Richard Devant Stewart, was the "true head" of the Service Games organization. Bybee said CSOI was headquartered in Panama to avoid scrutiny from the U.S. Internal Revenue Service and to take advantage of secret bank accounts accorded there (p. 1043).

Other key Sarl employees were also either hired directly by Dotterer—as was Anthony J. (Riggs) Renieri, the chief Sarl salesman—or were put on by Crum but only with the approval of Dotterer, Bybee said. Graham (Bill) Welton, who replaced Bybee as Sarl's general manager, was hired by Crum with Dotterer's OK, Bybee testified. Bybee informed Senators that all major expenditures Crum wished to make on behalf of Sarl had first to be cleared by Dotterer (pp. 1042, 1043).

Bybee said he had two standing instructions from Crum regarding financial records. First, he was to send a copy of every transaction to Miss Josephine Tan of Club Specialty Overseas, Inc., Panama. Second, once he had sent Miss Tan copies of the records, Bybee said, he was then instructed to feed the remaining records into a "shredding machine" where they would be sliced thin and rendered useless (pp. 1043, 1044).

Crum feared that the U.S. Internal Revenue Service would find the extent of his earnings, Bybee said, which accounted for Crum's determination to destroy records (p. 1043).

The Josephine Tan of Bybee's recollection—he was testifying some 4 years after his employment with Sarl—was probably the Josefina de Tam who worked for CSOI in Panama, according to a CSOI letter of July 15, 1964. Martin J. Bromley, of Service Games, also referred to a Josefina de Tam as being an employee of CSOI who worked out of Panama (p. 1967).

Bybee said Crum used shredding machines in his offices and in his home. He said Crum followed the example set by the Service Games organization, CSOI, which also used shredding machines (p. 1044).

Scott F. Dotterer of CSOI, Hong Kong, wrote to Whitney Crum, William's brother and sometime supplier, March 22, 1968, to say:

DEAR WHIT: Vietnam is in need of six inexpensive paper shredders for office use and we are wondering what is available on the west coast (p. 1069).

Dotterer went on to remark in this letter—subpenaed from Whitney Crum's files—that his shredding machines would require a "110 volt/60 cycle" power input and that desk top models "with very small storage bins" would be "too small for Sarl's requirements" (p. 1069).

CSOI or Service Games had a reputation in the Far East for being "very profitable" and using "illegal and corrupt practices whenever necessary" Bybee said (p. 1044). Independent staff investigation and witnesses from the Army, Navy and Air Force all corroborated Bybee's assertion that CSOI had an unfavorable reputation selling and leasing slot machines and coin-operated amusements to U.S. military installations throughout the Orient.

When Bybee quit Sarl in March of 1967, he went to work for Price & Co., the second of Crum's Vietnam enterprises. But in this firm, Bybee said, control appeared to rest wholly in Crum and Ace Smith, his Hong Kong partner (p. 1046).

This contention by Bybee—that Price & Co. was owned by Crum and Smith—was questioned later in the hearings when testimony and evidence indicated that Club Specialty Overseas, Inc., Panama, representatives Martin J. Bromley and Scott F. Dotterer solicited business for Price & Co. Joseph H. Michaels of the Lorillard Corp. said when Price & Co. was seeking the Lorillard account actions by Bromley and Dotterer gave him the impression that there was an "association" between Price and the Club Specialty organization (p. 1728).

Bybee's statement that he was paid by Service Games was corroborated. Subcommittee staff introduced into the record of the hearings a memorandum of April 13, 1967, from Scott Dotterer to Josefina de Tam stating that Bybee was to go off the CSOI payroll to join Price & Co. (p. 1072).

THE RAID ON FURCI AND GALAGAN

Bybee said Crum's principal competitor in selling and leasing coin-operated machines to NCO clubs was a business headed by Frank Furci and James Galagan. Wishing to weaken their competitive

strength and knowing that they violated Vietnamese customs regulations, Crum took steps to have customs agents raid Furci and Galagan's offices, Bybee explained (p. 1047).

Bybee recalled that Crum told him he had asked General Cole to give Vietnamese customs the information on Furci and Galagan leading to the raid. Bybee said Crum "frequently boasted" of having "paid for" that raid. The Vietnamese levied such a heavy fine on Furci and Galagan that they went out of business, Bybee said (p. 1047).

Earlier in the hearings—on October 23, 1969—subcommittee Assistant Counsel LaVern J. Duffy testified that American Service Sales Co. and Allied Industrial Services, Hong Long firms owned by Furci and Galagan, had done business in the amount of \$2.5 million with NCO clubs at the Long Binh Post, the 1st Infantry Division and at the Americal Division from 1965 until October of 1967 (p. 478).

Duffy said Vietnamese customs agents raided Furci and Galagan's offices July 12, 1967, for involvement in the currency black market. The two men were fined \$45,000, a penalty that "for all intents and purposes" put them out of business, Duffy told Senators (pp. 478, 479).

Carmine Bellino told the subcommittee November 20, 1969, that his examination of one known black market account—the "Prysumeen" account at the Manufacturers Hanover Trust Co.—showed that Furci and Galagan had invested \$99,200 (p. 637).

CRUM VIOLATES VIETNAMESE CUSTOMS IN IMPORTS, MONEY

Bybee said Crum himself was guilty of the same illegality that led to the raid that resulted in the fine that put Furci and Galagan out of business. Bybee said Crum, like Furci and Galagan, invested in the black market in currency (p. 1050). On November 20, 1969, Staff Investigator Bellino testified that subpoenaed records of the Manufacturers Hanover Trust Co. showed that Sarl Electronics had traded for \$13,000 in the black market Prysumeen account (p. 637).

Bybee told Senators that General Cole arranged for Crum to store smuggled goods on U.S. Army land on the Long Binh Post. These goods, Bybee said, included freezers, air conditioners, beer coolers, and slot machines. Bybee advised the subcommittee that William Crum's storage facilities at Long Binh Post in Vietnam enabled Sarl to buy in large quantities, charge more because of quicker delivery and, with the higher profits, give bigger kickbacks and bribes to custodians (pp. 1047, 1048).

In addition, Bybee said, having his products stored on Army land in Vietnam meant Crum could keep these goods—smuggled into country with fraudulent duty-free NCO club purchase orders—without fear that a vengeful Furci or Galagan might trigger a customs raid in retaliation. The Long Binh Post, Bybee added, accorded Crum "safe haven" for his contraband hardware. Bybee said Crum had similar storage privileges on the Qui Nhon U.S. Army reservation near the South China Sea (pp. 1047, 1048).

On March 16, 1967, Scott Dotterer—CSOI's man in Hong Kong—wrote Whitney Crum to ask if volume purchases would mean "savings" and "faster delivery" and, therefore, an "edge over the competition." This letter and others were subpoenaed from Whitney Crum's files (p. 1065).

Dotterer wrote Whitney Crum again April 7 on this subject. Whitney replied April 12 to say he was uncertain about such savings—and stated in an April 14 letter that pizza ovens bought in volume would be discounted 5 percent. This exchange of correspondence included copies to William Crum (pp. 1065, 1966).

Assistant Counsel Duffy told Senators the letters demonstrated the close connection between Sarl and CSOI and their “identical interests” in having large amounts of goods for storage in Vietnam. Duffy said:

They also make clear the expectation of CSOI that Sarl Electronics would have an advantage over competition if such storage could be accomplished (p. 1066).

The “faster delivery” which Dotterer referred to in his letter to Whitney Crum was apparently achieved as an April 1968 CID interview with two Long Binh Post club system employees indicated. A club system sergeant, Samuel Odom, and Lt. Harold Dooley, an accountant, said a Sarl salesman claimed he could “guarantee delivery within a week” while competing businesses “could not make delivery for 30 to 120 days.” But the quicker delivery time accounted for Sarl’s products being “a little more expensive,” the Sarl man said, according to Odom and Dooley (p. 1069).

HONG KONG VISIT COINCIDES WITH COLE’S LETTERS FOR CRUM

Background surrounding two letters Brig. Gen. Earl F. Cole wrote to the Vietnamese customs on behalf of Sarl Electronics was provided Senators by staff investigation and documents.

An Earl F. Cole, listing his address as “Hqs USARV [U.S. Army Vietnam], checked into the Hong Kong Hilton Hotel at 4:23 p.m. April 29, 1967, according to subpoenaed hotel records (pp. 1066, 1239). William J. Crum, giving his address as “c/o A. Smith,” checked into the Hong Kong Hilton at 9:39 p.m. April 29, 1967, hotel records show (pp. 1066, 1240).

Both reservations were made earlier that day by Herbert Edelstein, manager of the Hong Kong office of Price & Co., hotel records indicate (pp. 1066, 1237, 1238).

Hilton Hotel records show that both Crum and Cole checked out of the hotel on May 2, 1967—and that their bills were paid at exactly the same time, 12:06 p.m. (pp. 1066, 1237, 1238).

Cole testified he visited Hong Kong in April or May of 1967, that by coincidence he met Crum in the hotel twice but that his trip had to do with official Army business and that it was not arranged with or by Crum or any of his associates.

Cole said he could not explain the subcommittee’s documents, subpoenaed from the Hilton Hotel records, that showed (1) his reservations had been made by an employee of Price & Co., Herb Edelstein; and (2) his and Crum’s hotel bills had been paid at the same time. Cole said he thought the U.S. Army had made his reservations for him (pp. 1568, 1569).

Cole said he dined alone his first night at the Hilton but on the second night he had dinner in the 22d floor supper club of the hotel with Mr. and Mrs. Asa Albert (Ace) Smith, Mr. and Mrs. Herb Edelstein and Mr. and Mrs. Scott Dotterer. Cole said the dinner gathering

had developed spontaneously, was not prearranged, was not a platform where business was discussed and should not in any way be construed to suggest his visit to Hong Kong was for any purpose other than official U.S. Army work (pp. 1892, 1893, 1901-1903).

While he specified that the Smiths, Dotterers and Edelsteins were at the dinner, Cole could not recall whether or not William Crum dined with the group that evening. Cole said he and Crum did not discuss business during their two chance meetings at the Hilton Hotel. Cole testified:

Perhaps I saw him [Crum] twice. I don't recall how many times I saw Mr. Crum * * * I believe he [Crum] called my room or I saw him in the lobby of the Hilton. I don't recall where (pp. 1900, 1901).

COLE'S LETTERS TO CUSTOMS

Four days after his May 2 departure from the Hong Kong Hilton, on May 6, 1967, General Cole, from his position as Deputy Chief of Staff for Personnel and Administration, USARV, wrote the first of three letters to Vietnamese Customs asking for duty-free importation privileges for Sarl Electronics, a firm, he said, whose "equipment and parts" are "for use or consumption in military clubs, messes, and the Vietnam Regional [Post] Exchange" (pp. 1067, 1241, 1564, 2012).

A second letter, more detailed, went out over Cole's signature May 12, 1967, calling to the attention again of Vietnamese Customs the "welfare and morale" mission Sarl carried out for U.S. Forces and requesting duty-free importation privileges (pp. 1067, 1242).

Subcommittee Assistant Counsel Duffy testified:

These letters by General Cole—so short a time after his meeting in Hong Kong with William Crum—show that the general took official action to insure that Sarl would have duty-free importation privileges at Vietnam ports (p. 1067).

Cole testified:

Sir, I wrote to the Vietnamese Customs stating that the Sarl Electronics—and I think any other vendor who provided a service or goods to the post exchange or to the clubs, was entitled to bring those goods into the country customs free and they had been brought in customs free in that area since 1945 (p. 1563).

Cole said he wrote to Vietnamese Customs on behalf of an AID contractor, Pacific Architects & Engineers (P.A. & E.), but could not remember if he wrote for vendors other than Crum. Cole added:

But if a vendor came to me and stated he was having a customs problem, then we would do what we could to help him * * * (p. 1564).

CSOI-SARL USE BOGUS NCO CLUB PURCHASE ORDERS

Bybee said Crum used fraudulent NCO club purchase orders to smuggle goods into Vietnam duty free. Crum used genuine—but

blank—purchase orders signed in advance by corrupt custodians, Bybee said. But, in anticipation of those occasions when he might be out of the real thing, Crum had counterfeit purchase orders on hand too, Bybee testified (p. 1045).

On May 25, 1967—some 2 weeks after General Cole's second letter to Vietnamese Customs—an unsigned Army nonappropriated fund purchase order was made out ordering from Sarl Electronics a shipment of 275 separate appliances for the Long Binh Post open mess system. The words "no charge" were written in the "cost per unit" column (pp. 1067, 1068).

On May 26—the next day—a Club Specialty Overseas, Inc., Panama, invoice was drawn up, directing Whitney Crum's Tradewell Enterprises of Los Angeles to ship the 275 appliances to the Long Binh Post club system. "No charge to the club" was written on the invoice along with a second notation that said, "Do not send invoices, packing slips or documents of any kind to the club" (p. 1068).

On May 24 and 25, 1967, large shipments of equipment were invoiced by CSOI, Panama, to be shipped by Whitney Crum's Tradewell to the open mess system at Qui Nhon. These documents also noted "no charge" was to be made to the club system (p. 1068).

In making these invoices and purchase orders of May 24, 25, and 26, 1967, part of the record of the hearings, Assistant Counsel Duffy told Senators the documents show :

* * * that CSOI-Sarl circumvented Vietnamese customs regulations and fraudulently imported these goods into Vietnam. This is so because CSOI-Sarl was using the club systems at Long Binh and Qui Nhon to import goods into the country duty free—goods consigned to U.S. military clubs which had not been ordered (p. 1068).

CID records for 1967, made part of the record of the hearings, indicated Army and Vietnamese customs agents raided Sarl operations in Qui Nhon and found that goods ordered in May of that year had been taken to the home of Herbert Hayden, Sarl's representative in Qui Nhon. Agents also found that crates in this shipment of goods had been deliberately painted over to conceal the fact they were addressed to the clubs (p. 1068).

In October of 1969, the CID interviewed Graham (Bill) Welton, Sarl's general manager. Asked about duty-free importation rights enjoyed by Sarl, Welton produced copies of letters General Cole had written in May and November of 1967 to Vietnamese Customs. Welton, according to CID records placed in the record, cited these Cole letters as authority for Sarl to import duty-free (p. 1069).

Welton also said Sarl had been granted storage rights at Long Binh by USARV. But Welton refused to discuss General Cole or William Crum with CID agents (p. 1069).

As he introduced this CID document into the record of the hearings, Duffy testified :

It is apparent these Cole letters written to Vietnamese Customs on behalf of Sarl Electronics were used by Sarl officials as a "cover" to fraudulently import goods into Vietnam duty free (p. 1069).

CRUM LEARNS OF RAID ON SARL ELECTRONICS

Bybee said Crum was most vulnerable to a CID raid should Army agents find him in possession of fraudulent NCO club purchase orders. The CID would immediately seek to match the orders—both genuine and counterfeit—with the clubs they were supposed to be from and investigators could easily detect inconsistencies, Bybee said (p. 1045).

Consequently, when word came to them that a raid was being planned by the CID with Vietnamese Customs, Bybee warned Crum to do whatever possible to make certain that the CID role in the proposed raid was called off. Crum, Bybee said, told him he would ask General Cole to call off the CID. Bybee testified:

Mr. Crum said General Cole was costing him \$1,000 a month and this was the sort of favor he could expect to ask of the general (p. 1045).

Bybee told the subcommittee he did not know if Crum actually asked Cole to divert the CID from the raid but he said the Vietnamese fraud repression squad conducted a “small scale, more or less routine raid” on one Sarl office with no serious charges resulting against Sarl. Moreover, Bybee said, it was his understanding the CID did not participate in the raid (p. 1046).

Responding to Bybee’s assertion that Crum once said Cole “was costing” him \$1,000 a month, Cole told the subcommittee:

If Mr. Crum ever made the statements attributed to him by Mr. Bybee, these statements were completely false because I was never offered and never accepted any money from Mr. Crum. Nor did I act as his “protector” (p. 1543).

CRUM SELLS THE GIFT SHOP INVENTORY

Bybee said Crum was upset over the disappointing profit he was earning from a gift shop at the 90th Replacement Battalion adjacent to the Long Binh Post. Describing the concession as a “monumental headache,” Crum turned to General Cole to ask his help in having the 90th Replacement Battalion club system buy the gift shop inventory, Bybee explained to Senators (p. 1049).

Cole set up the sale, Bybee testified, and after Bybee himself conducted an inventory, the gift shop inventoried goods were sold to the clubs at their retail price for “somewhere between \$120,000 and \$130,000.” When Bybee questioned selling the goods at their retail price, Crum replied, “This way we will get our profit,” Bybee testified (p. 1049).

The custodian at the clubs of the 90th Replacement Battalion, Sgt. Alton Crews, received a 10-percent kickback—or about \$12,000—for the gift shop inventory sale, Bybee said (p. 1049). Sergeant Crews was called to testify before the subcommittee February 23, 1971. Accompanied by his counsel, John A. Kendrick of Washington, D.C., Sergeant Crews invoked the fifth amendment of the Constitution and refused to answer all questions relating to his stewardship of the 90th Replacement Battalion club system or details regarding the club system’s purchase of the gift shop from Crum (pp. 1073–1076).

Cole told Senators that Bybee's statement that he arranged for the clubs to buy the gift shop from Crum was "not true," adding:

I don't recall anyone ever discussing Crum's concessions with me (p. 1568).

WELTON'S "RECORD DESTRUCT" DIRECTIVE IS INTERCEPTED

Bybee testified that Graham (Bill) Welton, the Sarl general manager, instructed Sarl offices throughout Vietnam to destroy records in anticipation of an imminent raid to be conducted by Vietnamese Customs (p. 1046).

CID documents, placed in the record of the hearings, include a 1967 memorandum, signed by Bill Welton, directing Sarl offices to destroy certain records, return others to the Sarl office in Hong Kong, and take other specific action in connection with remaining files. The Welton memorandum concluded:

You will treat this memorandum as highly confidential, you will carry out these instructions today and on your completion of these instructions, you will cable me in Saigon the one word OK. I hope that these instructions are clearly understood and there will be no element of doubt in anybody's mind that they must be carried out at once. You will destroy this memorandum. Best regards * * * (p. 1231).

Bybee told Senators Crum was "outraged" when this directive fell into the hands of the CID, and convinced him more than ever of the need to keep his shredding machines churning (pp. 1046, 1047).

Bybee said one letter he remembered which Crum did not shred was a copy of a letter General Cole had written to Vietnamese Customs on behalf of Sarl. Bybee recalled:

Mr. Crum was proud of this letter and explained to me that it had softened the enthusiasm with which the Vietnamese Fraud Repression Squad had carried out its recent raid on one of Sarl's offices * * * He always kept this particular letter from General Cole with him and would be very proud to show it to anybody who would read it (p. 1046).

CARLING BEER PROMOTION EXPENSES

Jack Bybee said Carling Beer, one of Crum's clients at Price & Co., provided \$3,000 to \$4,000 a month promotion money in Vietnam. This money, Bybee said, was spent for kickbacks and bribes by Crum and his salesmen and he could recall only one occasion when Crum promoted Carling Beer with these funds. Bybee said that one occasion was in anticipation of a visit from a Carling executive, G. P. (Tommy) Thompson (p. 1050).

Records subpoenaed from the files of the Carling Brewery Co., Cleveland, Ohio, included monthly reports of promotional money spent in Vietnam for a 5-month period in 1967. The reports, all signed by Jack Bybee, show promotional expenses being \$2,448 in Vietnam for April of 1967; \$2,502 for May; \$4,104 for June; \$3,276 for July; and \$3,402 for September (p. 1062). Bybee said he personally falsified the pro-

motion money forms and then forwarded them to Carling offices in the United States (p. 1062).

CRUM, COLE ENTERTAIN EACH OTHER

Bybee said he knew General Cole to be a friend of Crum, the two of them having met years before in Korea, Cole serving as a colonel advising club systems, Crum as a vendor selling to clubs. Bybee said Crum and Cole met socially in Vietnam about once a week, getting together either in Crum's villa in Saigon or in Cole's trailer house on the Long Binh Post (p. 1045).

Cole acknowledged that he and Crum met socially in Vietnam about 15 times during the 30 months he served there (p. 1623). However, Cole insisted that he met Crum for the first time in late 1966 in Vietnam and did not know Crum earlier in Korea or anywhere else (p. 1543). Cole said:

I repeat, under oath, that the first time that I ever met Mr. Crum was in Vietnam in November 1966 or December 1966 (p. 1587).

Cole said the social meetings with Crum were occasions at which the two of them, both having lived in mainland China, could discuss their experiences with the Chinese and personal opinions as to how that country was won over by the Communists. Cole said he and Crum also discussed the Cach Mang Hospital in Vietnam, a charity both men supported (p. 1624).

Cole conceded that while matters of business were rarely discussed when commercial subjects did come up they usually had to do with Crum talking about "his problem with Customs" (p. 1567).

ACE SMITH OF HONG KONG

Bybee said Crum and his Hong Kong partner, Ace Smith, maintained a running account at the Hong Kong Hilton Hotel where they entertained military personnel and other visitors to the crown colony (p. 1051). Crum would arrange for some of the visiting club system personnel to receive their kickbacks and other payoffs at a "shady" Hong Kong financial institution Bybee remembered as the Commercial Investments Trust Co., Bybee said (p. 1049).

Other times Smith would make the payoffs personally, Bybee said, adding that Crum did not like to make any illicit payments himself. Bybee said he recalled Crum's half of a telephone conversation with General Cole in which Crum directed the general to go to the Commercial Investments Trust Co. in Hong Kong "to pick up something" (p. 1049).

Subcommittee Investigator Carmine S. Bellino testified that while in Hong Kong he examined certain of the operations of the Commercial Investment Co., Ltd., and found that its "modus operandi" could enable it to be "a conduit for easy payoffs" (p. 1071).

Bellino introduced into the record of the hearings five checks totaling \$39,000 payable to the Commercial Investment Co., Ltd., from Price & Co., from December of 1967 to January of 1969. The checks

were subpoenaed from microfilmed records of the Price & Co. account at the Bank of America in San Francisco. Bellino pointed out that the checks did not necessarily represent all the transactions between Price & Co. and the Commercial Investment Co., Ltd. Some \$4 million had been deposited in the Price & Co. account at the Bank of America and time did not permit him to examine all the deposits and withdrawals, Bellino said (p. 1071).

Bellino said his investigation showed that a firm such as Price & Co. could have funds sent to the Commercial Investment office in Hong Kong with "instructions" to give the money "to a designated individual" at a "residence, hotel lobby, or office" (p. 1071).

Bellino said no signatures or receipts were required and that the transactions were "based on the confidence" which existed between the "initial principal, the recipient and officials of Commercial Investment Co." (p. 1071).

In some instances, Bellino said, "a standing order" called for delivery of money each month to a designated individual. Bellino added that customers of the Commercial Investment Co., Ltd., considered the service to be "excellent."

Bellino concluded:

In the light of the testimony of Mr. Bybee, which has been corroborated by these checks which have been placed in evidence, the indications are that the account was used to pay kickbacks or to operate on the black market, and conceal the identity of the final recipient of these funds (p. 1071).

Bellino added that the Commercial Investment Co., Ltd., was founded in Shanghai in 1931, opened its Hong Kong branch in 1948 and, besides its banking business, also deals in gold and arbitrage and serves as an investment advisor (p. 1071).

CRUM IS SUSPECTED OF WRONGDOING

U.S. Army officers suspected Crum of wrongdoing on two occasions, according to Bybee.

A young Army officer Bybee remembered as a Captain Whalen at the Saigon Port was suspicious of Crum and held up one of his shipments of slot machines and other hardware. However, the goods were later allowed into Vietnam duty free, the entire matter being only a "minor inconvenience" for Crum, Bybee said (p. 1048).

Thomas J. Whalen, a former U.S. Army captain who was assigned to the Saigon port in 1967, testified before the subcommittee March 1, 1971, 7 days after Bybee testified. Whalen said that in July of 1967 he stopped entry of slot machines for Sarl Electronics at the Port of Saigon because he did not think the machines could be lawfully imported (p. 1144).

Whalen told Senators he relented and allowed the slot machines to be picked up by Sarl under pressure from Brig. Gen. Earl Cole to allow the Sarl equipment to clear Customs (pp. 1144-1147).

While not remembering Whalen specifically, and while not acknowledging that he ever called the Saigon port on behalf of Sarl, Cole did

tell Senators that if he did call the port to seek to free Sarl slot machines and other products it was on behalf of the U.S. Army open mess systems that required this hardware (p. 1546).

Bybee said another Army officer—the post commander at the Long Binh Post—heard that Crum was storing goods at Long Binh and planned to inspect the storage yard. The post commander, Bybee said, was named Colonel Williams or Colonel Williamson, he could not remember which. Crum found out about the Colonel's plan, however, and had his products removed from the storage yard before the inventory began, Bybee said (p. 1047).

Cole himself was ambivalent on the subject of what information he may have heard in Vietnam as to how Crum ran his business.

In his opening statement before the subcommittee, Cole said he had worked with the deputy provost marshal at Long Binh, Col. Reginald K. Fansler, to investigate allegations that Sarl Electronics was involved in the "illegal importation of vehicles." Cole said he also authorized the CID to intercept mail addressed to Sarl Electronics employees (p. 1544). But later Cole said:

During the period that I was in Vietnam, sir, it was never brought out in anything that I saw that he [Crum] was other than a reputable businessman (p. 1566).

Cole did say, though, that he had heard "intimation about a great many people," possibly implying that he had heard unfavorable accounts about Crum (p. 1566). This prompted Senator Allen to ask:

You felt, then, that the rumors regarding him [Crum] were no worse than rumors with respect to many other people? (p. 1567.)

Cole replied:

This is correct, sir (p. 1567).

In another exchange with Senator Allen, Cole, now demoted to colonel, indicated he had actually instigated an investigation into Crum's activities. The discussion between Cole and Senator Allen went this way:

Colonel COLE. Sir, I have placed on the record that I discussed many times with the Deputy Provost Marshal of USARV allegations concerning Crum and/or club and mess activities.

* * * * *

Senator ALLEN. * * * Did you start any investigation of your own? Did you make inquiries around?

Colonel COLE. We did, sir.

Senator ALLEN. What did you find out?

Colonel COLE. We didn't find anything illegal.

Senator ALLEN. Improper?

Colonel COLE. Sir, I don't know that I am in a position to say what is improper. I think it depends on other things (p. 1568).

BYBEE RECALLS STORIES OF PX OFFICIALS IN CRUM'S VILLA

Bybee said that when he quit Crum's enterprises in November of 1967 and left Vietnam, Crum was well established. Bybee related:

That secure position, however, was built upon a warm relationship he [Crum] had developed with three civilian officials of the Army-Air Force Regional Exchange—that is, PX—and with one military PX officer (p. 1050).

Bybee told the subcommittee Crum had put these officers up in his villa and "entertained them lavishly," setting up "lively parties at the villa that included ample amounts of liquor and women" (p. 1051). Bybee said these events had transpired before he arrived in Vietnam but that Crum had told him about them and that "every-one over the Far East knew" about them (p. 1050).

Bybee said the PX officials who received this treatment from Crum were Richard Llewellyn, Peter Mason, and Ralph White and Army Col. John Goodlett (p. 1050).

When he and his wife arrived in Vietnam, Bybee said, they stayed for a short time in this villa and he estimated it to rent for \$1,600 a month, with maid and chef services bringing the total monthly bill to \$2,000.

Bybee stated:

Mr. Crum was rewarded for the hospitality he provided for these visiting Government officials when he was awarded a PX contract for jukeboxes in military installations in Vietnam. This was a million dollar contract and it was the base upon which Mr. Crum was able to build his vast financial empire (p. 1051).

BYBEE HELPS CLUB SYSTEM PERSONNEL OPEN SWISS BANK ACCOUNTS

Bybee told Senators that he had helped several club system custodians in Vietnam who came to him seeking advice on how to open Swiss bank accounts. He cited one custodian who stopped by his home one evening carrying a suitcase the custodian said contained \$200,000 in "postal money orders, certified checks and other bearer instruments." Bybee said this particular custodian's fortune reflected the profit earning potential of NCO club management (pp. 1051, 1052).

BYBEE DESCRIBES CRUM FOR SENATORS

Questioned by Senators, Bybee described Crum as a "very cynical man" who believed "no one is honest" and that everyone from a "four-star general" to a private "has their price." Crum, Bybee recalled, knew "nothing of honest business practices" and "trusted no one." Yet Bybee was quick to point out that Crum could be "a very charming individual," that he selected his wines, liquors, and foods with "exquisite and extreme good taste" and "it was considered a great honor" to dine with Crum (pp. 1051, 1058).

Bybee added that Crum was a Caucasian—some newspaper accounts had said he was Eurasian—was about 5 feet 9 or 10 inches

tall, weighed about 170 pounds, had dark hair, a glass eye, suffered from a "bad hip" that made him walk with "a decided limp" and drank two quarts of liquor a day (pp. 1058, 1059).

"The money king of Vietnam" was what people called William Crum, Bybee testified (p. 1059).

BYBEE RESIGNS FROM CRUM'S EMPLOY

In November of 1967—after 11 months under Crum, first at Sarl, then at Price & Co.—Bybee quit and left Vietnam, he testified. Crum's dishonesty, business practices, emphasis on secrecy, fear of the U.S. Internal Revenue Service, greed—these and other of Crum's traits, Bybee said, convinced him he should disassociate himself from the man (p. 1046).

Pointing to Crum's use of fraudulent nonappropriated fund purchase orders to smuggle goods into Vietnam duty-free, Bybee said this illicit device—and the many other corrupt practices Crum used—constituted an "unnecessary risk to achieve an unnecessarily inflated profit."

Summing up, Bybee said :

There were reasonable profits to be made in Vietnam selling to NCO clubs on a law-abiding basis. We could have gotten by well enough with honest practices. Why run the danger of being found out by the U.S. Army or other authorities when it wasn't necessary? (P. 1045.)

WILLIAM CRUM APPEARS ON TELEVISION

Bybee achieved what the subcommittee staff had been unable to do—he brought William Crum out of hiding.

Crum, who had successfully avoided the efforts of subcommittee investigators to locate him, appeared on network television, speaking from a yacht alleged to be docked in Hong Kong. Crum, working through his attorney, Hans Nathan, agreed to be interviewed for the CBS-TV show, "Sixty Minutes," of March 16, 1971. He sought to discredit Bybee and speak up for Cole's honesty and integrity (pp. 1936, 1937).

Senator Ribicoff offered Crum the opportunity to make his assertions before the Subcommittee and under oath as Bybee had made his. Senator Ribicoff said that to accommodate Crum, the subcommittee would travel anywhere in the world to question him. Crum declined the offer, citing poor health, according to his lawyer, Hans Nathan, of the Washington law firm of Trammell, Rand, Nathan & Bayles (p. 2041).

During the show, Mike Wallace, moderator of "Sixty Minutes," and William Crum both stated that Jack Bybee had represented himself as being a nephew of U.S. Senator Barry Goldwater of Arizona and as being a lawyer—when, in fact, he was neither (p. 1937). Wallace said CBS did the needed background investigation on Jack Bybee which the subcommittee had not done on this key witness. Wallace did not say how much investigation CBS had conducted on its key witness—William Crum.

Senator Ribicoff said neither he nor other Senators knew for a fact Wallace and Crum's assertion that Bybee had represented himself as being Senator Goldwater's nephew. Senator Ribicoff said a staff investigator had heard rumors to that effect and had asked Bybee about it. Bybee, Senator Ribicoff said, denied it. Senator Goldwater's staff also advised the staff investigator that Jack Bybee was not related to the Arizona Senator.

Senator Ribicoff then stated that even if Bybee had represented himself as Senator Goldwater's nephew this action would not weaken the "thrust" of Bybee's testimony—nor would it indicate the validity of Crum's interview with Wallace in which an attempt was made to discredit Bybee's testimony, for the case was not based solely on Bybee's words but on sworn testimony of many others (p. 1937).

The sense of Senators on the subcommittee was that: (1) Crum was in hiding making his unsworn assertions from a yacht alleged to be in Hong Kong; (2) Bybee came to the subcommittee and testified openly; (3) Bybee testified under oath while Crum refused to; and (4) most of what Bybee said was corroborated and supported by independent investigation by the staff, by sworn testimony from witnesses, by sworn statements, and by documentation.

BYBEE RECOMMENDS REFORMS IN NONAPPROPRIATED FUNDS

Jack Bybee volunteered a series of recommendations as to how non-appropriated fund activities such as clubs and exchanges could be reformed—and how dishonesty and inefficiency could be reduced substantially. Bybee's key recommendations follow:

1. Slot machines should be abolished from all U.S. military reservations throughout the world, Bybee said. Slot machines are the "grounds for most of this graft and corruption," he said. In addition, Bybee added, clubs survive adequately in the United States where slot machines are outlawed (pp. 1052, 1053).

2. A high-ranking officer should oversee club activities, Bybee said. Under the present system, he pointed out, noncommissioned officers manage large club systems without any formal training or appropriate background and sometimes without real supervision (pp. 1054, 1055).

3. To insure better supervision of the clubs, certain of their activities should be run with appropriated funds approved by Congress and signed by the President (p. 1054).

4. A central club agency should be established by the military to advise and train personnel, to check on prices and to supervise operations, Bybee recommended (p. 1054).

5. All entertainment booking should be done in the United States by a commercial booking firm of proven experience and reputation. The entertainment field in overseas clubs is "very, very corrupt," he added (p. 1056).

6. The Army-Air Force exchange system is "too big and too cumbersome," Bybee said. He stressed that control should be decentralized so that unwanted items would no longer be offered. As an example, he cited the delivery of expensive American-made suits to exchanges in the Far East where local custom-made suits are much cheaper. Bybee also recommended creation of local consumer panels to recommend

products and services to exchanges. These panels should include servicemen and their wives, Bybee said (p. 1055).

7. Clubs should not be required to buy through the exchange system, Bybee said, if a "legitimate vendor" offers a better product at a cheaper price (p. 1056).

8. Clubs, messes, exchanges, class VI locker funds and other nonappropriated fund activities should make their records public so that vendors would have no need to bribe personnel to learn "secret" buying trends and other information that could just as well be made public, Bybee said (p. 1056).

9. Liquor and beer companies should not be allowed to deduct from their taxes promotion expenses unless they can show thorough documentation of how and where the money was spent (pp. 1056, 1057).

XIII. GENERAL COLE AND THE HONG KONG ACCOMMODATIONS

CRUM GIVES COLE PREFERENTIAL TREATMENT

General Cole's personal relationship with William Crum was a point of contention throughout the hearings. Witnesses insisted that Cole showed Crum and his firms preferential treatment, that at times the General behaved as if he were advocate, apologist and promoter for Crum's interests.

But, while examining many assertions that Cole treated Crum preferentially, the subcommittee also reviewed evidence and testimony that Cole allowed himself to be treated preferentially by Crum. One reflection of the advantage of being a friend of William Crum was the ease with which the General could arrange accommodations in Hong Kong for himself and others by calling upon the offices of Price & Co., Sarl Electronics and upon Crum himself.

On several occasions, Cole received assistance from Crum and his associates in obtaining quarters for Hong Kong visits.

A BRIEF REITERATION OF THE 1967 VISIT

This report has already examined the first visit Cole made to Hong Kong during his Vietnam tour. In connection with that visit, it was established that on April 29, 1967 Herbert Edelstein of Price & Co. made reservations for Crum and Cole to stay at the Hong Kong Hilton; Crum and Cole checked into the Hilton that same day at different times; Cole and Asa Albert Smith, Crum's partner, met in the lobby of the Hilton as Cole registered; Cole and Crum had discussions at least twice during their stay at the Hilton; Cole dined his second night in Hong Kong with Mr. and Mrs. Asa Smith, Mr. and Mrs. Herbert Edelstein, and Mr. and Mrs. Scott Dotterer, Dotterer being the Hong Kong operative of the worldwide Service Games slot machine syndicate represented in Vietnam by Crum; Crum and Cole's hotel bills were both paid at exactly the same time, 12:06 p.m., May 2, 1967; and 4 days later back at Long Binh Cole wrote the first of three letters to Vietnamese Customs requesting that Sarl Electronics be given duty-free importation privileges, signing the letters as the USA RV Deputy Chief of Staff for Personnel and Administration (pp. 1066, 1077).

IVEY FAMILY STAYS AT HONG KONG HILTON

Herbert Edelstein surfaced again as a maker of reservations at the Hong Kong Hilton for senior Army officers when he arranged for accommodations at that hotel for Col. Robert H. Ivey, Mrs. Ivey, and their daughter September 5, 1968. Edelstein—that is, Price & Co.—also paid 80 percent or \$384.65 of the Iveys' hotel bills (p. 1438).

Testifying March 4, 1971 (pp. 1426-1440) and then again March 17, 1971 (p. 1879), Colonel Ivey said Edelstein's involvement in his visit to Hong Kong was initiated by General Cole, a longtime friend (p. 1427). Ivey said he was an unknowing victim of a deliberate attempt by General Cole to put him in the debt of Sarl Electronics. Ivey testified:

* * * I find it unbelievable that a general officer would do something like this to anyone, much less to a friend. I feel it was a dirty, low-down trick (p. 1435).

Ivey said that before leaving for Hong Kong where he was to meet his wife and daughter he asked Cole for his recommendations as to where they should shop in Hong Kong and where they would be able to cash checks. Cole gave him letters of recommendation to the Tom Brothers; James S. Lee, tailors; and Lindy Johnson, dress and rug maker; and also suggested that the Iveys stay at the Hilton Hotel in a suite maintained year around but often not used by an old Chinese friend whom Cole had helped escape from Communist China and who felt an obligation to return the favor, Ivey testified (p. 1427).

Ivey recalled that Cole told him that by staying in the suite he would only have to pay for food and drinks (p. 1427). Cole also pointed out, Ivey said, the old Chinese friend was in no way connected with the U.S. military and that by staying in the suite he would be in violation of no Army regulations (p. 1427).

When his family arrived in Hong Kong, Ivey said, Edelstein met them at the airport. Identifying himself as the manager of Price & Co. and as an associate of the friend of General Cole who maintained the suite, Edelstein took them to the Hilton where the Iveys checked in and moved into the suite and that evening Mr. and Mrs. Edelstein took them to dinner. Ivey said (pp. 1427, 1428). Ivey said he did not know at the time that Price & Co. was in any way connected with Sarl Electronics (p. 1429).

During the next week, Ivey testified, he and his family toured Hong Kong, shopped extensively, gave the letters of recommendation to the three firms, cashed two checks amounting to \$2,000 through Edelstein, received two pairs of pajamas as gifts from Lindy Johnson and left the British Crown Colony September 12, 1968, his wife and daughter returning to their quarters in the Philippines, he going back to Saigon (pp. 1427, 1428).

Ivey said he had estimated his hotel bill—for food, drink and services—would be about \$100 and when he checked out found the bill to be approximately that, about \$95, and he paid it without studying it closely (p. 1428).

Subcommittee investigator Carmine Bellino did study the bill closely. Testifying during Ivey's first appearance March 4 (pp. 1437, 1438) Bellino produced Hong Kong Hilton records showing that Ivey's total bill for the period of September 5 through 12, 1968 came to \$477.79 but that there were two pages of charges, one page amounting to \$93.14 and the other page totaling \$384.65.

Reservations were made by a Price & Co. representative, Bellino said, and a notation on the back of the registration card identified Ivey as "an extremely important milit. [military] contact" who was "connected with Mr. Smith" of Price & Co. The notation also stated:

One folio for Col. Ivey—with room rate of HK \$96 less 25% milit. dis. only. Another folio for Price & Co. with room rate of HK \$147.00 plus all incidentals, transfer charges for the Jaguar, etc. Send up fl. & candies (p. 1427).

Bellino said the \$93.14 on the bill Ivey paid did not represent his restaurant bills at all but was simply a portion of his overall bill. His restaurant, valet and laundry bills, for example, came to \$186.55. In any event, Ivey paid the \$93.14 U.S. bill while the second bill of \$384.65 was paid by Price & Co. (p. 1438).

Also affixed to the Ivey bill at the Hilton was this notation:

Pls. put all charges onto this folio but do not show it to guest at any time. When check out—no need to obtain signature and do not accept payment from guest. Thank you!
(P. 1438.)

There was no indication in the hotel records that the rooms used by the Iveys were rented on a year around basis, Bellino said. Rather, he declared, the suite was rented for the specific visit by the Ivey family (p. 1438).

Ivey testified that he had not seen the second bill, if indeed it had been attached at the time to the one he paid. Moreover, he said, it was not until August 12, 1970, when he learned from Assistant Counsel Duffy that this subcommittee was looking into his week long visit to Hong Kong, that he wrote the Hilton, asked for and received copies of both sections of his bill and found that Price & Co. had paid most of the costs of his family's stay (pp. 1428, 1429).

It was also Duffy who reminded him, Ivey said, of the fact that on November 26, 1968—some 2 months after his Hong Kong visit—he, as MACV staff judge advocate, had rendered an opinion favorable to Sarl Electronics. That decision gave Sarl Electronics permission to continue to solicit sales to U.S. military installations in Vietnam, Ivey explained. He said there was some derogatory information in the Sarl file about the company but it was insufficient to justify denying the firm solicitation privileges. Only recently, Ivey said, had he found that Sarl had been "suspect" by several Army officers in Vietnam. But, in November 1968, he said, this information was not available to him as he gave his opinion (pp. 1431, 1432).

Ivey told Senators he was "shocked" to learn that, first, Sarl or an affiliate firm, Price & Co., had paid 80 percent of his bills at the Hilton and, second, that he had a short time later handed down a legal judgment enhancing Sarl's position in Vietnam (p. 1435).

Ivey stressed, however, that he had not known of the link between Sarl and Price, that he had taken Cole's word that the use of the suite in no way jeopardized his reputation or compromised his effectiveness in his work and that he had made the Sarl judgment on the advice of his staff and on the merits of the case, never dreaming that there would ever appear to be a cause-and-effect relationship between the trip and the legal opinion (pp. 1429, 1431, 1432).

In addition, Ivey said that as MACV's senior legal adviser, he had initiated policies and made decisions detrimental to Sarl Electronics (p. 1432). His first encounter with Sarl, he said, was in July or August of 1968 when General Cole asked him to meet with Graham (Bill)

Welton of Sarl to discuss the Army's prohibition against the practice of renting or leasing—rather than selling—slot machines to NCO clubs. Welton asked him to approve lease contracts of this type, Ivey said, pointing out that he refused to approve the contract (p. 1429).

Ivey said Cole called him on two other occasions with reference to Sarl Electronics—once to inquire as to “why we were investigating Sarl Electronics” (p. 1430). Ivey said Cole told him Sarl was a “first-class business organization, making lots of money” and “had no reason to do anything wrong” (p. 1431).

Ivey said Cole had made these “character reference” calls on behalf of Sarl from his position in the pacification program, that the general had long since left his USARV deputy chief of staff post.

Ivey said Cole seemed “unusually friendly with Sarl” but added that after each of Cole's calls he assembled his legal staff and “cautioned” them not to allow General Cole's interest in the Sarl matter to influence their judgment (p. 1431). General Cole's position in the pacification program was deputy assistant chief of staff for the civil operations and revolutionary development support, commonly referred to by its acronym CORDS.

Bill Welton came to him again in early 1969, Ivey said, and sought help in having slot machines cleared by the customs authorities at Da Nang. Ivey testified he told Welton the slots would be cleared when Sarl provided proper documentation. Proper papers were never produced, Ivey said, and the machines were never cleared (p. 1432).

Suspecting Sarl of Vietnamese customs violations, Ivey said, he briefed Robert R. Parker, director of the U.S. mission joint effort to control illicit money transactions. On the basis of information provided by Ivey, Parker initiated raids on Sarl storage areas and confiscation of Sarl equipment (p. 1432).

Ivey said he also set in motion a plan to establish a central openness procurement office in Vietnam. This proposal, had it been implemented, would have prevented Sarl from doing business directly with clubs altogether and taken the firm out of the vendor business, Ivey informed Senators (p. 1433).

He detailed these steps taken against Sarl, Ivey said, to show that he in no way meant to give favored treatment to Sarl by his November 26, 1968, decision—but, in fact, he had sought on several occasions to implement actions and policies that would have hurt Sarl (p. 1433).

In short, Ivey felt his record in Sarl matters was an exemplary one. Consequently, when on August 12, 1970, he heard from Subcommittee Assistant Counsel Duffy that he had unwittingly become involved in the Sarl-Cole inquiry, Ivey tried to take steps to set the record straight.

Colonel Ivey said he first tried to contact Cole but his telephone was unlisted so he contacted Cole's attorney, Norman Bayles of the Washington, D.C., law firm of Trammell, Rand, Nathan & Bayles. Ivey said he knew Bayles to be Cole's attorney because Bayles had visited him in January of 1970, identified himself as being counsel for Cole and Sarl Electronics and asked him to sign a statement saying that Sarl had been entitled to duty-free importation privileges in Vietnam (p. 1433). Ivey said he had signed the statement (pp. 1882, 1883).

Ivey testified that Bayles put him in touch with Cole. Flying to Washington from his duty station at McGill Air Force Base, Fla.,

Ivey said, he met with Cole but that the general could not recall the circumstances surrounding the Hong Kong visit or who it was he contacted in arranging accommodations at the Hilton (p. 1434).

Cole did acknowledge that he "must have called someone," Ivey said. According to Ivey, Cole also said he might have referred to "an old China hand"—rather than an "old Chinese friend"—for he did know a retired Army lieutenant colonel named "A. Smith," a veteran of service in China, who maintained a year-round suite at the Hong Kong Hilton. Anyway, Cole said he could not remember anything about how the reservations had been made, Ivey testified (p. 1434).

On September 17, 1970, he wrote to Bayles, Ivey said, offering to reimburse Sarl for the cost of the suite. Bayles wrote back November 6, 1970, Ivey said, to deny that Sarl had paid for the suite. Later, however, Bayles gave him the address of Price & Co., Ivey said, and on December 2, 1970, he sent a check for \$388.94 to Price. Then, Ivey said, Price & Co. wrote to him on February 23, 1971, and denied any knowledge of any such payment and indicated the check had been destroyed (p. 1434).

Ivey, who was accompanied by his counsel, John Henry Brebbia of the Washington law firm of Alston, Miller and Gaines, added:

In conclusion, let me say that I have never knowingly committed an unethical or dishonest act. However, in view of the information which has been brought to light by this committee concerning the activities of General Cole in Vietnam, it does appear that he did deliberately attempt to compromise me for the purpose of aiding Sarl Electronics. I have never before in my 28 years of service been placed in such a position, nor do I ever intend to be again (p. 1436).

Colonel Cole in his March 17, 1971, appearance before the subcommittee said he remembered telling Ivey the person who maintained the year-round suite at the Hilton was Asa Albert (Ace) Smith, "an old Chinese hand," Cole testified, "as opposed to Chinese friend" (pp. 1886, 1887).

Cole denied he had told Ivey he had helped this friend escape from the Communist Chinese. Cole said a restaurant owner named Mr. Chou had fled Mainland China with United States help and that perhaps Colonel Ivey had gotten Mr. Chou confused with the "old Chinese hand" who kept the suite at the Hilton (pp. 1885, 1886).

Cole said he did not arrange for Ivey to use Smith's suite directly; nor did he telephone Edelstein. But he said he "might have discussed Ivey's proposed visit with a Mr. Welton." Cole identified Welton as Graham (Bill) Welton, the manager of Sarl Electronics (p. 1648).

Cole informed the subcommittee that he did not know whether Ivey would use Ace Smith's suite or not. All he knew, he said, was that Smith was "generous" and enjoyed being helpful to U.S. military personnel. "You may wish to consider" using the Smith suite if it is available was the way Cole left it with Ivey, Cole testified (pp. 1888, 1889).

At Colonel Cole's request, Colonel Ivey was recalled before the subcommittee March 17, 1971, at which time Senator Ribicoff asked him a series of questions which Cole had submitted. Subcommittee rules

allow witnesses to question each other if the questions are submitted to the subcommittee.

Cole's questions and Ivey's answers were: (1) Did Ivey try to destroy—or prevent the subcommittee from seeing—the statement of February 1970 he had signed at Bayles' request regarding Sarl Electronics' authorization to do business in Vietnam? No, Ivey said. (2) Did the Ivey family receive any gifts during their 1968 Hong Kong visit? Yes, Ivey said, two pair of silk pajamas, courtesy of Lyndy Johnson. (3) Did Ivey pay the charges on the Jaguar he rented in Hong Kong? Yes, Ivey answered, but he wasn't sure the car he rented was a Jaguar. (4) Did Ivey say he would undergo surgery to avoid testifying before the subcommittee? No, Ivey said. (5) Did Ivey ever say he knew in September of 1968 that the Hilton Hotel suite was not permanently maintained? No, Ivey said. (6) Did Ivey ever say he had paid all bills except the room charge at the Hilton? No, Ivey said. (7) Did Ivey ever say it was LaVern Duffy of the subcommittee staff who advised him that Hilton records showed he had accepted free certain goods and services at the hotel other than room charges? Yes, Ivey said. (8) Did Ivey discuss with anyone else matters he had discussed with Duffy? Yes, he talked about these things with Norman Bayles, attorney for Cole and Crum, Ivey said. (9) Did Ivey fly to Washington to talk with Cole about the Hilton bills? Yes, Ivey said. (10) Did Ivey ask Cole to come to his motel near Fort Myer to discuss the Hilton bills? Yes, Ivey said. (11) Did Ivey personally sign all the expense chits at the Hilton? Yes, Ivey answered. (12) Did Ivey realize when he checked out of the Hilton that his food, drink and service charges were more than \$93.14? No, Ivey said (pp. 1879–1881).

His questions having been asked and answered, Cole was then asked if he had any information that Ivey and his family had accepted gifts from any firm during the Hong Kong visit.

Cole said he had been told in Washington, D.C., that the Iveys had received gifts in Hong Kong. But Cole could not remember who so informed him; nor could he remember, specifically, where or when this information was given to him; nor did he volunteer what kinds of gifts had been presented to the Iveys. His inability to remember any of the details in connection with the alleged presentation of gifts to the Iveys revealed that Cole's "testimony is extremely weak," remarked Senator Gurney (p. 1883).

Cole also pointed out:

With regard to Colonel Ivey, sir, he approached me. I did not seek him out. When he visited Thailand, he also approached me and when he visited India he also approached me. I didn't go to Colonel Ivey's office and I didn't offer to do anything for Colonel Ivey (p. 1582).

COLE'S OTHER VISITS TO HONG KONG

In his appearance before the subcommittee executive session July 13, 1970, General Cole said he made three trips to Hong Kong during his 30-month tour in Vietnam (p. 1658).

In his March 17, 1971 appearance before the subcommittee, Cole gave more details of these trips (pp. 1898–1903). Assistant Counsel

Duffy and Investigator Bellino of the subcommittee staff also testified as to information they had gathered about the trips to Hong Kong.

Cole said he was uncertain as to the specific dates of the three visits he made to Hong Kong. But Bellino, referring to Cole's travel vouchers, said Army records showed that Cole stayed in Hong Kong April 29 to May 2, 1967; and April 19 to April 22, 1968. Bellino said no other visits to Hong Kong appeared in Army records on Cole. But, Bellino testified, it was "possible" that Cole had stopped overnight in Hong Kong July 3-4, 1966 enroute from Manila to Saigon since that flight would not require 2 days time (pp. 1929, 1930).

Cole himself testified that his three trips to Hong Kong included a 1-night stopover in the British Crown Colony as he returned to Saigon from Manila; a visit of about 3 days when he stayed at the Hilton Hotel; and a trip with Ambassador R. W. Komer, Director of the U.S. pacification program, CORDS (pp. 1658, 1659).

The April 29-May 2, 1967 stay at the Hong Kong Hilton was examined previously. That leaves two other trips.

On one of these, Cole said, he discovered his bill at the Ambassador Hotel had been paid by one of the Tung brothers, owners of the PX and NCO club vendor firm known as the Tom Brothers (p. 1659). Cole testified:

At the Ambassador Hotel when I went down to pay the bill I found that my bill had been paid. I asked who paid it and they said the Tung brothers. I then reimbursed the Tung brothers on the spot * * * in cash * * *. It was for one night's lodging (p. 1659).

Cole said he made a trip to Hong Kong when he was working in the pacification program in Vietnam and he accompanied the head of the program, Ambassador Komer. Cole described the trip this way:

This is recollection, sir. I believe that Ambassador Komer went to Hong Kong to meet Mrs. Komer during a period that rooms were very hard to get. It was during a very heavy tourist season. He indicated he was having difficulty. He asked me if I knew of anyone. I think that is the first time I knew that Mr. Crum had a suite of rooms. I asked him if he knew or had any contacts that could get rooms.

He [Crum] said, "Well, I'm not going to be using mine." This is as I recall it. "If the Ambassador wants he can use my suite" (pp. 1895, 1896).

It was on this basis, Cole said, that he and Crum arranged for the Komers to have quarters during their Hong Kong visit. This trip, he added, was in the spring of 1968.

Duffy testified that William Crum maintained room 1707, a penthouse suite, at the Ambassador Hotel in Hong Kong from August 18, 1968 to December 1, 1969. The suite was then taken over by Joseph DeMarco of Star Distributors who held it until September 30, 1970, Duffy stated (p. 1895).

But Bellino asserted that the Tom Brothers put the Komers and the Cole party up on one trip. The hotel was the Peninsula (p. 1929).

Bellino said he learned from confidential sources believed to be highly reliable that several days before the Komers' arrival April 19,

1968, Henry L. Tung of the Tom Brothers made reservations for General Cole and party at a Kowloon hotel believed to be the Peninsula (p. 1929).

Then on April 19, Bellino said, Ambassador Komer, Colonels Robert Montagne, F. E. (Tex) Peebles, and General Cole checked into the Peninsula. They checked out April 22, Bellino said (p. 1929).

On April 20, Bellino said, an advance of 2,000 Hong Kong dollars—about \$330 U.S.—was paid on the accruing hotel bill and the balance was charged to a person believed to be one of the Tung brothers (p. 1929).

Senator Percy stated that staff investigation revealed that Ambassador Komer's use of the rooms constituted no impropriety (p. 1896).

THE DATES OF THE FIRST VISIT

In sworn testimony before the subcommittee in the executive session of July 13, 1970, Cole said that during his 30-month Vietnam tour he visited Hong Kong three times. He stated that he visited Hong Kong for the first time in the late fall or early winter of 1966. Cole said he was in Hong Kong about 3½ days, was unaccompanied and stayed at the Hong Kong Hilton Hotel (pp. 1658, 1659).

In a sworn statement he gave to the CID in October of 1969, Cole said he visited Hong Kong for the first time during his Vietnam tour in December 1966, when he was in the Crown Colony 3 days and stayed at the Hilton Hotel (p. 1524).

However, Cole changed his testimony about the first trip in his appearances before the subcommittee in March of 1971. His first visit to Hong Kong during his Vietnam tour, he said, was a 3-day stay in the spring of 1967 at the Hong Kong Hilton (p. 1899).

XIV. MAJOR ST. MARTIN'S TESTIMONY

GENERAL ASHWORTH'S FEARS ARE REALIZED

In August of 1967, Brig. Gen. Robert Ashworth, the Saigon HAC commander, signed and sent to U.S. Army/Vietnam Headquarters (USARV) at Long Binh a prophetic memorandum.

The memorandum, based on the investigative work of CID Agent Robert Scara, asserted that the Vietnam Regional Exchange—the PX—was not regulating or controlling its concessionaires, William J. Crum and Sarl Electronics in particular, and that unless reforms were implemented the door was wide open for black marketing, currency manipulation, and other lucrative activities. These abuses were the result of questionable duty-free importation and APO shipping privileges, the general wrote. The situation, Ashworth warned, could become extremely embarrassing to the United States (pp. 1287–1289).

Ashworth said he sent the memorandum to USARV Headquarters intending for it to be brought to the attention of Brig Gen. Earl F. Cole, the USARV Deputy Chief of Staff for Personnel and Administration and the Army officer vested with policy supervision over the Vietnam PX (p. 1188).

What General Cole did with the Ashworth memorandum was never established at the hearings. What was established, however, was that the problems General Ashworth described were not solved, his call for reform was largely ignored—and suspect concessionaires, notably William J. Crum, operated as before.

In December 1967—some 4 months after the Ashworth memorandum went out—an Army Major, Clement St. Martin, assembled information indicating that General Ashworth's fears were being realized, that due to the lack of control of concessionaires and vendors, particularly William J. Crum, smuggling, black market and other lucrative activities were going on unchecked. St. Martin's investigation, like Ashworth's memorandum, produced no results, except one—General Cole arranged for St. Martin to be transferred out of the area.

KEY POINTS IN ST. MARTIN'S TESTIMONY

Maj. Clement St. Martin, now commanding officer of the Armed Forces Examining and Entrance Station in Newark, N.J., was named officer in charge of the Long Binh Post NCO/officer's open mess system in October of 1967 (p. 1296).

This was his first association with NCO clubs, St. Martin told Senators in his March 3, 1971, appearance before the subcommittee. Major St. Martin gave testimony that was damaging to Brig. Gen. Earl F. Cole, William Crum and Sgt. William Higdon.

The key points in St. Martin's testimony were that:

1. Crum, Cole and Higdon conspired to control the huge Long Binh Post open mess system composed of some 30 clubs (pp. 1303, 1304, 1319, 1320, 1333, 1341).

2. Sergeant Higdon was named club system custodian by General Cole against the recommendations of the club officers in charge and the post commander, Col. Robert Williamson (pp. 1298, 1299).

3. Crum was a close friend and associate of General Cole and claimed to use the general to exercise control of the clubs at Long Binh (pp. 1303, 1304).

4. Higdon violated Army regulations by paying vendors in checks given directly to them, thereby enabling them to invest in the currency black market (pp. 1309, 1310).

5. Higdon went to Crum's villa where he received instructions from Crum as if Crum were in charge of the clubs (pp. 1303, 1319).

6. Cole arranged storage facilities for Crum's Sarl Electronics at Long Binh (pp. 1312, 1313).

7. Senior Army officers listened to charges St. Martin made against Cole but did nothing to check out their validity (pp. 1335, 1338, 1339).

8. Cole, motivated by the charges St. Martin made, arranged for St. Martin to be transferred out of Long Binh, a personnel change Cole directed from outside normal command channels and an action St. Martin characterized as being "Shanghaied" (p. 1325).

A NEW CUSTODIAN IS SELECTED FOR THE LONG BINH NCO CLUBS

One of Major St. Martin's first duties was to help select a new custodian for the enlisted men's and NCO clubs. The choices were Sgt. William Higdon, NCO club custodian at the nearby 90th Replacement Battalion, II Field Forces, and Sgt. Arol Connors who had managed clubs in Japan (p. 1297).

His associates in selecting a new custodian, St. Martin said, were his assistant WO Edward Davis; Maj. James Fukuhara, the new Long Binh Post adjutant; and Maj. James McNamara, the outgoing post adjutant (p. 1297).

Both Davis and McNamara objected to Higdon, St. Martin recalled. They claimed Higdon had not properly managed the clubs at the 90th Replacement and had won a questionable reputation, being known as a "wheeler-dealer." Sergeant Connors was unanimously selected to be the new custodian and he was installed in the position. Col. Robert Williamson, the Long Binh Post commander, approved their choice of Connors and referred the selection to Brig. Gen. Earl F. Cole for final approval, St. Martin testified (p. 1297).

St. Martin pointed out that Cole, as Deputy Chief of Staff for Personnel and Administration, served as the senior club advisor for open mess systems throughout Vietnam and was very attentive to club activities at Long Binh. St. Martin was uncertain how much interest Cole took in the other club systems in Vietnam (p. 1297).

"Infinitesimal" was the word Cole used to describe how very small was his interest and involvement in club activities at Long Binh and elsewhere. Club activities, he said, were "at the bottom of the pole" (p. 1548).

St. Martin felt that the post commander—Colonel Williamson—should have made the final judgment on the new custodian and that it was not customary for headquarters general officers to become involved in the selection of club custodians. In any event, the selection of Sergeant Connors was rejected by General Cole, St. Martin said (p. 1298).

Cole, St. Martin recounted, insisted on Sergeant Higdon for the position. Fukuhara, McNamara, Davis, and he met again, St. Martin said, and discussed the alternatives. Again, they found Higdon unacceptable, recommended Connors to Colonel Williamson, this time, however, stating their reasons for not wanting Higdon, St. Martin testified (p. 1298).

Colonel Williamson again concurred in their judgment, and sent the recommendation, with his approval, to General Cole. For the second time Cole rejected Connors and told Colonel Williamson that "Sergeant Higdon was to be the NCO/EM custodian," St. Martin said (p. 1298).

Sergeant Connors, who had been on the job for about a week, was removed from the assignment, St. Martin said, and Sergeant Higdon got the job (p. 1298).

SERGEANT MAJOR GARRITY RECALLS THE HIGDON APPOINTMENT

Sgt. Maj. Raymond M. Garrity was in charge of service troops at the Long Binh Post in the fall of 1967 when Sergeant Higdon was selected as open mess system custodian. In a January 13, 1971, subcommittee affidavit, Garrity said that when he arrived at Long Binh in August of 1967 he noted the "poor condition" of the NCO clubs (pp. 1299, 1300).

Garrity said he discussed this situation with Long Binh Post Sgt. Maj. Robert Claus and they both agreed a new custodian should be brought in to improve the club system operation. Sgt. Arol Connors, a custodian of clubs in Japan, was selected to be the new Long Binh custodian and was brought to Vietnam for that purpose, Garrity said. Garrity recounted that Connors worked as custodian at Long Binh for about a month and did an "excellent job" (p. 1299).

However, Garrity said, Lt. Col. Clarence (Bud) Riser favored replacing Connors with Sgt. William Higdon. Riser worked in the office of the USARV deputy chief of staff for personnel and administration headed up by Brig. Gen. Earl F. Cole (pp. 1299, 1300). In a subcommittee affidavit, Sgt. Louis R. Crooks said Colonel Riser had served in Augsburg, Germany, at the 24th Infantry Division and had been advised of allegations that Sergeant Higdon was involved in illegal activities in the club system there (pp. 508-510).

Garrity said a club system meeting was held and that Colonel Riser urged selection of Higdon as custodian while WO Edward Davis opposed Higdon. Garrity said he and Sergeant Major Claus both wished to have Connors stay on as "Connors, at that time, was doing a commendable job reorganizing the club and we did not know why he should be replaced" (pp. 1299, 1300).

Riser's support for Higdon carried the day. But later, Garrity said, he learned from General Cole himself that it had been the general's views on Higdon Riser had been voicing at Long Binh. Garrity met General Cole by chance in an Army office in Washington, D.C., in late summer of 1970. Garrity said of this encounter with Cole:

* * * General Cole asked me if I had been contacted by investigators concerning the club system in Vietnam. After I responded that I had been, General Cole stated, as best I can

recall: "That damn club! I made the decision for Higdon to get the job, as that was my job to make decisions and keep them off my people's backs. If I had to make the same decision now, knowing only what I knew then, I would make the same decision again" (p. 1300).

COLONEL WILLIAMSON RECALLS THE HIGDON APPOINTMENT

Col. Robert Williamson was the post commander at Long Binh when Sergeant Higdon was named custodian. In an April 30, 1970, subcommittee affidavit, Colonel Williamson said that while he supervised NCO and officer's clubs, General Cole "controlled the replacement process." Assuming that Cole could recommend a "good custodian" to fill the vacancy, Williamson asked the general for his recommendation (pp. 1300-1302).

When Sgt. Arol Connors' name came to him "through regular channels." Williamson said, he "assumed he came from Cole." Then, since Connors was experienced in club affairs, Williamson said, he appointed him custodian (p. 1300).

General Cole "expressed surprise" at the selection of Connors and said he wanted Sergeant Higdon for the job, Williamson explained. But Connors was already on the job and the club officer in charge, Maj. Clement St. Martin, had said Higdon had made illegal beer purchases in his last club assignment so "I resisted putting Higdon in as custodian," Williamson asserted (pp. 1300, 1301).

"Considerable discussion arose" over which sergeant should be custodian, Williamson said, as the appointment "became a bigger issue than I had expected." Williamson related:

In a way, General Cole insisted that I appoint Higdon since I could feel this pressure from Cole.

Finally, I received a phone call from General Cole. He asked me whether I'd made any decision on Higdon and Connor. I replied that I was going to let them go as they were.

Then General Cole indicated his preference by saying, "Higdon is the man" (p. 1301).

PROHASKA, BARCLAY COMMENT ON HIGDON'S APPOINTMENT

Thomas G. Prohaska of Inglewood, Calif., was an Army captain in Vietnam, serving as the principal staff officer for nonappropriated fund activities at Long Binh in 1967 and 1968. Regarding the appointment of William Higdon as custodian at Long Binh, Prohaska recalled in a subcommittee affidavit of October 24, 1969:

When I arrived in December 1967 at Long Binh, Sergeant William Higdon had been appointed custodian. My own personal inquiries relating to Higdon convinced me he was unsuited for this important job at Long Binh. For example, I was told by Captain Adams, who was stationed at Higdon's old post at the 90th Replacement Battalion, II Field Forces, that Higdon had a bad reputation as custodian in that area. I was told that he kept poor books and had made purchases which had not been authorized (p. 1388).

Lt. Edward Barclay was the custodian of the officer's clubs at Long Binh in the latter half of 1967. Barclay, now a civilian, gave a subcommittee affidavit August 19, 1970 (pp. 1315-1318). Barclay said he was "convinced" that Brig. Gen. Earl F. Cole "fixed"—that is, assured—the appointment of Higdon as Long Binh NCO club custodian (p. 1316).

Barclay said he was "much surprised" when Higdon was named to the job, especially since Higdon's performance at the 90th Replacement Battalion club system had been "a stock source of jokes" because of the "irregularities and bad financial condition of the club" (p. 1318).

COLE EXPLAINS HIGDON'S APPOINTMENT

Colonel Cole explained the Higdon appointment on three occasions—to the CID in Germany in October of 1969, to the subcommittee in his prepared statement before Senators March 10, 1971, and under questioning of Senators Percy and Gurney also March 10. On each of these occasions, Cole said he did not order that Higdon be selected. Cole did acknowledge that he was involved in the decision (p. 1625).

To CID Agents Kenneth D. Hayse of Washington, D.C. and James R. Johnson of Heidelberg in the sworn statement signed on October 8, 1969, Cole explained that his staff officers supported Higdon while Colonel Williamson wanted Connors for the job. Cole said he told Lieutenant Colonel Clarence (Bud) Riser of his staff to work the selection out with Williamson. Cole also pointed out that, while Williamson endorsed Connors, Williamson said he had no strong objection to Higdon.

In any event, Cole told the CID that he said to Williamson:

* * * well, I am not going to make the decision (p. 1625).

In the CID interview, Cole stressed that Higdon had more experience with clubs than did Connors and said Higdon, having served at the II Field Forces club near Long Binh, was familiar with operations at Long Binh and that was another advantage he had over Connors. The selection of Higdon, Cole said, was a "mutual decision" arrived at by Williamson and Colonel Riser (exhibit 538, pp. 1542, 1625).

In his prepared statement read to the subcommittee the first day he appeared, Cole said Higdon was named custodian "on the basis of his qualifications as indicated on his qualification record" (p. 1542).

Cole informed Senators of another point—one he had not given the CID in Germany—in the custodian selection. It was that he became involved in the selection process only because Colonel Williamson "requested my assistance," adding that "I would not have known of this requirement if he [Williamson] had not approached me" (pp. 1541, 1542).

Cole declared:

I did not direct his assignment to the Long Binh open mess system but I did tell Colonel Williamson that I thought Higdon was the better qualified of the two men being considered (p. 1542).

Senator Percy pressed Cole on Colonel Williamson's assertion that Cole had said to him, "Higdon is the man."

Senator PERCY. Did you tell Colonel Williamson, "Higdon is the man?"

Mr. COLE. I do not recall making such a statement, sir.

Senator PERCY. Do you recall not making such a statement?

Mr. COLE. I do not recall making the statement.

Senator PERCY. Could you say with any degree of certainty, however, that you did not make such a statement?

Mr. COLE. Sir, I defy any man to recall precisely what he said on any given day * * * 4 years ago (p. 1626).

Colonel Cole called attention to a CID interview when Colonel Williamson was asked, "Did General Cole insist on Higdon?" Williamson's reply, Cole said, was, "In a way, but he did not order it." Cole then contrasted that remark with the affidavit in which Williamson said, "In a way, General Cole insisted that I appoint Higdon since I could feel this pressure from Cole." However, Cole did not explain to Senators how the sense of the first Williamson statement differed from the second (p. 1626).

Senator Percy asked Cole about the affidavit of Sergeant Major Garrity. Cole said he had a "very casual conversation" with Garrity in late 1969 in which they discussed the "plight of Sergeant Wooldrige, Sergeant Higdon and other people" (p. 1629). As to the Garrity assertion that Cole admitted having placed Higdon in the custodianship at Long Binh, Cole said he did "not recall such a conversation" and added, "I certainly do not recall what Sergeant Garrity said."

Senator Percy asked:

Do you recall distinctly that this is a falsehood, that such a conversation could not have taken place?

Colonel Cole replied:

I can't say that. I can't say what Sergeant Garrity recalls. That is beyond me. I could suggest this, sir, and this is what I do recall. I think Garrity said Higdon was a very good man and he thought he was the right man for the job. That is what I would recall (pp. 1629, 1630).

Colonel Cole made this assertion in the face of Garrity's sworn statement in which he said he had been opposed to Higdon getting the Long Binh job while Cole had favored Higdon.

Senator Percy then asked Cole about the Barclay affidavit in which the former Army lieutenant stated that the Higdon appointment had been the result of a "fix." Cole answered:

Sir, it is incredible to me that all these people who felt so strongly didn't come in a body to see me and so voice their opinion. I don't think there is anyone I have ever served with anywhere that ever felt restrained about coming to see me (p. 1630).

Senator Gurney pointed out that Major St. Martin did just that—he went to see Cole—and he was transferred by General Cole out of the area (p. 1631).

MAJOR ST. MARTIN AND SERGEANT HIGDON VISIT SAIGON

Sergeant Higdon had been custodian about 1 week when he asked Major St. Martin to accompany him on a drive to Saigon, St. Martin testified. Higdon explained the trip would be an opportunity for St. Martin to learn about the NCO club business, the major said (p. 1302).

In Saigon, their first stop was at the villa of William J. Crum. St. Martin said it was apparent that Higdon treated Crum as a "superior" and as the "boss." Crum and Higdon first discussed the proposed transfer of the two 90th Replacement Battalion clubs into the Long Binh system, St. Martin testified (p. 1303).

When Higdon said time-consuming inventories and audits were required before the two clubs could be absorbed by the Long Binh system, Crum became expressive, St. Martin recalled, and said to Higdon:

Bill, I don't have the ——— time to wait. Get it done now.

St. Martin testified that Higdon replied:

I'll try. But there is someone over in the commandant's special troops office who is insisting on the audit and inventory.

St. Martin said Crum then stated:

——— it! I'll call Earl about this (p. 1303).

Later that day, St. Martin said, he asked Higdon who "Earl" was, and Higdon replied it was Brig. Gen. Earl F. Cole (p. 1303).

LONG BINH ACCOUNTANT INSISTS ON AUDIT

It was not known who, in Higdon's mind, was "insisting" on an audit, according to St. Martin's recollection of the visit with Crum (p. 1303). But one officer who was insisting on an audit before annexation was Lt. Harold Dooley, the accounting officer, USARV Headquarters, Long Binh, from November 1, 1967, to January 31, 1968. In this position, Dooley said, he supervised the accounting practices for the Long Binh open mess systems (pp. 1310, 1311).

In a May 4, 1970, subcommittee affidavit, Dooley, now a civilian, said he opposed the annexation move without the proper preliminary bookkeeping procedures because "from an accountant's standpoint, it is a poor practice to annex anything without an audit" (p. 1311).

Dooley said he was opposed in principle to the merger of the two club systems anyway because the 90th Replacement clubs "had a bad reputation in Vietnam" (p. 1311).

Dooley said he and the officer's club system custodian, Lt. Edward Barclay, went to the Long Binh Post Commander, Col. Robert Williamson, to "encourage him not to annex without an audit." Dooley recalled:

At that meeting, Colonel Williamson agreed that annexation without a prior audit would be bad policy. Later, Williamson came over and told club personnel that an audit should take place (p. 1311).

But, Dooley said, despite his and Barclay's efforts—and despite Colonel Williamson's intentions—the annexation took place anyhow. It was directed by USARV, Dooley said, as he explained:

Despite Williamson's intention to audit, a directive came down from USARV stating that annexation would take place subject to an audit. As far as I know, the audit never took place (p. 1311).

BARCLAY RECALLS THE ANNEXATION PROPOSAL

In his affidavit, Lt. Edward Barclay, the officer's club custodian at Long Binh, said Higdon began "pushing for * * * annexation without an audit" as soon as he took over as Long Binh NCO club custodian. Barclay said he and the accountant, Lieutenant Dooley, went to the post commander, Colonel Williamson, "to warn" that an annexation without an audit would be a bad business transaction, "particularly since Higdon's old club was well known as a particularly slipshod operation." Colonel Williamson agreed, Barclay said (p. 1318).

However, Barclay said, a short time later a directive was issued by the USARV command. The directive stated that the 90th Replacement clubs "would be annexed 'subject to an audit' not later than January 25, 1968," Barclay said (p. 1318).

Barclay said the phrase "subject to an audit" was a "ruse or a subterfuge" since, first, there would not have been time for a thorough audit before the January 25, 1968, deadline and, second, an audit after the annexation was "doomed to be ineffective" since inventories of both club systems would be "mixed immediately upon annexation" (p. 1318).

HIGDON AND ST. MARTIN VISIT MADAME PHOUNG'S VILLA

After their discussion about the two 90th Replacement clubs needing to be merged into the Long Binh system, Crum and Higdon met privately for about 20 minutes in the villa, St. Martin said. Then St. Martin and Higdon left, their next stop being the villa of Madame Phoung. Madame Phoung was an attractive Vietnamese woman who looked like—and was nicknamed after—the Dragon Lady of the Terry and the Pirates comic strip, St. Martin told Senators. The Dragon Lady's villa was "spacious" and "well furnished" and its walls were hung with "works of art [that] seemed expensive," St. Martin testified (pp. 1304, 1305).

Major St. Martin said he had seen her at Long Binh previously as she made frequent trips to the Army post and "expressed great enthusiasm at the prospect of operating a steam bath and massage parlor" and house of prostitution at Long Binh (pp. 1304-1306).

Higdon and Madame Phoung met privately for about 45 minutes, St. Martin said. Then the Madame reappeared and said her brother would drive him into Saigon where he could spend the night. At this point, St. Martin said, he lost track of Higdon and did not see him again until the next morning (p. 1305).

Driving to a commercial hotel in Saigon, Madame Phoung's brother—St. Martin knew him as Mr. Phoung—inquired about the chances of his sister winning the contract for the sauna, steambath,

and massage parlor concession at Long Binh. St. Martin, knowing that 10 bids had been received for the project, said he explained to Mr. Phoung that no decision had been made yet. St. Martin revealed to Senators that the Dragon Lady's proposal was highlighted by a plan to include in the steam parlor "a house of prostitution, complete with a self-contained medical inspection facility" (p. 1305).

Mr. Phoung went on to advise him, St. Martin said, that Madame Phoung "was a very personal friend" of General Cole and that the general "was going to help her obtain the contract." St. Martin said he replied, "That's what you need friends for" (p. 1306).

In the hotel lobby, Mr. Phoung met privately with the desk clerk, and then a bellhop showed St. Martin to his room, no registration being required, the Army major testified. St. Martin said he assumed the room was being paid for out of club system funds (p. 1306).

MAJOR ST. MARTIN HAS A VISITOR

In his room only a moment or two, St. Martin recalled, a bellhop arrived, delivering a bottle of Canadian Club whisky and Coca-Cola mixer, his "favorite combination," "courtesy of the hotel manager." St. Martin had hardly mixed himself a drink, he said, when there was another knock at the door. This time, he said, he was greeted by a beautiful 23-year-old Vietnamese girl who announced she wished to spend the night with him (p. 1306).

Inviting her in and offering her a drink, St. Martin listened as the Vietnamese girl explained she worked for a "Vietnamese only" discotheque in Saigon, a night spot. St. Martin said he later learned Mr. Phoung was associated with. When St. Martin told the girl he was "too tired and not really interested" in romance, she told him she would be "in some sort of trouble" if she didn't stay with him. St. Martin said he advised her to report to whoever it was that sent her that she had stayed with him—and he promised to say the same. The girl left, St. Martin said (pp. 1306, 1307).

The next morning, he recalled, the desk clerk informed him he owed nothing. "Curious to see how Sergeant Higdon would write off the cost of a prostitute," St. Martin said, he examined Long Binh club system records for the next 2 months but could find no indication that his hotel bill—or his "fringe benefits"—had been paid by the Long Binh clubs (p. 1307).

ST. MARTIN SAYS HIGDON BUYS FOREIGN BEER AT INTERNATIONAL HOUSE

Meeting Sergeant Higdon at the International House in Saigon, Major St. Martin found the sergeant having coffee with "Nick," the International House manager. Major St. Martin said Higdon asked him, "How was your night, Major?" (p. 1307).

"Fantastic," St. Martin said he replied.

"Were you pleased with the merchandise?" St. Martin said Higdon asked.

"Ding-how"—Chinese for No. 1—was how he described the girl to Higdon, St. Martin told the subcommittee (p. 1307).

Higdon then began negotiating with "Nick"—William Nichols—for the purchase of 120 cases of San Miguel Beer, St. Martin said. He stated that Higdon paid the agreed upon price in cash. The Major pointed out that buying the Philippine-brewed San Miguel Beer was in violation of U.S. Army regulations in Vietnam. St. Martin said this purchase was one of several buys Higdon made of foreign beers from the International House. Army trucks were used to haul the beer from Saigon to the clubs where the beverage was set aside for the exclusive and complimentary enjoyment of NCO club managers, and their staffs, St. Martin explained (pp. 1307, 1308).

ST. MARTIN SAYS HIGDON PAID VENDORS IN CHECKS HE GAVE THEM

Along with the purchase of foreign beer, St. Martin said, Higdon violated another U.S. Army regulation. It was to pay Long Binh club system concessionaires, vendors, and sales representatives directly in checks on the U.S. dollar club system account, St. Martin testified, adding that regulations required that Higdon send the checks directly to "the parent companies outside of Vietnam" (p. 1308).

The purpose of the prohibition against direct payment to concessionaires, St. Martin said, was to prevent them from taking these checks to nearby nations such as Thailand and Singapore where U.S. green dollars were legal. Cashing these checks, the vendors would then smuggle their dollars back into Vietnam where they sold them on the black market at "highly lucrative" rates, St. Martin said (p. 1309).

St. Martin stated he asked the Long Binh accountant, Lt. Harold Dooley, to review all check registers to determine how frequently Higdon issued checks directly to vendors. Lieutenant Dooley found 15 checks ranging in value from \$1,000 to \$7,000 which had been issued to vendors directly and cashed in nearby countries, St. Martin said. He added that "there was no doubt in my mind" that these funds were being used in currency black market transactions (pp. 1309, 1310).

St. Martin said in the 3 months he was at Long Binh he estimated that Sergeant Higdon issued \$100,000 in checks in these illicit dealings, with the subsequent added black market profit of from \$40,000 to \$60,000 (p. 1312).

St. Martin sought to show that Higdon was giving checks directly to favored vendors—particularly to Sari Electronics, Price & Co., and Bar Dispensers—by having Lieutenant Dooley prepare a \$3,000 check for Higdon's signature payable to Crum's Price & Co. Later, St. Martin found Higdon had passed the check directly to Richard Wright of Price & Co. St. Martin estimated that the black market return on a \$3,000 check converted into U.S. green dollars would be \$1,200 or a total of \$4,200 (p. 1310).

In his affidavit, Lieutenant Barclay also made note of Higdon's willingness to pay vendors in checks given to them directly. Barclay, whose office was across the hall from Higdon's, said the sergeant's violation of the Army prohibition against giving checks directly to vendors was blatant. Barclay said he reported the abuse to Colonel Williamson, the post commander. Williamson "issued an order to stop the practice," Barclay explained, but Higdon continued to sign checks

and give them directly to vendors anyway, Higdon "announcing that he had mailed them himself." Among those vendors Barclay recalled Higdon paid directly was Ernest L. (Pat) Paschall (pp. 1317, 1318).

SARL'S GOODS ARE STORED AT LONG BINH

Major St. Martin told Senators he learned from the officer's club custodian, Lt. Edward Barclay, of a shipment of goods being stored under questionable circumstances at the special troops, USARV S-4 storage yard. Barclay advised him, St. Martin said, crates in this shipment were stenciled "For Officer/NCO Open Mess System, Long Binh Post," but that there were no purchase order records to indicate that the club system had actually ordered the shipment (pp. 1312, 1313).

Barclay reported that a convoy of five large U.S. Army trucks had brought the shipment of goods to the Long Binh club system offices. Barclay told St. Martin he decided to accept the shipment as an "unexpected windfall"—even though there was no indication that the clubs had ordered the goods. But, as St. Martin recalled Barclay's account, Lt. Col. Robert Carey of USARV special troops arrived at the club offices and said the goods were not Barclay's to accept (pp. 1312, 1313).

St. Martin said he and Barclay went to the S-4 storage yard where they told the sergeant in charge they were looking for an overdue shipment of dishes. As they ostensibly searched for the dishes, St. Martin said, they came upon "far more crates" marked for the Long Binh club system than Barclay remembered. Shipping documents affixed to the crates revealed they contained beer coolers, refrigerators, freezers, air conditioners, and other heavy appliances, St. Martin said (p. 1313).

St. Martin said he asked the yard sergeant for an explanation of the many crates marked for the Long Binh club system and the NCO replied:

This is a deal General Cole has with some civilian in Saigon
(p. 1313).

St. Martin said he and Barclay found a set of dishes among the other crated goods, but when they proposed to remove them from the premises the yard sergeant halted them, saying:

You can't have anything without the specific approval of
General Cole (p. 1314).

Puzzled that a general officer would involve himself not only in the appointment of a custodian, but also in the "taking out of a crate of merchandise from a storage depot," Senator Ribicoff asked St. Martin, "Was this unusual?" (P. 1314.)

St. Martin answered:

Sir, to realize this you have to understand the atmosphere at Long Binh. When you mentioned General Cole's name, everyone seemed to be struck with fear. There was no one that would buck him * * * I would classify or characterize General Cole as the second coming of Napoleon, really, when you

get down to it * * * I just know when you mentioned General Cole's name it was like mentioning the Supreme Being (p. 1314).

Returning to their club system offices, Barclay found an old invoice for a beer cooler he had already received. St. Martin said he assigned another club system employee to present this invoice to the S-4 yard sergeant and try to pick up a beer cooler (p. 1315).

St. Martin testified that to his "amazement" the man returned with the beer cooler. Fully expecting a response of some kind, St. Martin said instead "nothing happened," that the beer cooler was installed in a club at Long Binh and "no questions were ever asked" (p. 1315).

Since no action was taken against him for what he considered "a highly irregular acquisition of an appliance" worth "several thousand dollars," St. Martin concluded the entire shipment of goods at the S-4 storage yard was there "under other than normal conditions" (p. 1315).

For Sarl Electronics to be able to import goods into Vietnam, using NCO club duty-free privileges, St. Martin explained, could mean a savings of "thousands of dollars per appliance," and then the ability to sell the goods on the economy at inflated prices (p. 1315).

THE S-4 STORAGE YARD

In his affidavit, Lt. Edward Barclay said early in his tenure as officer's club custodian at Long Binh—he took the job in July of 1967—an unexpected shipment of "coolers, cooking ranges, slot machines, and other equipment" arrived at the club. When he refused to accept the shipment, since there was no record that the club had ordered it, Barclay said, Lt. Col. Robert Carey of USARV Special Troops telephoned and directed him to sign for the goods. Barclay said he refused. Colonel Carey came to his office, Barclay said, but still he refused to accept the order. Barclay stated:

The equipment continued to arrive for several months. It was stored in the Special Troops storage yard. I never signed for any of it and I don't know who did (p. 1316).

Barclay added that he felt the shipments were imported into Vietnam duty free and "were intended for Sarl Electronics" (p. 1316).

In the fall of 1967, when Maj. Clement St. Martin took over as officer in charge of the clubs, Barclay and the major went to the storage yard where Sgt. Ken Gerzema told them the crates marked for the clubs actually belonged to "some civilian" whose name he did not know but who had entered into "some deal" with General Cole (p. 1316).

Later, Barclay said, he and St. Martin confronted Maj. David B. Klingensmith of USARV Special Troops and asked to have the equipment. This exchange ensued, according to Barclay:

Major Klingensmith asked us, "Are you sure it's your equipment?"

Major St. Martin told him it must be—it had our name on it.

Then Major Klingensmith said, "That stuff belongs to some civilian. If you want any of that you'll have to talk to General Cole" (p. 1316).

Major Klingensmith, who served at Long Binh with the USARV Special Troops in 1967, gave a sworn statement April 14, 1970. Klingensmith said "there was a connection between General Cole and that equipment" which was addressed to the Long Binh club system but was stored on the Army post for "a civilian, who represented a civilian concern," the name of which he could not recall. The equipment included ice-making machines, beverage coolers, and possibly other items, Klingensmith said, adding that these crates "took up quite a bit of our storage area and presented a thorn in my side" (exhibit 544, p. 1645).

In his affidavit, Lt. Harold Dooley, who was the Long Binh club system accountant, said he took photographs of certain crates designated for the clubs but stored in the S-4 storage yard. The pictures, taken at the request of Major St. Martin, were turned over to the CID when investigators interviewed him in August 1969, Dooley said. The photographs, showing crates stenciled with the club system address, were made part of the hearing record (pp. 1311, 1313). Subsequent staff testimony indicated this merchandise had been imported into Vietnam by Sarl using bogus NCO club purchase orders (p. 1314).

Dooley said he recalled that one of these stored goods—a beer cooler—was delivered to the open mess system. However, the clubs were later billed for the beer cooler, Dooley explained. He said the bill arrived after a meeting he heard about from Major St. Martin (p. 1319). Dooley said :

It was disclosed to me by St. Martin that Gen. Earl Cole had stated in a meeting with persons unknown to me that he had authorized shipment of said merchandise valued in the millions of dollars into Vietnam. This merchandise was to be used for future club expansion and brought into Vietnam by Sarl Electronics (p. 1311).

Two other officers—Col. Robert Bates Hair and Lt. Col. Robert W. McGarrah, Sr.—were interviewed in connection with the storage of goods at Long Binh.

Colonel Hair, who was the deputy post commander under Williamson at Long Binh, said in a September 30, 1969, affidavit :

I know that Colonel Williamson personally discussed with General Cole the fact that Sarl Electronics had imported equipment and vehicles into Vietnam using the USARV club system, to circumvent import duties. Actions taken by General Cole are not known to me, however; no positive actions or steps were taken that I was aware of during my assignment to Headquarters Long Binh Post to correct that very apparent fraud that was committed (p. 1693).

Commenting on Colonel Hair's remarks, Cole said :

I think the CID has other records to establish that they did in fact investigate the importation of these vehicles. I directed Colonel Williamson to continue the investigation (p. 1693).

In the above quote, Cole said he ordered an investigation into Sarl's "vehicles"—but he said nothing about what he did in response to the storage of goods at Long Binh. In fact, Colonel Williamson, in his affidavit, said Cole could not give him a "satisfactory answer" regarding the storage of equipment at Long Binh (p. 1302).

In an affidavit of April 2, 1970, Lt. Col. McGarrah commented about the storage of goods at Long Binh. McGarrah, the USARV Adjutant of Special Troops, said General Cole admitted he had assured Sarl Electronics that the firm could store equipment on the post. McGarrah recalled:

About July of 1967, my unit moved to Long Binh, RVN. Sometime after we moved, I would guess about August of 1967, Lt. Col. Carey and I were called to Brigadier General Cole's office. I did not know Brigadier General Cole at that time and I only knew his name. I am sure Lieutenant Colonel Carey knew Brigadier General Cole from before. We went to Brigadier General Cole's office and Cole said to me, "Mac, do you remember that we promised Sarl Electronics a place to store their equipment?" or words to that effect and I replied, "I heard something like that." Brigadier General Cole then turned to Lieutenant Colonel Carey and said, "Carey, can you take care of that?" Carey replied, "I guess so, sir." We then departed Brigadier General Cole's office. As we left, I told Carey, "I never heard anything like that," referring to Cole's comments to me. Again, I never had spoken to Brigadier General Cole before and I was a major at the time. Sometime later, the Sarl Co. moved numerous items to the rear of the old generals' mess. The items were club equipment. I recall seeing beer coolers and french friers. The other items were in cases and most of them were covered (p. 1694).

Commenting on Colonel McGarrah's remarks, Cole said:

I think McGarrah met with a number of other staff officers in Long Binh along in March or April or May in 1967, wherein we discussed what incoming troops would need based on the request from the advance parties. I think it was established they needed about a million dollars worth of Quonset huts, and they needed a million dollars or so worth of special services equipment. It was also established that one thing they desperately needed was ice coolers. I think it was at that meeting we decided we would try to get ice coolers. But there was no money to buy them (p. 1694).

In his opening statement before the subcommittee March 10, 1971, Cole testified:

As for the storage of merchandise by Sarl Electronics, a vendor to the military at Long Binh, I authorized the storage of approximately 30 ice cube making machines in the S-4 storage yard at Long Binh. No other Sarl Electronics merchandise found on the post at Long Binh was authorized to be stored there by me. A Judge Advocate advised that merchandise could be so stored and he added provided we did

not assume pecuniary responsibility for that merchandise (p. 1543, 1544).

The above statement conflicted with statements Cole made under oath to the CID in October of 1969.

On October 8, Cole was asked by the CID:

Our understanding is that this barbed wire enclosed storage area is located at the USARV special troops S-4 yard and that instructions had been issued by you to S-4 representatives that access would be restricted to representatives of Sarl Electronics.

Cole replied:

I know nothing of such instructions nor do I recall ever having discussed the safeguarding of this property with anyone (exhibit 539, p. 1626).

On October 26, Cole was asked by the CID:

What knowledge do you have concerning a storage yard utilized to store Sarl's equipment at Long Binh?

Cole replied:

I have no knowledge of a yard used solely to store equipment for Sarl Electronics or any other vendor. However, I do recall authorizing storage of 30 small and large ice cubers (exhibit 538, p. 1626).

Senator Gurney asked Cole:

Did you authorize the storage of quantities of Sarl Electronics material in this area without purchase order?

Cole answered:

I do not know any equipment was imported without purchase orders. The only equipment I authorized storage of was ice coolers (p. 1694).

However, after these four sworn statements—and after the hearings had concluded—Cole revised his position on the storage. He submitted to the subcommittee a statement sworn to March 25, 1971 in which he now recalled that he “might have authorized” additional merchandise to be stored at Long Binh. In that supplemental statement, Cole said:

Since my appearances before the Subcommittee on Investigations of the Committee on Government Operations, United States Senate, I, Earl F. Cole, have had an opportunity to review my testimony and the testimony of other witnesses, and have reflected on that testimony in an endeavor to refresh my recollection of events which occurred during my tour of duty in South Vietnam.

As a result of this review, I now recall that an Arcade was planned at Long Binh Post which, in addition to a Bar and a Snack Room, also would have an amusement area in which amusement machines were to be installed. Inasmuch as the

money for the construction of an Arcade was not available, an unused Mess Hall was renovated for this Arcade.

The equipment for this Arcade, as I now remember, consisted of various types of kitchen items, amusement machines, et cetera, and was ordered either by the Post Exchange or the Officer/NCO/Open Mess System, which, if I remember correctly, arrived before the renovation of the Arcade building was completed. It is likely that this equipment is the equipment Lieutenant Barclay referred to in his Affidavit and in his testimony before the Subcommittee.

It is also possible that I might have authorized the temporary storage of this ordered equipment in the Special troop area, where during the hearings I recollected and testified as having authorized the storage of the ice cubers for use of the Military.

I do not recall the date when the renovation of the Arcade building was completed or the date or dates when this equipment was removed from the storage area and was placed or installed in the renovated Arcade building.

I am sure that the Subcommittee would like this information to be made a part of the record of the hearings, and my counsel is requesting that this be done by letter (exhibit 626, p. 2027).

CID records for 1967, made part of the record of the hearings, indicated Army and Vietnamese customs agents raided Sarl operations in Qui Nhon and found that goods ordered in May of that year had been taken to the home of Herbert Hayden, Sarl's representative in Qui Nhon. Agents also found that crates in this shipment of goods had been deliberately painted over to conceal the fact they were addressed to the clubs (p. 1068).

ST. MARTIN, HIGDON VISIT SAIGON AGAIN

On a second visit to Saigon, St. Martin said, Higdon again took him to William Crum's villa where Richard (Dick) Wright of Price & Co. was also paying a call.

Crum complained to Higdon about a delay in a new contract between Sarl Electronics and the Long Binh club system for slot and pinball machines, St. Martin testified. The delay was due to a legal officer's insistence that a performance—or free repair—clause be included in the contract, St. Martin recalled Higdon explaining. St. Martin said Crum replied that he would “get hold of Cole” and have him see that the “clause is dropped.” St. Martin said Crum then added:

I run the club system at Long Binh and nobody else (p. 1319).

Crum also complained that Higdon, as NCO club custodian, had not bought out the many gift and novelty shops at Long Binh, St. Martin informed Senators. When Higdon said he could not terminate the gift shop contracts without a “valid reason,” Crum, St. Martin related, exclaimed:

Bill, I got a reason. I can't wait forever. I've a half million dollars worth of dry goods in a warehouse here in Saigon

and every time this bastard from Vietnam customs needs some money he raids my warehouse and it costs me 100,000 Ps [piasters] to get him off my back (p. 1320).

St. Martin said Crum explained why he wanted control, through Higdon, of the novelty shops.

Bill, the only way I can get rid of these dry goods is to have the gift shops under my control (p. 1320).

With Higdon running the shops, Crum would be the "sole supplier" of goods, St. Martin said, adding that it was a "practical" solution to Crum's problem but not a "right" one (p. 1320).

In his affidavit, Lieutenant Barclay recalled the "performance clause" and stated it had been added to the contracts for coin-operated machines. Capt. George Langford of the Staff Judge Advocate Section, who wrote up the contracts with Sarl, tacked on the performance clause requiring that Sarl post a bond which would be forfeited if proper repair service were not provided, Barclay said. Barclay related that Captain Langford advised him that General Cole had "reacted adversely" to the performance bond and that contracts were subsequently removed from Langford's jurisdiction (p. 1317).

Colonel Cole told Senators he did "not recall an officer named Langford" (p. 1636).

THEY STOP AT I HOUSE AGAIN

Leaving the Crum villa, Higdon and St. Martin next went to the International House where Higdon informed "Nick," the manager, of an impending visit to Saigon of the Chief of Staff of the Army, Gen. Harold K. Johnson, and the Sergeant Major of the Army, Sgt. Maj. William O. Wooldridge. Higdon explained to "Nick," St. Martin said, that the two senior Army men would attend ceremonies marking the opening of a new club—Annex 14—at Long Binh and the open mess system wished to present them with gifts commemorating the occasion (p. 1320).

Higdon paid cash for three silver service sets that cost \$320 each as he handed "Nick" \$1,000 in MPC and received \$40 in MPC in change, St. Martin testified. Higdon then asked "Nick" for receipts showing the silver sets cost \$25 apiece, St. Martin recalled. Nick was William Nichols.

St. Martin said when he asked Higdon how he could account for \$960 out of club funds with receipts showing the gifts cost \$25 each, Higdon replied there was nothing to worry about since "a friend of General Cole" was picking up the tab (p. 1321).

"Who, Bill Crum?" St. Martin said he asked but Higdon did not reply (p. 1321).

St. Martin also pointed out to the subcommittee that senior military personnel are not permitted to receive gifts of such high value (p. 1321).

ST. MARTIN CONFRONTS DAVID TUNG OF THE TOM BROTHERS

Major St. Martin said he discovered a series of documents in club system files indicating that the Tom Brothers—club system concessionaires—had imported two vehicles into Vietnam duty free. Checking

their contract with the club system to build a Chinese restaurant at Long Binh, St. Martin found a "precisely worded clause" that required the Tom Brothers to first gain permission from the club system Board of Governors to import equipment duty free and, second, turn over title of such equipment to the open mess system (pp. 1321, 1322).

St. Martin said he confronted David Tung—an officer of the Tom Brothers—with the customs documents, pointed out how they violated the club system contract and then said he would refer the violation to Vietnamese Customs as a possible smuggling incident. St. Martin said David Tung replied that he could try to "do what you want" but that General Cole, "a personal friend," would "see that no such action occurs." Tung added that General Cole had told him he could import the vehicles "without getting permission," St. Martin testified (p. 1322).

When Tung claimed immunity, St. Martin tore in half the Tom Brothers' contract, invoking a provision empowering him to revoke the contract if it were violated. "I'm going to see General Cole about this" were David Tung's last words as he hurried out the door, St. Martin said. "Be my —— guest," St. Martin related he called out to the withdrawing David Tung (p. 1322).

At this moment, the thought occurred to him that his tour at Long Binh was not to be much longer, St. Martin testified. His premonition proved correct. General Cole was soon to arrange the major's transfer out of the area—to Cam Ranh Bay, an Army installation about 200 miles northeast of Long Binh.

22 DATSUNS ARRIVE AT THE SAIGON PORT

In mid-December 1967, St. Martin found a communication from the 125th Transportation Command saying 22 Japanese-made Datsun sedans and station wagons had arrived at the Saigon Port for pickup by the Long Binh club system. St. Martin said he went to the Post Commander, Colonel Williamson, with this document, explaining to the colonel that he did not believe the clubs had placed such an order. Williamson sent him and a Judge Advocate General Corps officer, Capt. William P. Young, Jr., to the port to look into this "peculiar" situation, St. Martin testified (p. 1323).

Refusing Higdon's offer to handle the matter and thereby save them the bother of driving to Saigon, St. Martin said, he and Captain Young went to the port December 15, 1967, and spoke with Capt. Daniel O'Connell, the customs clearance officer. Saying "Oh, not that again," O'Connell explained he had been concerned about the shipment of Datsuns but that General Cole had "prevented" him from carrying out an inquiry, St. Martin told Senators. St. Martin said O'Connell, seeking to show Young and him documents about Sarl's questionable importation practices, "was surprised" to find these papers missing from his files (p. 1324).

COLONEL WILLIAMSON IS BRIEFED

Back at Long Binh, St. Martin and Young briefed Colonel Williamson on their meeting with O'Connell. The briefing over, Williamson said he had received orders—from whom he did not say—to forbid St. Martin from looking into the Saigon Port situation, St.

Martin testified. St. Martin said only Williamson, Young, O'Connell, Sergeant Higdon, and himself knew of the trip to Saigon, leading the major to "conjecture" that Higdon informed General Cole and it was General Cole who ordered Williamson to have St. Martin taken off the inquiry (p. 1325).

In their affidavits, both Colonel Williamson and Captain Young stated as fact St. Martin's guesswork that Higdon told Cole of the Saigon Port inquiry and Cole ordered Williamson to keep St. Martin at Long Binh. Colonel Williamson said he "concluded Higdon had informed General Cole," which explained, he said, "how quickly Cole discovered" St. Martin and Young had visited the port (p. 1301). Young said Williamson told him General Cole had issued the order taking St. Martin off the Saigon Port inquiry. Young recalled that Williamson "concluded Master Sergeant Higdon must have informed Brigadier General Cole" of the investigation of the Datsun situation at the port (p. 1328).

THE FIRST ATTEMPT TO TRANSFER ST. MARTIN FAILS

The next day, December 16, orders came down from the Saigon Support Command transferring St. Martin out of Long Binh, St. Martin testified (p. 1325). Assembling all his evidence of irregularities in the club system, as well as the abuses of the duty-free privileges at the port, St. Martin said, he presented this documentation to Colonel Williamson, who was "stunned" that he would accuse "a general officer—that is, General Cole—of wrongdoing" (p. 1325).

St. Martin stated he was directed to repeat his assertions to Maj. Gen. Thomas Scott, of the Saigon Support Command, the command under which St. Martin served. St. Martin said General Scott countermanded the transfer, saying:

No field grade officer will be transferred out of my command without my specific permission (p. 1325).

General Scott was "a little irritated" that Cole had initiated the transfer, St. Martin said (p. 1325).

Colonel Williamson said the first effort to transfer St. Martin occurred following St. Martin and Young's trip to the Saigon Port and that the commander of the 1st Logistics Command "stated no officer would be transferred out without his permission" (p. 1301). Captain Young said it was his understanding that Brig. Gen. M. McDonald Jones of the Saigon Port Command "delayed the execution" of the St. Martin transfer due to the "unusual" circumstances of an officer being transferred out of one command at the initiation of a senior officer in another (p. 1329).

HIGDON, ST. MARTIN VISIT SAIGON FOR THE THIRD TIME

St. Martin assured Higdon that he was no longer conducting an inquiry into the Datsun situation at the port. So, St. Martin said, the sergeant took him along on a third trip to Saigon (pp. 1326, 1329).

They stopped at the International House where Higdon spoke with Nick about having the silver service sets engraved. Then they

went to William Crum's villa, St. Martin related, recounting that Dick Wright was there as were two representatives of Universal Consultants, a building firm seeking contracts with the Long Binh open mess system. Also standing by were "several Vietnamese women in bathing suits," St. Martin explained (p. 1330).

Taking St. Martin aside, Crum spoke of the need to clear the vehicles at the port, particularly now that 12 more Datsuns had arrived, bringing the total to 34, St. Martin testified. But the major said he pointed out to Crum that "I had been told to keep my hands off the imported vehicle issue." Crum ended the conversation by assuring him that "people in high places" would see that the vehicles were cleared duty free, St. Martin said (p. 1330).

As evening descended upon the Saigon villa, Higdon suggested they return to Long Binh the next morning and offered to provide the same Vietnamese girl from the first trip, St. Martin said. That night, St. Martin continued, the young prostitute came to his room but he again refused her favors, the two of them agreeing to say that she had stayed with him. Picking up the silver sets the next morning, St. Martin and Higdon returned to Long Binh (p. 1330).

Captain Young remembered St. Martin remarking about that private conversation with William Crum—and Crum's reference to "certain high-placed friends" who "could insure clearance" of the Datsuns at the Port. Young said St. Martin impressed him with two assertions—that Higdon and Crum were "fairly close" and that one of those "high-placed" friends to whom Crum expected to turn for help at the Port was General Cole (p. 1328).

St. Martin testified that he also tried to tighten up other NCO club procedures besides the importation practices. He implemented a new system for clearing slot machines, for example, which resulted, he said, in an increase in slot machine proceeds of \$100,000 the first month. Against this backdrop, St. Martin estimated that had he "fallen in line" with Sergeant Higdon he would have earned \$10,000 a week (pp. 1340, 1342).

MADAME PHOUNG WINS STEAM BATH CONTRACT

Major St. Martin said that on December 22, 1967 Madame Phoung came to his office at Long Binh, asked about the steam bath and massage parlor concession and, advised no decision had been made yet, declared that General Cole "wants me to get the contract" (p. 1331).

St. Martin testified that he replied the decision would be made by the club system board of governors, not by General Cole, an avowal that did not convince the Dragon Lady for she left saying she would take the matter up with Cole. The next morning he found on his desk a memorandum for his signature stating that the steam bath contract had been awarded—by decision of the board of governors—to Madame Phoung (p. 1331).

Puzzled that the board would meet on such short notice and without his presence, St. Martin asked Sergeant Higdon for an explanation. Higdon replied that a phone call—he did not say from whom—had come in the day before directing the unscheduled board of governors meeting and instructing that the pending steam bath contract be awarded, St. Martin recalled.

St. Martin said he signed the memorandum, believing "it was fruitless to argue" but intending to interview other members of the board of governors later to find out who called the meeting and how it was conducted. He was prevented from following up on this, however, because he was transferred out of Long Binh (p. 1331).

But the hold delaying the first attempt to transfer St. Martin remained valid for a few more days and fresh developments yet awaited him.

ST. MARTIN MEETS THE SERGEANT MAJOR OF THE ARMY

On December 31, 1967, a new NCO club—Annex 14—was dedicated in ceremonies attended by the Army Chief of Staff General Johnson and Sergeant Major of the Army Wooldridge (p. 1332).

St. Martin said his work detained him and he arrived too late to witness the presentation of the silver service sets to the visiting dignitaries. But, he said, he did meet Sergeant Major Wooldridge, who, at the bar, Higdon at his side, remarked to St. Martin:

You are the Major who is doing some snooping around.
Don't you know you can get hurt? (P. 1332.)

St. Martin, who was an enlisted man for 13 years before taking a commission, said he replied:

Considering what is happening, let me remind you a major still outranks a sergeant (p. 1332).

The suggestion that St. Martin could "get hurt" by "snooping around" prompted Senator Gurney to ask St. Martin if he ever considered himself in danger. St. Martin said "there were rumors of it," one of which he heard from his Vietnamese secretary, Shawn, to the effect that "Mr. Crum had actually put a price on my head" (p. 1332).

Captain Young said in his affidavit that Colonel Williamson had once expressed concern for Young's safety after a trip to the Saigon Port on the Sarl importation inquiry (p. 1329). And Colonel Williamson's successor, Col. Edmund Castle, testifying after St. Martin, said he received frequent threats on his life—as well as bribe offers—when he tried to reform club system affairs at Long Binh (p. 1372).

COLE, HIGDON ACCUSE ST. MARTIN OF DISRESPECT TO GENERAL JOHNSON

At a New Year's Eve party that night, St. Martin said, Colonel Williamson notified him that General Cole had succeeded in effecting his transfer. St. Martin said Colonel Williamson explained:

General Cole has accused you of making derogatory statements about General Johnson [Chief of Staff] during the club opening earlier this evening (p. 1333).

"General Cole is a —— liar," St. Martin said he replied, adding:

I told Colonel Williamson that I did not—and would not—ever make a derogatory remark about General Johnson. I have the highest respect for General Johnson, I said, and would never say anything unkind or unfair or derogatory about him (p. 1333).

Furthermore, St. Martin said, if anybody had "made improper remarks" at the Annex 14 festivity it was Wooldridge for having threatened an officer (p. 1333).

In his affidavit, Colonel Williamson described the New Year's Eve telephone call from General Cole in which Cole declared that:

* * * Major St. Martin had "shot his mouth off" at the party about General Johnson and the silver sets. As I recall, one of those persons who overheard the statement was Sergeant Higdon and the other might have been Wooldridge, but I'm not positive. Apparently the derogatory remarks were reported up the line to General Cole (p. 1302).

ST. MARTIN CONFRONTS COLE ON NEW YEAR'S DAY; IS TRANSFERRED

Colonel Williamson said General Jones of the Saigon Support Command called a meeting in General Cole's office to discuss the accusations St. Martin had made against Cole. It was held January 1, 1968. There were three phases to the meeting, Williamson said, first with Jones and Cole alone; second, the "full meeting" with all parties present; and, finally, a private meeting between Cole and St. Martin (p. 1302).

After a 1-hour meeting between Cole and Jones, Williamson said, the full meeting began at which the St. Martin allegations "were read one by one." Williamson did not recall who attended this session other than himself, St. Martin, Jones, Cole and the Long Binh Staff Judge Advocate, Colonel Carne (p. 1302).

Williamson said Cole never gave "a satisfactory answer" about the storage of Sarl equipment at Long Binh. Cole was concerned about the possibility of "innocent people being embarrassed" in connection with the presentation of the silver service sets, Williamson said, but no investigation or suspension of Higdon was directed by Cole (p. 1302).

In his affidavit, Lieutenant Barclay remembered these events somewhat differently than did Williamson. Barclay said he, Major St. Martin and WO Ed Davis waited in Cole's outer office while inside Cole met privately for about 45 minutes with Colonel Williamson, Major Poydasheff, General Jones, Lieutenant Colonel Miller and other officers whose names Barclay did not know (p. 1318).

Barclay said Cole came out of the inner office, walked over to the three of them and asked "which one of you gentlemen is Major St. Martin?" an "odd" question, Barclay thought, since St. Martin wore the insignia of a Major and anyway Cole should have "remembered both St. Martin and me from past experiences" (p. 1318).

St. Martin then went inside with Cole—Barclay said he and Davis were not invited in—and the door remained closed for about an hour and a half, after which time the other officers left, leaving Cole and St. Martin alone. Barclay said he departed the outer offices as the other officers did and he did not see St. Martin until the next day (p. 1318).

Like Barclay, St. Martin remembered waiting with Barclay and Davis for 45 minutes in the anteroom before Cole appeared and asked him into the inner office. Inside, he said, were General Jones or Scott—one or the other—Colonel Carne; Major Poydasheff of Carne's

staff; Colonel Williamson; and another lieutenant colonel whose name St. Martin could not remember (pp. 1333, 1334).

St. Martin said he was not given an opportunity to discuss any of the allegations but that Cole went through each of them in a high-handed fashion, saying first, he would direct a CID investigation of the vehicle importation allegation; second, he would suspend Higdon pending the outcome of an investigation he intended to direct; third, he was not involved in performance clauses in Sarl contracts; fourth, he had permission from the Vietnamese customs to authorize Sarl to store goods at Long Binh "to provide for rapid club expansion;" and, fifth, the Tom Brothers were authorized by the board of governors to import goods duty-free into Vietnam and "if the permission is not in the minutes * * * I'll see that it's done" (p. 1334).

The general's explanations sounded "reasonable enough" to officers who knew next to nothing about the club system, St. Martin said, and the men in the room "seemed to be altogether satisfied" with Cole's remarks, so much so that not one of them bothered to ask a single question (p. 1335).

"It was as if I had dreamed the whole thing up," St. Martin said, concluding the officers showed "very poor judgment" in having called the meeting in the first place. In addition, St. Martin said, Barclay and Davis, seated as nearby as the anteroom, should have been asked into the meeting to either support or refute his assertions—but they were never invited in. Sergeant Higdon could have been summoned to the meeting, too, St. Martin testified (p. 1335).

When none of the other officers asked Cole any questions, the confrontation had apparently ended and as they filed out of Cole's office, St. Martin asked the general for a private meeting. Alone together for the first time, St. Martin said, General Cole asked "how I came to have the gall" to accuse a general officer of wrongdoing—and then compound the sin by making the allegations in the presence of another general officer. The two of them met for about an hour, St. Martin said, and of William Crum General Cole stated:

He [Crum] and I are old friends from the mainland of China: I've known Bill for over 20 years and he would not do anything illegal. I've had him to lunch on several occasions at my quarters and I have visited him also in Saigon. He is a real fine man (p. 1335).

St. Martin said Cole conceded the storage of Sarl goods at Long Binh was "wrong." But the general produced a "piece of paper," then "waved it at me" and claimed the document vested in him the authority to allow Crum to import and store his products at Long Binh, St. Martin said (pp. 1335, 1336).

As for Madame Phoung and David Tung, St. Martin testified that Cole explained these two persons were name droppers, using his name to impress people and any success they had achieved at Long Binh was coincidental and was not the result of anything he had done (p. 1336).

On January 7, 1968, St. Martin left Long Binh and took up his new assignment with the 35th Engineers Group, Cam Ranh Bay. CID agents interviewed St. Martin at Cam Ranh Bay February 27, 1968. That interview was made part of the record of the hearings. It reflects

St. Martin's initial allegations against Cole and the general's initial responses but contains no information. St. Martin said he gained from the second, private confrontation with the general (pp. 1336, 1337).

In an October 1969 sworn statement given to the CID, Cole admitted he initiated the action transferring St. Martin out of Long Binh. Cole stated:

I did give instructions to find a more qualified officer to take over the clubs and messes and find a more suitable assignment for Major St. Martin (p. 1594).

But on March 12, 1971, before the subcommittee, Cole denied he initiated the transfer of St. Martin. Cole also declared he would have ordered the transfer had he had the authority to do it. Cole testified:

If it would have been my decision I would not have hesitated 1 minute to relieve Major St. Martin. If I had known everything I know today he would have been relieved long before that time. He had zero qualifications to be in charge of that mess system (p. 1592).

But a few moments later, Senator Percy asked Cole:

Mr. Cole, I would like a yes or no answer to this question. Did you initiate the transfer of Major St. Martin? (P. 1595.)

Cole replied:

Yes, I initiated the transfer of Major St. Martin (p. 1595).

Lt. Edward Barclay, the officer's club custodian who worked with St. Martin at Long Binh, disputed Cole's statement that St. Martin's lack of experience in club affairs made him unable to effectively carry out his duties as open mess system officer adviser. Barclay said:

Major St. Martin's position was merely a position to supervise and overlook the system. So I don't really believe that any tremendous educational background or club background would be necessary (p. 1597).

THE CHALLENGE OF THE COURT-MARTIAL

Until the subcommittee's investigation reopened the matter of the St. Martin allegations, the Army did nothing further about them, a point which St. Martin himself believed to be a strong point of corroboration in his behalf. In St. Martin's mind, in fact, the most telling development that convinced him—and should have convinced the Army, he thought—that his assertions were valid was a challenge he said he laid down to Cole. St. Martin told Senators he said to Cole in the private meeting:

Well, then, if all the facts I have presented today are false, General, why don't you court-martial me? (P. 1338.)

St. Martin said Cole replied:

No, I feel you made an honest error (p. 1338).

St. Martin told Senators:

But I don't know of any other incidents in U.S. Army history where a major was supposed to have made false accusations against a general officer in front of witnesses and they haven't been court-martialed for it (p. 1338).

Of the testimony of Barclay and St. Martin, Cole said :

St. Martin made his allegations only after I had requested them. Here was a major who was in a position to make on-the-spot corrections, as was Lieutenant Barclay. They were senior to the sergeant whom they suspected of wrongdoing, and not one time did they make any effort to do this. They had every club, every weapon, every tool they needed to make on-the-spot corrections. But no one did.

Conversely, St. Martin permitted a sergeant to pander on at least two occasions prostitutes for him. I think that is most unusual and unheard of. But that is in the evidence, that he did this because he wanted to pretend he was one of the boys and this was what he should do as a major in the U.S. Army. I can't believe it, but this is a matter of record (p. 1956).

XV. THE TESTIMONY OF COLONEL CASTLE

CASTLE INHERITS PROBLEMS AT LONG BINH

In 1967 General Ashworth warned of the need for reform in non-appropriated fund activities in Vietnam. Later that year and early in 1968 Major St. Martin pointed out to Army officers much his senior that violations of nonappropriated fund rules, regulations, and laws were commonplace at Long Binh and at the Saigon Port.

But it was to Col. Edmund Castle that the task fell of trying to implement the needed reforms and operate the club system at Long Binh as the Army had intended. The colonel, now retired, testified March 4, 1971 (pp. 1351-1389).

Colonel Castle was the post commander at Long Binh from March 17, 1968, until February 23, 1969, when he was seriously wounded leading his men against a Vietcong attack (p. 1352).

Castle said he inherited an open mess system at Long Binh riddled with confusion, corruption, and mismanagement, a system burdened with three times too many clubs, far too many concessions, too little supervision by the local command, and too much interference from the U.S. Army Headquarters located on the Long Binh Post. Castle said he tried to change all that. And for his efforts he received threats on his life, bribe offers, the unforgiving wrath of Madame Phoung, and the satisfaction of knowing he had achieved many reforms in the club system.

LONG BINH CLUBS NEED REFORM

The 30 clubs in the Long Binh system were "unsanitary," "disorganized," and operated in a manner not "conducive to military discipline," Castle told Senators. Some of the problems afflicting the clubs at Long Binh were unavoidable, Castle said. They were, he suggested, the result of the rapid growth of the Long Binh installation as new units arrived in quick succession, bringing with them their own clubs and concessions. With some 40,000 men, the Long Binh post was the largest Army installation in Vietnam, Castle said. The post had grown too fast, with not enough supervision, Castle testified (pp. 1352-1354).

But the difficulties at the clubs, he said, were compounded by the fact that Castle, as post commander, did not control the operation of the open mess system. That responsibility, which should have been his, Castle said, was vested in the office of the USARV Deputy Chief of Staff for Personnel and Administration, a position held for one and a half years by Brig. Gen. Earl F. Cole. Cole's tour at Long Binh ended in January 1968, 2 months before Castle arrived to succeed Colonel Williamson (p. 1354).

Castle said a routine matter such as approval of the minutes of the meetings of the Long Binh club system board of governors was a duty that should have gone to the post commander but at Long Binh the

minutes were ultimately approved by the Deputy Chief of Staff for Personnel and Administration (p. 1352).

However, the Colonel testified, he won back for the Long Binh Post commander the right to approve or reject the minutes of the open mess board of governors (p. 1375). In so doing, he said, he was able to re-assert some of the prerogatives that, through Army tradition and regulations, normally belong to the post commander. It was one of many reforms he sought to implement at Long Binh, Castle said.

STORAGE FACILITIES PROBLEMS

Colonel Castle said it was apparent to him early in his tour at Long Binh that storage areas for nonappropriated fund activities were in disarray. Taking over an abandoned building, Castle converted the structure into a centralized storage area and then directed a comprehensive audit and inventory (pp. 1356, 1357).

Touring the reservation one day, Castle found crates "destined" for Sarl Electronics but designated for the USARV club system. The next day, when he sent out a team to investigate the storage of the Sarl equipment, Castle said, he learned that the shipment was no longer where he had found it. Later, a CID inquiry directed by Castle discovered the shipment in a Sarl warehouse in Saigon (p. 1357).

Another development in the storage issue occurred when the USARV commandant, a colonel whose name Castle could not recall, called to report that 22 ice cube-making machines imported by Sarl Electronics had turned up on the Long Binh reservation (p. 1358).

Castle said he accepted responsibility for the machines and waited to see what would happen. He said Arthur Marlowe, a British subject employed by Sarl, went to Castle, claimed the ice cube machines were his but could provide no legitimate purchase orders to prove it. Castle said the purchase orders Marlowe showed him were fraudulent. Ten months went by, Castle told Senators, before Marlowe was able to find enough club managers willing to buy with legitimate purchase orders 21 of the machines. The 22d machine never was picked up, Castle said (p. 1358).

THE REPAIR AND RESALE OF SARL SLOT MACHINES

Arthur Marlowe of Sarl Electronics came to his attention in another questionable affair, Castle said. Marlowe told Castle that used slot machines from the NCO clubs "commanded a profitable price" on the Vietnamese economy, the onetime post commander recounted. Castle said he was certain that Marlowe would have offered him a price for used slot machines. Castle testified he went to the CID, advised agents that Marlowe "was a crook" and seemed ready to make an offer if he got the right encouragement but investigators warned against leading the Sarl representative in this manner for fear it might be interpreted as a form of "entrapment" (p. 1359).

In addition to the sale and alleged resale of slot machines, Castle was also concerned about repair of these machines. He said the clubs at Long Binh paid Sarl \$3,200 a month to repair slot machines whether they needed fixing or not. Castle felt this was too much money. He

said he had hoped to train Army personnel to carry out maintenance work but this project, like others, was cut short by enemy fire (p. 1359).

CASTLE LIMITS SLOT MACHINE PURCHASES

Suspicious of slot machines in general and Sarl Electronics in particular, Castle said he issued an order banning the purchase of new slot machines without his specific approval. He said he also required thorough documentation to show that old machines about to be replaced had in fact been destroyed, part by part. Castle testified that once this directive went out, he received no requests to buy new machines, a fact which convinced him that the used machines were being sold on the Vietnamese economy (pp. 1359, 1360).

Castle told Senators that he was opposed to the very existence of slot machines on U.S. Army installations. He said many soldiers suffer from a "disease" that draws them irresistibly to a gamble they have no chance of winning. While he realized he could not "dry up" the slot machine trade at Long Binh, Castle said, he hoped "stricter controls" would "at least help" to cushion the negative impact of the slot machines on men and morale (p. 1360).

CASTLE RECALLS REFORMS HE SOUGHT

Colonel Castle said his first order of business in connection with NCO clubs was to clean them up, rid them of rats and vermin, impose the most ordinary standards of hygiene and sanitation, and seek to reorganize them so they would better serve the morale and welfare needs of the troops (pp. 1353, 1355). There were so many gift and novelty shops and other club system concessions at Long Binh, Castle said, that even a survey he ordered could not provide a reliable picture of their numbers or operations (p. 1356).

Merchants of all manners and methods were promoting goods and services at Long Binh in all places, Castle said. He said he found one concessionaire operating a barber shop in a latrine (pp. 1368, 1369). Other unauthorized merchants, he said, built their enterprises on skids enabling them to quickly move to another location of Long Binh when they were forced to move off the spot they occupied. These mobile entrepreneurs were finally closed down permanently, Castle said, when he ordered his men to simply slide the establishments off the reservation, occasionally dumping the inventory into a nearby ditch (p. 1369).

Castle said he was particularly short tempered with one Vietnamese female merchant who identified herself to the post commander as being "a good friend" of the post commander. Her enterprise was summarily hauled off the reservation by two U.S. Army trucks, Castle said. Then her boy friend, a U.S. Army lieutenant colonel, arrived on the scene, Castle recalled, adding:

I told him he better shut up while he was ahead or the next stop for him was the chief of staff (p. 1369).

Castle came down hard on the concessionaires—he was most distrustful of the Hong Kong variety—because corruption seemed to be their "way of doing business." Castle recalled:

Everybody came in wanting a concession [would] gently or otherwise offer you a bribe (p. 1356).

Unable to control these merchants who seemed to have been given full rein of Long Binh, Castle issued a directive to "shut down" all concessions that were not regulated by the Post Exchange (p. 1356). This order meant that concessions under the control of the Long Binh open mess system were either "captured" by the PX or they were driven off the post. Castle was determined to take the club system "completely out of the concession business" (p. 1356).

Two concessionaires hit particularly hard by Castle's action were the Tom Brothers and Co., a Hong Kong-based enterprise run by the Tung family, and Mrs. Tran Thi Phoung, also known as Madame Phoung, the Dragon Lady of Long Binh. Madame Phoung had been awarded the concession contract to build and operate a steambath, sauna and massage parlor on Long Binh (p. 1365).

COLONEL CASTLE AND THE TOM BROTHERS

When he started closing down club system concessions, Castle testified, he received telephone calls—he did not say from whom—asking that his order be adjusted to allow the Tom Brothers to "just show their goods" if they couldn't operate a store front. Castle said no because "this amounted to soliciting" and he testified he was against that, too (p. 1369). A caller, Castle said, asked why he was prohibiting Tom Brothers from selling or soliciting their civilian clothing on the post and Castle said he replied:

The best reason in the world is because I said so (p. 1369).

On another occasion, Castle said, a Tom Brothers representative presented a letter of recommendation from Brig. Gen. Earl F. Cole endorsing the firm. Castle said:

I took a copy of this and put it in the file at Long Binh, headquarters. When I left Long Binh they still had not gotten permission to operate (p. 1371).

Castle conceded, however, that a Chinese restaurant at Long Binh, run by Tom Brothers, remained under the control of the Tung family and the club system due to a \$25,000 construction fee that had to be paid before the PX could assume control (p. 1368).

In his affidavit, Edward Barclay, the former officers club custodian at Long Binh, said an advocate for building the Loon Foon Chinese Restaurant on base had been General Cole's assistant, Lt. Col. Clarence (Bud) Riser. Riser, Barclay said, told the Long Binh clubs board of governors that the Tom Brothers wished to build and operate the restaurant—and that General Cole "had known the Tom Brothers previously in Germany" (p. 1317).

COLONEL CASTLE AND MADAME PHOUNG

When Colonel Castle issued his order that the steam bath and massage parlor would be taken from the club system and placed under the supervision of the PX, he did not know the full impact this decision had on the financial fortunes of Madame Phoung. Unknown to

Castle, his order destroyed her ability to "legally" invest in the black market in currency in Vietnam. Madame Phoung's setback in her black market dealings was first described in the subcommittee hearing of November 20, 1969 (pp. 646-652), when Investigator Carmine Bellino and Ribicoff aide Fred Asselin related how the Phoung woman took proceeds from the club system concession and deposited them in the black market C. F. Hsiao account at the Irving Trust Co. of New York (pp. 646-652). These black market transactions by Madame Phoung are described in another section of this report (pp. 187-189).

The decision to give Madam Phoung—the GI's called her the Dragon Lady—the contract to build and operate the steambath and massage parlor had been made when he arrived at Long Binh, Castle testified. Noting that he was certain she intended to turn the parlor into a house of prostitution, Castle said, "It was never clear to me" how Madame Phoung ever succeeded in winning the contract for the concession. Castle did point out that his staff informed him that Brig. Gen. Earl F. Cole, as deputy chief of staff of USARV for personnel and administration, had been involved in the negotiations for the contract (pp. 1365, 1366).

But despite his efforts to delay construction of the parlor, Castle said, Madame Phoung won out and went ahead with building the \$200,000 structure and her plans to employ 400 Vietnamese girls to work there, 200 as masseuses and 200 more to drink and socialize with GI's in "a big, dark side room" of the establishment (pp. 1365, 1366).

In addition to the 400 women employed at her installation, Madame Phoung also brought to Long Binh two giant bronze statues of female nudes, affixing them to the wall over the outside entrance of the parlor, Castle testified (p. 1366). Learning of the 200 extra girls and seeing the nude statues for the first time, Castle was alarmed at the potential adverse publicity the Madame's promotions embodied. Castle told Senators:

The first thought that entered my mind was, "My God, if Time [magazine] or Life or somebody comes by here, we have had it * * * They can take a story when there is not too much wrong and make it look like something, but, boy, look at that (p. 1366).

Responding to the problems posed by Madame Phoung, Castle said, he first gave the Dragon Lady notice that the extra 200 Vietnamese girls had 2 hours to depart Long Binh for good. Then, he called Madame Phoung to his office and informed her that if the nudes were not dismantled immediately he would have his sergeant major assault them with a sledge hammer. Madame Phoung replaced the nudes with statues of "flying dragons," which "were pretty," Castle said, the sort of outdoor mosaic he "didn't think anybody could say too much about" (p. 1366).

Next, Castle said, he warned the Phoung woman he did not want the steambath to be a scene of prostitution and ordered that no massage rooms could have doors, curtains or any other device to conceal prostitution taking place. He said he also warned the Dragon Lady that if any cases of venereal disease among his troops were traced to her

parlor, he would immediately close her down and take her building over for his own headquarters (pp. 1366, 1367).

When Madame Phoung's brother was found to have entered into an indiscretion with one of the GI's, Castle closed down the steam parlor for a brief time until he received an assurance from Madame Phoung that her brother would behave himself. Castle said, "She whaled him a time or two so I let her get back open." But then Castle learned Mrs. Phoung's brother had taken to playing the piano in the parlor for the GI's and the Colonel responded to that by having his troops render the piano unplayable (p. 1368).

Without telling anyone, Madame Phoung installed "a great big canopied bed" in the parlor, Castle said, prompting him to explain to her "no damn beds" would be tolerated and to remove it (p. 1368). And just to make certain his orders were followed in these matters and many more like them. Castle said, he assigned Long Binh CID agents to keep the parlor under constant surveillance—from the inside. "I may not have had the best CID over there," Castle reminisced, "but I had the cleanest * * *" (p. 1367).

As he matched wits with Madame Phoung, Colonel Castle said, the Dragon Lady frequently reminded him he was only a colonel and that she had general officer friends to whom she could turn for support (p. 1367).

THE MEANING OF COLONEL CASTLE'S TESTIMONY

While the occasional humor in Colonel Castle's remarks was not lost on subcommittee members, the meaning of his testimony was not overlooked—not by Senators nor by the witness. There was, after all, a war going on in Vietnam. Long Binh was in a combat zone. Yet the post commander at Long Binh, the biggest U.S. Army installation in Vietnam, was forced to concern himself with two enemies—the Vietcong and the club system vendors and concessionaires.

By his own estimate, Castle spent 30 to 40 percent of his time trying to impose order and system on nonappropriated fund activities which seemed to operate not for the benefit of the American soldiers but for Madame Phoung, Sarl Electronics, the Tom Brothers, and the many more entrepreneurs who found in this war a chance for quick profit (p. 1379).

The rampant commercialism Colonel Castle said he found—and fought against—at Long Binh raised the critical point of the purpose of clubs, messes, exchanges, and concessions. It was a point Colonel Castle addressed himself to several times in his testimony as he spoke of the kind of club system he would have preferred for Long Binh.

His idea of a good club, Castle said, was one that had no slot machines. It would be a club managed by a custodian who prided himself on the clean kitchen he maintained and the pleasant, nutritious, hot meals that were prepared there. In short, it would be a club dedicated to the morale and welfare of the troops (pp. 1360, 1361).

THREATS ON CASTLE'S LIFE

About 6 months into his tour at Long Binh, Castle said, he started receiving anonymous telephone calls. First, the callers told him by not cracking down on club affairs, his life could be made more comforta-

ble. One caller remarked he could receive a new Cadillac for letting up on the clubs while another voice mentioned that there was \$50,000 in it for him if he would go easy on the concessionaires. Castle testified (p. 1372).

But in the fall of 1968, Castle said, the callers threatened him. The office of the provost marshal received one call in which it was asserted that someone was going to kill him, Castle said. Bodyguards were assigned to him, Castle said, but they became "embarrassing," particularly as he was "going out into the jungle every night on patrol" so he "asked them to be relieved" (pp. 1372, 1373).

Castle said he was not surprised at the calls as he testified :

I had hardly begun to exercise control over the club dealings when word was passed that I may be on unsafe ground. I was also informed, and this was from the captain again, that I had been getting too interested in Sarl's activities (p. 1373).

Colonel Castle did not say who the captain was.

THE BOQ IN SAIGON

As he sought to take the club system out of the concession business, Castle said, he also tried to tighten up procedures and eliminate functions his open mess system could readily do without. One such luxury he felt he did not need was a bachelor officers quarters (BOQ) and a bar being operated in Saigon under authority of the Long Binh open mess system (p. 1371). When his billeting officer advised him both billet and bar were losing money, Castle gave the order to "shut them both down." Warned by his staff that perhaps they should not close down the billet and bar since a general officer was living there, Castle stuck by his first decision, relating he "didn't give a damn" who lived there, that there was no justification for supporting an operation that was losing money. Moreover, Castle said, the club system at Long Binh had "no business operating anything in Saigon," 20 miles away (p. 1371).

Later that day, Brig. Gen. Earl F. Cole called him, Castle testified. Cole said if it was true he intended to close down the BOQ, he hoped it would not be "one of these just overnight things," Castle recalled (p. 1371). Castle said he told Cole he would close the bar and billet by the end of the month unless another Army unit outside Long Binh took responsibility for its operation.

Castle said Cole was "very polite, very courteous" as he remarked to Castle:

"Let's just keep this between ourselves. No need getting everybody else in it" (p. 1371).

"I agree," Castle said he replied (p. 1371).

Two or three days later, Cole called him back, Castle testified, to say he had a lieutenant colonel from outside Long Binh who had the authority to take over the Saigon BOQ and bar. Castle said the facility was transferred out of Long Binh and "we got out of the business." It was the last time he ever spoke with General Cole. Castle said (p. 1371).

XVI. THE VIETNAMESE BLACK MARKET IN MONEY

MADAME PHOUNG AND THE C. F. HSIAO ACCOUNT

Maj. Clement St. Martin, the adviser to the club system at Long Binh, told the subcommittee of the problems he had with Madame Phoung. Col. Edmund Castle, the post commander at Long Binh, told the subcommittee of the problems he had with Madame Phoung. But neither of these men knew the whole story of Mrs. Phoung's massage and steambath parlor at Long Binh; nor did they have any knowledge of the financial implications of the Dragon Lady's venture.

For Madame Phoung's establishment was not only an NCO club system concession; it was also a conduit into the Vietnamese black market in currency, an almost perfect textbook illustration of how enterprising but illicit black marketeers exploited the Vietnamese war through illegal money changing.

GI's who frequented the steambath and massage parlor paid for the services in script; that is military payment certificates or MPC. Once or twice a week Mrs. Phoung would take her assembled MPC to the NCO club system cashier, convert the MPC to a U.S.-dollar check drawn on the club system account, signed often by open mess system custodian Sgt. William Higdon and payable to the C. F. Hsiao account No. 03023873 at the Irving Trust Co., New York City. The check would then be mailed, using APO privileges, to the Irving Trust (pp. 646, 647).

In 1968, the 1 year Madame Phoung operated the parlor under NCO club sponsorship, \$507,243 was deposited in the C. F. Hsiao account, although not all of these funds were established to have been from the steam parlor (p. 646).

The Hsiao conduit was an established black market account, one of 13 such illicit accounts examined by the subcommittee (pp. 611, 612). And Madame Phoung was one of many principal NCO club system and post exchange vendors and concessionaires discovered to be depositing their proceeds from sales to nonappropriated fund activities into the currency black market (p. 637).

C. F. Hsiao, Madame Phoung explained to subcommittee investigators in Saigon in June of 1969, was her lover and sponsor. He loaned her \$300,000, she said, which she converted to diamonds in Bangkok and then smuggled into Vietnam. Selling these jewels piecemeal, she said, she paid for the construction of the steam parlor and then began paying off Hsiao in the dollar checks made out to him, in her behalf, by the NCO club system at Long Binh and sent to the Irving Trust in New York (p. 649).

A staff memorandum sent to the subcommittee from Vietnam June 14, 1969 reported:

USARV Headquarters was in the unlikely position, therefore, of actually sending its checks directly to a black market account in New York (p. 649).

The clue to Mrs. Phoung's black market operations—and the indication U.S. Army officers should have recognized—was that the woman was able to pay her in-country expenses while depositing all her proceeds into a New York account. She employed more than 100 masseuses and any number of other personnel yet all the money that came into the parlor went directly into the Hsiao account, except for the 10 percent extracted by the club system itself. The CID should have asked: How does she pay her personnel and other operating expenses? (P. 650.)

Mrs. Phoung told investigators she paid for these expenses out of the continuing sale of her jewels (p. 650). A more likely explanation was that her piasters came to her through black market transactions.

By the time investigators interviewed Mrs. Phoung, however, her parlor had been taken out of control of the club system by the Vietnam Regional [Post] Exchange—and, most important, exchange officials had decided she was not French-Indochinese, as she claimed, but 100 percent Vietnamese and was not entitled to be paid in U.S. dollars but was to be paid in piasters. This meant she had no means of conveying money into the Hsiao account—at least no legal means—and Madame Phoung was a deeply troubled woman as she bemoaned the fact she had assembled some 4 to 5 million piasters and had no place to deposit them, except in Vietnamese banks which were not acceptable to her. She told her story to subcommittee assistant counsel Duffy and Ribicoff aide Asselin in the hope that they would countermand the post exchange decision and restore her access to U.S. dollars (p. 651).

Madame Phoung was not the only investor in the C. F. Hsiao black market account at the Irving Trust. From December 9, 1966 to January 2, 1969, \$2,152,805 went into that account. The biggest year was 1967 when \$1,473,552 was deposited there, subpoenaed bank records revealed (p. 646).

Another club system concession and vendor firm, R. & R. Supply, owned by Ray and Isobel Evans, deposited \$40,000 in the C. F. Hsiao account (p. 646). The Evanses were large scale black marketeers as subcommittee investigators also found them having invested \$248,000 in the Prysumeen account at the Manufacturers Hanover Trust Co. of New York. The Prysumeen account, as well as the activities of Mr. and Mrs. Evans, are reviewed by the subcommittee in other sections of this report (pp. 193-200, 216-221).

Subcommittee investigators interviewed a C. F. Hsiao in Hong Kong. He explained to them an unnamed friend of his from Bangkok paid him \$50 for every \$10,000 deposited in the account for the use of his name. Hsiao also acknowledged that he helped persons sell U.S. dollars smuggled in and out of Vietnam (p. 646).

Hsiao operated Yom Hong & Co., an import-export firm located at 367-371 Queen's Road Central, in the heart of a Communist section of Hong Kong. Investigator Bellino, testifying November 20, 1969, said "a confidential source" had indicated to him that Hsiao had been a member of two organizations composed largely but not exclusively of Communists. Bellino also said one of Hsiao's five Chinese partners

in Yom Hong & Co. was Sui Kai San, Hsiao's uncle and manager of the National Bank of Laos. The other partners lived in Bangkok, Bellino said (p. 646).

BLACK MARKET IN MONEY EXISTED DURING FRENCH RULE

The C. F. Hsiao account was opened at the Irving Trust on August 29, 1949 (p. 646). It was not known if this account had been a black market conduit all these years. But illicit money exchange was going on then in Indochina and it had been a problem the French encountered even prior to World War II as the local currency did not enjoy great confidence among the people (p. 611).

Japanese occupation weakened faith in the currency further. Then war in the north of Vietnam and scandals resulting from knowledge that government officials were illicitly exchanging money themselves and the fall of the French resulted in additional loss of confidence in the piaster as more and more Indochinese sought to convert their funds into U.S. dollars or gold (p. 611).

Dr. Frans Pick, publisher of Pick's Currency Yearbook, estimated the currency black market in Vietnam to have been about \$40 million each of the years from 1965 through 1968 (p. 610). But subcommittee inquiry indicated that estimate was much too small as the traffic in the 13 black market accounts reviewed in this investigation came to \$75 million annually from 1965 to 1968. There were many more black market accounts than the 13 this subcommittee analyzed (p. 613).

One expert in black market transactions testified he thought the black market was about \$150 million annually (p. 536). Investigator Bellino, who studied the black market in currency in all its forms, said "a reasonable estimate" was that \$225 million or one-quarter billion dollars was being siphoned out of South Vietnam in illicit money exchange (p. 613).

HOW THE BLACK MARKET IN MONEY WORKS

The black market in currency became an illicit business of at least \$100 million a year and money became South Vietnam's biggest export, the one item that war-torn nation could least afford to ship out (p. 613). The black market flourished because people were willing to pay a premium for dollars and gold—and because their confidence in the piaster was shaken by political turmoil and war (p. 613).

The hearings provided the Congress and the American people their first opportunity to see the money manipulation racket in Vietnam for what it was—a multi-million dollar international network that extends from Tu Do Street, Saigon, to Wall Street, New York, with drop points in Arabian sheikdoms, in numbered Swiss accounts, in safes and vaults and deposit boxes throughout the world and possibly in Red China.

Giving Senators their first information on how the black market operates in Vietnam was Robert R. Parker (pp. 535–565), assistant to the Director of the U.S. Agency for International Development (AID) in Vietnam and chairman of the Irregular Practices Committee of the American Embassy in Saigon. This panel was estab-

lished to call upon all the resources of the U.S. Mission in Vietnam to help the Vietnamese control the black market.

Parker explained that two kinds of money changers are needed to make the black market work. First, he said, there must be a large number of persons in Vietnam who are well paid and who are not satisfied with the official, government-set exchange rate of 118 piasters to the dollar. Most of the persons who fitted that category, he said, were Americans working either as contractor employees for U.S. contractors involved in the war effort or were U.S. citizens who had no official reason for being in the country (pp. 539-541).

The second necessary ingredient to a successful black market, Parker said, were persons who have earned large amounts of piasters in Vietnam, who have little confidence in those piasters and who are willing to give up more than 118 piasters for the dollar for the privilege—and security—of having their money deposited in foreign banks; or invested in precious metals and stones (pp. 537, 549, 563, 564).

Parker gave many examples of the day-to-day operation of the underworld trade in money in Vietnam. He cited the illustration of an American employee of an AID-contractor firm. The employee, paid in dollars deposited directly in his American bank, is expected to pay his in-country expenses by cashing checks with authorized money changing facilities at the official rate of 118 piasters to the dollar.

But this American wants more than 118 piasters for his dollar. The moneychangers—most of whom are Muslims from the Madras section of India—will pay more than 118, much more, depending upon what the fluctuating market in dollars is on the day the American trades. Parker said the price ranged from 160 piasters to the dollar to 220 (p. 537). But since his testimony November 18, 1969, the black market rate went up as high on some days as 400 piasters to the dollar.

Parker explained that in dealing with the moneychanger, the American can do one of two things. He can notify his bank in the United States to execute a "lateral transfer" of a specified sum of money to a target black market account in the United States; or he can give the changer a check with the "payee" line left blank. The Indian moneychanger simply stamps in his own bank account in the blank payee line and smuggles the check to Hong Kong or Bangkok or elsewhere and then mails the check to his account. The "lateral transfer" system is simpler and safer and, therefore, favored by black marketeers in Vietnam, Parker said (pp. 536, 537).

Another possibility, of course, is to do what Madame Phoung did; that is, have the U.S. Army make out the check payable directly to the black market account and mail it on APO privileges. However, few investors in the illicit money market had this system available to them (pp. 536, 537).

In any event, the moneychanger rewards the American by paying him the black market rate in piasters. If the American is a small but trusted and regular investor, the moneychanger pays him in piasters on the spot, Parker said. But if the investment is a large one, he continued, the moneychanger will probably present the

piasters only after he receives confirmation from the U.S. bank that the deposit has been made. This would apply to deposits of several thousand dollars, Parker said (p. 546).

To the moneychanger, Parker said, the expense of paying a high premium on dollars is worth it—for, once he has the American's dollars in his bank account outside Vietnam, he can then sell those dollars at tremendously inflated rates. That's where his profit lies, Parker said (p. 537).

The moneychanger now turns to a man inside Vietnam who has assembled a large supply of piasters and cannot legally convert them to dollars or any other currency. This man has little faith in the piaster and would prefer to have his profits deposited in a New York or Zurich or Paris bank, Parker explained. So he pays the moneychanger a premium for dollars. The moneychanger's profit is in seeing to it that the price he paid for dollars is lower than the price he sells them at. In high volume traffic, the difference between the two need not be great (p. 537).

The changer then directs his bank outside Vietnam—frequently in the United States—to transfer a specified sum of dollars to an account designated by the piaster-rich man who wishes to convert his Vietnamese currency to dollars (p. 537).

THE TYPES OF AMERICANS WHO PLAY THE BLACK MARKET

Parker said AID contractor employees and a much smaller number of AID personnel were discovered to be in the black market and were fired from their jobs. Parker described contractor employees who violate currency laws in Vietnam:

There are a number of Americans in this category who work hard, play equally hard, gamble for high stakes and who see nothing wrong with cashing money wherever they can get the best rate or where they can make a quick profit (p. 539).

All too often, Parker testified, these Americans came to Vietnam for the money and not out of any commitment to the Allied cause. In addition, Parker said, his agency, AID, was forced to recruit employees rapidly as the U.S. presence in Vietnam grew and assistance programs expanded. "Temporary" personnel were brought into the U.S. AID program and their "esprit de corps and dedication to duty is less than in other missions," he said (p. 539).

Parker added:

Most of these people—that is, those who engage in the black market—know that the worst that can happen to them if caught is that they will lose their jobs and possibly have to pay a fine.

They have little loyalty to their company because if they lose one job they will drift on to another and because they know that their company will terminate the majority of them anyhow as soon as work gets short.

In this setting—a lucrative black market appealing to many Americans who felt little affection for government service and

little loyalty to their private business employers—it is not surprising that some of our own people became involved (p. 540).

Parker explained to Senators that the American GI's were frequent contributors to the black market in currency. He added, however, that most of the GI's transactions are from MPC to piasters where they actually receive less than the official rate of piasters to the dollar (p. 551). Often, GI's exchange MPC for piasters illicitly because there is no convenient place for many of them to trade legally (p. 551).

Senator Ribicoff said the U.S. soldier "risking his life and his energies" should not "realistically" be expected to conform to the 118 piaster rate when he knows all over Vietnam his money is worth more. He suggested an official "in-between rate" for U.S. soldiers (pp. 551, 552). This recommendation was implemented October 5, 1970, when an MPC exchange ratio of 275 piasters to the dollar was set by the U.S. mission.

Parker summarized his feelings about the American soldiers who invest in the black market:

* * * the tragedy is that were it not for American and free world civilians the black market in Vietnam would not exist as it is today. And if it were not as prosperous, it would probably not be as accessible to our young soldiers.

The GI, after all, is a small player in a game with million dollar stakes. He gets into the game as easily as his civilian friends. But when he gets caught he suffers most. The GI becomes the victim of a money manipulation system he didn't create and doesn't really understand (p. 542).

Parker pointed out that GI's can be court-martialed for trading on the black market. But the most that can happen to U.S. civilians is that they lose their jobs or pay fines (pp. 541, 542).

One smaller but nonetheless significant group of American soldiers—deserters—are particularly "victimized" by the black market in currency, Parker said. Hiding out in Saigon and other Vietnamese cities, these young men find that being fugitives costs about \$50 a day, Parker testified. He said in the black market a deserter can "sell his contacts with the military and his citizenship for a price" (p. 542).

Because he is an American and can present himself at post exchanges and other Army installations as being in the service with phoney identification, the deserter can cash checks, buy money orders, and in general be of considerable assistance to moneychangers. Parker recalled one young AWOL who was beaten with a battleax by his fellow deserters when they discovered he intended to give himself up. Parker added:

It is one of the many tragedies, brought on by this war, that this community of deserters exists in Saigon and other cities. But it is there. It is able to exist, in large measure, because the black market supports it (p. 542).

Parker told Senators the worst violators of currency laws in Vietnam are "category 4" Americans, those civilians who have no official reason for being in Vietnam. They are not connected with the war effort

but are there to make money from it. It is into this category that most Americans and other free world civilians fit who sell goods and services to U.S. military nonappropriated funds.

Parker said some category 4 civilians are "decent, self-respecting, law-abiding people." But others, he said, are "dishonest" and "will do anything for a dollar" (p. 540).

Parker described the "dishonest" category 4 civilians this way :

These men and women have roamed around the globe since the 1940's, following our troops wherever they make camp, from France, to Germany to Japan to Korea to Vietnam.

They are willing to take risks—if they can take a profit too. They trade on their American citizenship—demanding and insisting on all the rights that privilege entitles them to.

Some of this group also sells influence and—most important of all—they sell a way of life, a life-style, if you will, based on kickbacks, easy money, and doubledealing.

It is this life-style—this example—that has corrupted many a soldier, officers as well as enlisted men, and compromised many a civilian employee of our Government and many American contractor employees, too (pp. 540, 541).

Parker said most of the "camp followers" live in comfortable villas in Saigon, trading on the black market constantly, living and working with "one foot outside the law—and one in." These men and women, Parker said, have "reasons and excuses galore" to account for their questionable actions and when their explanations don't work they call in "lawyers to remind investigators of their constitutional rights" (p. 541).

Parker said these Americans are troublesome to the Vietnamese government and United States authorities. But the Vietnamese are reluctant to prosecute them for fear of offending their American allies, he said, and there is, unfortunately, no system within American law to bring them to justice (p. 541).

Parker added :

The result is unjust. It pleads for correction. Soldiers are court-martialed for money violations. Government employees and contractor employees are fired.

Category 4 civilians get away with no trouble at all. No one prosecutes them unless they are so broke they can't pay a fine. The worst that the United States can do is cause them to be legally barred from entering military establishments. This is an obvious inequity (pp. 541, 542).

THE "PRYSUMEEEN" ACCOUNT

One version of the money manipulation process at work has been reviewed in this report in the example of the C. F. Hsiao account. But a much bigger conduit for taking money out of Vietnam was examined at the hearings when evidence was presented concerning the "Prysumeeen" account.

The Prysumeeen account was in the Manufacturers Hanover Trust Co. in New York. Robert Parker said that in 1968 \$1.5 million went into this account each month (p. 536).

Investigators found a bizarre, almost mystical quality to the Prysmeen account. It seemed to be as mysterious as it was profitable. Prysmeen's cable address was "Innocence, Hong Kong." Its signators were Yau Chi Wai and Moulathambi Ohadu, but they were probably front men for S. Ameen and K. Pillai. Ohadu was a clerk in the Hong Kong gem house, Baker & Co. Wai worked for the Precious Trading Co., another Hong Kong gem house (pp. 624-626, 632).

The Prysmeen account was actually controlled by B. S. A. Rahman, an Indian, a trader in precious metals and stones, a motion picture producer, a wire and rope manufacturer, a world traveler, and a frequent visitor to the United States and Saigon (pp. 615, 616, 640).

Rahman, born in 1928, controlled Baker & Co. and the Precious Trading Co., and presided over a hierarchy of Indian nationals—and Indians who have assumed citizenship in nations all over the world—who mix legitimate arbitrage, gem trading, and other businesses with illicit money exchange and the smuggling of gold, diamonds, and other precious stones and metals (p. 545).

Two of Rahman's principal associates were S. Ameen and K. Pillai (p. 616). Pillai's real name is Noormohamed Mohamed Yusuf Kamaluddin Kanakka Pillai (p. 545). And, according to Robert Parker, each of these names was used on black market transactions at one time or another—"either by themselves or with any one of a dozen different permutations" (p. 545).

Subcommittee investigator Bellino told Senators that his inquiry showed that, although the Prysmeen account was not opened until February of 1965, the Manufacturers Hanover Trust had been dealing with Rahman and his associates since 1957 (p. 617). Subpenaed records from the Manufacturers Hanover Trust provided Senators an insight into how black marketeers work and how the U.S. banks unwittingly cooperate with the illicit moneychangers.

In the spring of 1957, A. H. Baker, of the Trans World Agency of Hong Kong and an associate of Rahman, opened an account at the Manufacturers Hanover, Bellino said, adding that on June 12, 1957, A. Husain of the Trans World Agency requested a second account be opened with himself and Mr. Ameen as signators (p. 617).

Early in 1963, Husain and Ameen sought to close their existing account and open a secret numbered account. On February 14, 1963, Paul D. Lucas, assistant secretary of the Manufacturers Hanover, wrote Husain and Ameen, explained the manner in which they could close their account and pointed out it was "not our practice, nor that of any of the commercial banks in this country" to allow depositors to use numbered accounts (pp. 617, 618).

But Ameen wrote back February 28 to ask if "any code name is permitted" and, if so, would "Good Luck" be acceptable? (P. 618.)

Lucas replied:

We would infer from your letter that you are trying to effect an arrangement whereby the maintenance of your account here will be handled in a confidential manner so as not to indicate your name with regard to your account (p. 619).

In that same March 13 letter Lucas went on to say his bank would "prefer" to maintain accounts in the "true names of our customers" but a "special designation" such as "Good Luck" could be used for an

account if supported by an affidavit from Husain and Ameen stating that the "private code word" was the name under which they are conducting business (p. 619).

On April 20 Ameen wrote to ask that Good Luck be registered as the "coded account" and requested an immediate confirmation so that they could "advise our friends" of its existence (pp. 619, 620).

Lucas answered that Good Luck was already in use but the "double code word 'Good Luck Hong Kong'" was available (p. 620).

It was apparently unacceptable, for Ameen wrote May 3, 1963 to ask to have one of seven other code words registered—Freeman, Goodman, Waterman, William, Wilson, Victor, Vincent (p. 620)—but Lucas found all those names in use as well so May 7 he simply advised Husain and Ameen that the "private code word 'Prysumeen'" had been established to "instantly alert our operational people here that a special arrangement is involved." Lucas went on to say that "you may advise your clients" that the use of "this private code word" will provide "more secure and expeditious handling" of transfers. Lucas concluded by requesting confirmation of "this private codeword Prysumeen" (p. 621).

Senator Ribicoff observed:

While they didn't take numbered accounts they had similar code name accounts.

"Yes, sir," Bellino replied (p. 621).

Bellino explained that the name Prysumeen was formed by bank officials who took the "Pry" from the fact that Husain and Ameen had a "prior" account, obtained the "meen" from Ameen's name and linked the two with the connecting syllable "su" (p. 621).

On June 19, 1963, Ameen wrote Lucas to "agree to the above code word" and to point out he was "circulating the above code word among our friends" (pp. 621, 622).

Ameen and Husain asked the bank in a December 12, 1964, letter if they could have their names removed altogether from their checks. Leod M. Goss, vice president of Manufacturers Hanover, wrote back December 28 to suggest opening a new account "under the name of Prysumeen," explaining that new arrangements would also have to be made as to who would have authority to sign for the new account (p. 624).

A January 22, 1965, letter from Ameen indicated a new account would soon be opened. Also indicated was a system of rapid notification between the bank and Ameen. It was a system in which each transfer of funds to Prysumeen of \$5,000 or more was followed by a telegram of confirmation from the bank to the cable address of "Innocence, Hong Kong." Ameen complained, however, that the Manufacturers bank had been slow to confirm the deposit of \$105,000. This delay, Ameen noted, "caused inconvenience" to him and his associates "in fulfilling our commitment to our friends" (pp. 624, 625).

A fast system of notification is essential to an efficient and secret currency black-market transaction. Robert Parker, the AID officer heading up U.S. efforts to help the Vietnamese control the black market, was asked by Senator Ribicoff:

How does the word get back to Saigon? In other words, Jones deposits \$10,000 in the Prysumeen account in New

York. How long does it take for word to get back to Saigon that the \$10,000 has been placed in deposit in New York for which piasters will be paid out? (P. 545.)

Parker replied that on a \$10,000 transfer "word would be in Saigon within 24 hours" via a "cable from the bank" stating the size of the deposit (pp. 545, 546). Parker said the cable from the bank would go into Hong Kong where a black-market operative would then send a coded wire into Saigon to the moneychanger. The coded cable would say something like "Grandmother's will was just probated for \$10,000," Parker testified. This return wire would show the Saigon moneychanger that the deposit had been made as promised and that it was safe to pay the black-market trader (p. 546).

The Manufacturers Hanover Trust played a vital role in these black-market transactions, therefore, not only in housing the target account, but also in sending the confirming cables.

On February 15, 1965, Ameen wrote the bank to announce that M. Ohadu and Yau Chi Wai of Hong Kong would now be the signators of the Prysumeen account (p. 625).

A "copartnership bank account and security agreement" signed February 12 attested that Wai and Ohadu were partners "doing business under the name and style of Prysumeen" at 3 Yun Ping Road, Causeway Bay, Hong Kong (p. 626).

Investigator Bellino testified that he and Assistant Counsel Duffy interviewed Yau Chi Wai in Hong Kong in the spring of 1969. Wai told them he knew nothing about Prysumeen, Bellino said, while Ohadu did acknowledge he was an office clerk employed by Baker & Co., an enterprise in the B. S. A. Rahman organization. Visiting the 3 Yung Ping Road address in Hong Kong, Bellino said, he and Duffy found it to be a home with several families living there (p. 632).

Manufacturers Hanover Trust vice president Leod Goss wrote Husain and Ameen March 3, 1965 to request assurance that his bank's two new signators—Wai and Ohadu—had not visited mainland China or North Korea since December 17, 1950, declarations required by U.S. Treasury Department regulations. Goss added:

As you can appreciate, our bank must take every precaution against participating in any way whatsoever in transactions which are in contravention to our Government's regulations (p. 631).

Ohadu, one of the two new signators, wrote back March 9 to assure Goss that "under no circumstances" would he or Wai wish to violate U.S. law, that neither of them had been to Red China or North Korea since 1950. In the same letter, however, Ohadu was sharply critical of the Manufacturers Hanover for not immediately wiring him to confirm five deposits of March 3 and 4 totaling \$245,000 (pp. 631, 632).

Ohadu observed:

It is quite obvious that these errors will certainly effect [sic] any kind of business and in particular is a serious menace to our integrity in our line of business (p. 632).

F. F. Cunha, the assistant vice president of Manufacturers Hanover, wrote the Dao Heng Bank of Hong Kong September 15, 1966 to inquire about the "financial responsibility, credit standing, reputation and manner of meeting payments of Prysumeen" (p. 633).

William W. L. Tung, submanager of the Dao Heng Bank, responded by pointing out that it was his understanding that Prysumeen was "a pseudonym for an account" and consequently little was known about it other than that it was controlled by B. S. A. Rahman, Mahmood, Shuaim, Ameen and Abdulbader. These men, Tung said, held an account in his bank in the name of Baker & Co. "with balances reflecting six to seven figures" (pp. 633, 634). Tung added:

Finally, we feel we should advise you that Mr. B. S. A. Rahman is a very wealthy person and a very clever man—in fact we believe he is the brains of the organization and because of his reputation he is able to obtain the necessary finances for most of the ventures entered into (p. 634).

For a man who identified himself as being a clerk, Ohadu did not hesitate to fire off highly critical letters to the officers of great American banks. In March of 1965, he criticized Manufacturers Hanover for not confirming \$245,000 in deposits. Then September 2, 1966, Ohadu advised the Hanover Bank how "we deeply regret to point out our utter disappointment as a result of your unfavorable attitude toward us." This letter was provoked by the assertion by Ohadu that a \$15,000 check had been returned for insufficient funds, an action which caused him "grave concern," Ohadu said, "as we have been your valued client for more than 8 years." Ohadu objected that the bank had not given him a few days grace before returning the check (p. 635).

While Husain, Ameen, and Ohadu corresponded with Lucas, Goss, Cunha and other officers of the Manufacturers Hanover Trust, the Prysumeen account flourished. From 1965 to 1968, deposits in the Prysumeen account totaled \$51 million, 1967 being the biggest year with deposits of \$21.9 million (p. 612).

Of the \$51 million, some \$23 million came from Vietnam, Hong Kong, and Singapore while \$10.7 million came from Middle East banks, \$5.3 million came from Swiss banks, \$9 million came from other parts of the world, and \$3 million came in deposits of less than \$5,000 (p. 616).

Bellino testified that 82 percent, or \$42 million of the \$51 million in the Prysumeen account, was transferred from the Manufacturers Hanover Trust to banks in the city of Dubai, a seaport on the Persian Gulf in the Trucial Oman states, a group of seven independent sheikdoms. The banks were the National Bank of Dubai (\$25.5 million), the First National City Bank of Dubai (\$4.9 million) and the British Bank of Middle East at Dubai (\$11.9 million). Most of the accounts into which Prysumeen funds were deposited were controlled by Rahman, chief among them being "Baker & Co." (\$28.8 million), "Innocence" (\$6 million) and "Kanna" (\$2 million) (p. 638).

Bellino explained that Dubai is a center for gold smuggling, an enterprise common in Southeast Asia where confidence in local currency is lacking and gold is considered to be of more lasting value (p. 639).

TRAMMELL, RAND, NATHAN & BAYLES REPRESENT RAHMAN

Hans Nathan of the Washington law firm of Trammell, Rand, Nathan & Bayles told the subcommittee that his client, B. S. A. Rahman, was not the head of the Indian moneychanging organization. In an

August 11, 1970, letter, Nathan wrote the acting chairman, Senator Ribicoff, to say that his client reported that the subcommittee erred in its black market inquiry—and that Rahman had no business dealings in Vietnam, had no bank accounts in New York, and had no connections whatsoever with the code names of Prysumeen, LaLa, Miraleo, and other titles associated with the black market in currency.

Nathan, Washington counsel for Rahman, said that his client had only one business, that being the sale of precious stones and diamonds—and, therefore, his client said there was no basis for the testimony of Carmine S. Bellino and others who said Rahman was the leader of the illicit money market in Vietnam. Then Nathan asked for the opportunity to have a member of his firm meet with Bellino to “clear up any misunderstandings that may have resulted from the unfortunate statements” made by Bellino and other witnesses since they were “greatly damaging to the business and reputation of our client” (exhibit 645, p. 2048).

Senator Ribicoff replied August 18 that testimony before the subcommittee about B. S. A. Rahman was under oath, was available to the public in the subcommittee offices and that investigators had been trying to contact Rahman for more than a year. Senator Ribicoff added:

Knowing you are representing Mr. Rahman in this matter, it is our hope you will arrange for Mr. Rahman to meet with the subcommittee and to provide his complete financial records for their review (exhibit 645, p. 2049).

Hans Nathan replied August 25, 1970, that he would convey the subcommittee's invitation to his client, Rahman, and report back to Senator Ribicoff. However, no additional word on Rahman was ever received by the subcommittee from Nathan or anyone else associated with Trammell, Rand, Nathan & Bayles.

SEVERAL PRYSUMEEN CLIENTS SELL TO CLUBS, EXCHANGES

Several of the firms which this report examined in connection with Government work were found to have made deposits in the Prysumeen account (p. 637).

Sarl Electronics, owned by William J. Crum, deposited \$13,000 in Prysumeen. And Crum's two competitor firms, American Service Sales and American Industrial Service, owned by Frank Furci and James Galagan, traded \$99,200 in Prysumeen (p. 637).

The Star Distributing Co., which enjoyed an exclusive PX concession contract to provide Stars & Stripes and other English-speaking periodicals for U.S. troops, was discovered to have put \$58,500 in the Prysumeen account (p. 637). Star Distributing's agent in Vietnam was William Crum's business associate and friend, Joseph DeMarco.

As mentioned earlier, R. & R. Supply, an NCO club vendor business owned by Ray and Isobel Evans, invested \$248,000 in Prysumeen while Lad Promotions, an entertainment agency that booked shows for GI clubs, traded \$12,000 in the Manufacturers Hanover account (p. 637).

One of the larger investors among those who did business with the Government was the DeGill Corp., trading \$205,000 in Prysumeen

(p. 637). DeGill Corp., an AID contractor, is examined in another section of this report (pp. 212-215).

Other contributors to Prysumeen among Government contractors were Elleget Enterprises, Inc., of Fresno, Calif. (\$46,000); Tectonics Asia, Inc. (\$24,000); and Worldwide Consultants (\$20,000) (p. 637). Worldwide's activities in Vietnam are also described elsewhere in this report (pp. 207, 208).

PRYSUMEEN PHASES OUT, LaLa OPENS UP

In May of 1968, agents from the U.S. Attorney's Office, Southern District of New York, served a subpoena on the Manufacturers Hanover Trust for Prysumeen account records (p. 641). On May 21, 1968, Manufacturers Hanover wrote Prysumeen in Hong Kong to advise Ohadu, Wai, Ameen and the others of the subpoena (p. 641).

On June 7, 1968, Au Choung Kit, managing director of the Foreign Exchange and Investment, Ltd., Hong Kong, wrote the Republic National Bank of New York asking that a checking account be opened for "our valuable customer, Mr. Kamaluddin" under the "code name LaLa." Kit indicated the second signator for the LaLa account was to be Kamaluddin's "authorized secretary, Mr. Thumbby" (p. 642).

The LaLa account was opened in August—and it became a prime black-market target account for the B. S. A. Rahman syndicate as Prysumeen was phased out. From mid-1968 until 1969 some \$17.4 million was deposited in LaLa at the Republic National Bank (p. 612).

LaLa's two signators, "Mr. Kamaluddin" and "Mr. Thumbby," were B. S. A. Rahman operatives. Kamaluddin was one of the names of Noormohamed Mohamed Yusuf Kamaluddin Kanakka Pillai, better known as K. Pillai, a principal business associate of Rahman. And Thumbby was a mutation of Moulathambi Ohadu, Rahman employee and signator for Prysumeen (pp. 640, 641).

The total Prysumeen-LaLa deposits from 1963 to 1969 were \$68.6 million (p. 612).

Like those of Prysumeen, LaLa account withdrawals went mostly to the Persian sheikdom of Dubai. Of the \$17.4 million deposited in LaLa, \$15.3 million went to three banks—the National Bank of Dubai (\$10.9 million), the British Bank of the Middle East at Dubai (\$3.7 million) and First National City Bank of Dubai (\$700,000). Another \$1.1 million in the account was transferred to other banks (p. 777).

Subcommittee Assistant Counsel Duffy was led to the LaLa account by a Vietnamese student, Tri Fong Nai, who was trading in the black market while attending the Southern Illinois University at Carbondale under a U.S. AID education program (p. 641).

The B. S. A. Rahman syndicate also controlled two other accounts at the Manufacturers Hanover Trust—Miracleo or Miracle Co., which received \$3.7 million from 1966 to 1969; and the Noble Brothers account which had deposits of \$658,883 in 1968 and 1969 (p. 612).

In addition, the Rahman group held two black-market accounts at the Dao Heng Bank of Hong Kong. Together, the accounts—Baker & Co. and K. Pillai—received \$83.9 million from 1965 to 1969, bringing the total deposits in the six Rahman accounts to \$156 million for the 1965-69 period (p. 612).

Investigator Bellino told Senators that the remaining seven accounts his inquiry established as being black market from 1965-69 were the Hang Tai Finance Co. account at the Manufacturers Hanover Trust Co. (\$19.3 million); the three Foreign Exchange & Investment Co. accounts at the Republic National Bank of New York (\$108.3 million), the Marine Midland Grace Trust of New York (\$3.3 million) and the Manfra, Tordella & Brooks (\$2.9 million); the Far East Commodities account at the Bank of California of San Francisco (\$81.2 million); the J. H. Van Meele account at the Crocker Citizens National Bank, San Francisco (\$537,677); and the already referred to C. F. Hsiao account at the Irving Trust Co. of New York (\$2,152,805) (p. 612).

THE SHEIK OF DUBAI REJECTS SUBCOMMITTEE SUBPENA

Most of the funds which were deposited in the Prysumeen and LaLa black-market accounts were then transferred to three banks in the Persian Gulf Sheikdom of Dubai (p. 638). One of the three, the First National City Bank of Dubai, has headquarters in America. The subcommittee asked bank officers in New York to cooperate in helping the Senate trace where money went from Dubai. A subpoena was served on the First National City Bank in New York for all records relating to its deposits in Dubai from the Prysumeen and LaLa accounts (p. 639).

The firm of Shearman & Sterling, in an August 26, 1969 letter, advised the subcommittee that its client, the First National City Bank, was refusing to honor the subpoena at the direction of the Sheik of Dubai, who, upon learning the nature of the summons, rejected the subcommittee's demand and promptly issued a general prohibition to all banks in his sheikdom against working with the Senate.

Shearman & Sterling said the First National branch manager feared for the future of the bank in Dubai; and also feared for the safety of himself and his employees if the New York office should honor the subpoena (p. 639).

The Sheik issued an announcement in Arabic, translated by Shearman & Sterling, in which he declared he was refusing to honor the subpoena to enhance the economy of this country (pp. 639, 640).

THE BLACK MARKET IN MONEY ORDERS

The black market in money orders, a smaller but still significant drain on the Vietnamese economy, was examined by the subcommittee November 18 and 20, 1969 (pp. 567-570, 613, 614). This racket usually required the cooperation of American soldiers and civilians. But, as a later example will show, when the alleged conspirators were arrested, it was invariably the GI's who were tried and sentenced to prison. The American civilians were never brought to justice.

U.S. soldiers were allowed to buy two \$100 money orders a month. A money order, purchased by a GI in Vietnam and sold on the black market, becomes a negotiable U.S. dollar instrument, redeemable at any U.S. Post Office and, as such, is as valuable to the black marketeer as green dollars, checks, money transfers or letters of credit. Moreover, a GI who wishes to sell his money orders on the black market can frequently find a dishonest clerk in a U.S. military post office

who, for a price, will sell him more than his authorized \$200 a month quota (p. 613).

Investigator Bellino said 500,000 money orders were sold in Vietnam each month in 1968 and 1969 and, consequently, there was no effective means to check transactions by the same person. The system was easy to abuse, Bellino said. AWOL soldiers and hard-core deserters used fraudulent ID cards and were frequent money order buyers, Bellino said (p. 613).

He said his informants in the Hong Kong money market had advised him that \$1.8 million in U.S. postal money orders had been shipped from Vietnam into Hong Kong in the late summer and fall of 1969 to the Hang Tai Finance Co., the Po Sang Bank and other financial houses. The Po Sang Bank "allegedly is linked to the Chinese Communists," Bellino testified (p. 613).

In another instance of large money order shipments, some \$650,000 worth of money orders were sent to Deak & Co., an international arbitrage firm, Bellino said (p. 614).

Subcommittee inquiry showed that a widescale illegal money order ring had operated at Phu Bai, Vietnam, from December 1968, to February 10, 1969. Army postal money orders were running as high as \$40,000 a day. Leaders in the money order ring, civilian employees of U.S. contractor firms, were Melvin Lockhart of Dynalectron, and John Danner and Allen Collins, both of Consolidated Engineers (p. 567).

In February and March 1969, the CID and the Vietnamese National Police began making a series of arrests. Lockhart, Danner, and Collins were arrested as were several accomplices from the ranks of Army personnel. Court-martial proceedings were initiated against the soldiers, two of them receiving 2-year prison terms and the third sentenced to 6 months confinement (pp. 569, 570).

But as of November of 1969, no punitive action had been taken against Lockhart, Danner, and Collins (p. 570).

This case demonstrated not only the postal money order racket, Assistant Counsel Duffy testified; it also "again draws up to the inequities" of a legal system overseas that brings swift justice to accused military personnel but has little or no provision for the prosecution of American civilians accused of the same violations, Duffy said (p. 570).

THE PRESSURES THAT CREATED THE BLACK MARKET

As an economist with the Departments of Treasury, War, and State in the 1940's, Gabriel T. Kerekes was assigned to the task of bringing fiscal stability to the nations of North Africa, Italy, and Austria during and after World War II.

Now a professor of economics at the Graduate School of Business Administration of the New York University and an adviser to Goodbody & Co., a member of the New York Stock Exchange, Kerekes is knowledgeable about the pressures which are at work in war-torn nations that lead to economic instability, inflation, and currency manipulation. He testified November 19, 1969 (pp. 583-595).

Kerekes said the economic problems faced by Vietnam are similar to those foreign exchange drainage difficulties faced by many nations

during and after World War II. From his experience in war-torn economies of the second war, Kerekes said the contention that there should be no officially established currency exchange rate is either economically unsound or socially untenable or both (p. 583).

A market in money develops in nations at war because military confrontation tends to diminish confidence of a people in their own currency and exaggerates demand for foreign currencies, Kerekes said, adding:

Local capital seeking foreign haven simply outbids legitimate demand (p. 583).

This problem is made even worse in Vietnam, he said, where, because of the large presence of Americans with ready U.S. reserves in their banks back home, easy access to a stable foreign currency—the dollar—is available. Kerekes said the result of the demand for foreign currency and competition for imported necessities is always the same—flight of capital, relative ineffectiveness of economic aid, corruption both on local level and often, regrettably, by American military and civilian personnel as well (p. 583).

Kerekes said the main sources of the flight of capital from Vietnam are Vietnamese who wish to establish foreign nest eggs and by the French business community in Vietnam which still has large and extremely lucrative interests there (p. 584).

Professor Kerekes stressed that by not insisting that the U.S. Mission in Vietnam take the black market under control the Federal Government has worked a grave hardship on the American taxpayers. He testified:

In ultimate analysis, every diversion of foreign exchange from Vietnam means, dollar for dollar, penny for penny, million for million, an added burden on the American taxpayer (p. 584).

Kerekes said the United States should have known from its World War II experience that a black market in money would develop in Vietnam. Furthermore, he said, this Nation not only should have foreseen the illicit money market; it should have been able to control it.

He warned that if the United States did not take steps to control the black market in currency the Vietnamese economy will collapse—and no amount of American aid, military or economic, will save the day.

Senator Ribicoff observed:

No matter what may happen militarily in South Vietnam, South Vietnam can collapse and can be defeated by runaway inflation, as it can be from military aggression (p. 588).

Kerekes replied:

Senator, it will be defeated by economic pressures if this kind of system is permitted to last. This is, in my opinion, economically and financially speaking, the 59th minute of the 23rd hour (p. 588).

Part of the economic problem in Vietnam stemmed from the fact that the men and women in Government service who were trained and

experienced in holding down instability in the war-torn nations of World War II, have left the public sphere and have taken positions in universities and on Wall Street and elsewhere. Kerekes said. In turn, he added, there has been a pattern in the economic assistance and planning sections of the Federal service of a high turnover of personnel "far too fast to permit the use of accumulated experience" (p. 586).

All too often, he said, the U.S. officials working on Vietnamese economic matters have no experience in the economics of war. Kerekes said he had observed instances of the reassignment of personnel about the time they had finally learned their jobs (p. 590).

No American administration, Democratic or Republican, had directed that the U.S. Government devote the necessary attention to the fiscal considerations of the Vietnam war, particularly the subject of the widening gap between the so-called "official" value of the piaster and the unofficial but more realistic value of the piaster as reflected in the black market (pp. 584, 592).

The Government could stave off the potentially disastrous impact of the uncertain piaster by calling upon the judgment and counsel of men and women who faced—and solved—similar currency problems abroad during and after World War II, Professor Kerekes said (p. 584). Senator Ribicoff said he hoped these subcommittee hearings would alert the Federal Government to the "great potential disaster we have pending in Vietnam in the economic field" and that the experience of economists who worked with similar situations in World War II should be sought out (p. 589).

Kerekes proposed three reforms to stabilize the piaster, which the Governments of Vietnam and the United States could implement immediately.

First, he said, a "multiple exchange rate" should be enforced, since these hearings have demonstrated "it is impossible to establish a uniform exchange rate" in Vietnam. Basic necessities such as food and clothing should be sold at the lower rate of 118 piasters, but less essential commodities would be placed at a higher rate, and luxury items would be 118 piasters plus 200 percent more, Kerekes observed. He stressed that special emphasis would then have to be put on "strict surveillance and end-use" audit on commodities entering Vietnam (pp. 584, 585).

Second, Kerekes proposed that U.S. military personnel who are paid in MPC should have the opportunity to convert their scrip to piasters at authorized changers at the going black market rate. Then MPC, which previously had helped finance the flight of capital, would be removed from the Vietnamese black market, Kerekes said.

Third, Kerekes said, the Vietnamese and United States Governments should agree to a "mutually approved" list of expenditures which can be made with dollar balances created by American military spending in Vietnam. "No expenditure should be authorized," Kerekes said, "which is not promoting directly the United States-Vietnam war effort." Kerekes noted that this recommendation had also been made by economist and author Elliott Janeway (pp. 584, 585).

WERE U.S. BANKERS AWARE OF BLACK MARKET ACCOUNTS?

After introducing as evidence the several letters written by Ameen, Husain, and Ohadu, in which the Manufacturers Hanover was advised of the desire of the B. S. A. Rahman group to maintain secrecy, Bellino testified that the black market nature of the group's accounts must have been "readily apparent" to bank officers (p. 652).

To further support his assertion, Bellino presented additional letters and communications received and written by Manufacturers Hanover. The most telling aspect of these documents, Bellino said, was that most of them either originated in Vietnam, referred to Vietnam, or made obvious references to transactions of currency exchange (pp. 652-656).

Bellino added:

The bank received checks without payees' names; and since many of the checks came from Vietnam, someone in the bank must have understood the nature of the transactions (p. 656).

As an example, Bellino cited the September 12, 1966, letter from H. M. Abdulkader of the Miracleco account to Paul Lucas of the Hanover bank. Abdulkader wrote:

Some fraudulent persons give us checks after receiving the equivalent value. Immediately they send telegrams to their banks to stop payment * * *. Is there any way to stop this type of fraudulence? (P. 655.)

Manufacturers Hanover advised Abdulkader that nothing could be done to "your customer" except take the matter to court (p. 655).

In another illustration, Bellino pointed to an October 25, 1966, letter from Doan Quoc Sy informing the Hanover bank he wished to deposit \$360 in the "Pryslmien" account per instructions of Mr. Vahid of Tu Do Street, Saigon. Fernando F. Cunha, a bank officer, wrote November 1, 1966, to advise Sy how to transfer funds. On December 16, Doan Quoc Sy forwarded \$300 for deposit in the Prysumeen account (p. 654).

Robert Parker, the U.S. official who mobilized American resources in Vietnam to help the Vietnamese Government control the black market, gave Senators a reason why the banks would wish to house black market accounts. Parker said "it might be profitable for a bank to have accounts like this, with good substantial balances in them that are nice and active." But Parker, like Bellino, thought too that "at least some place along the line they would have wondered why all of this activity" (p. 555).

BANK OFFICIALS SAY THEY DID NOT KNOW

Senators called upon officers of the Manufacturers Hanover Trust Co. to appear before them and explain how they had allowed the Prysumeen, Miracleco, Noble Brothers, and Hang Tai Finance black market accounts, transact some \$75 million from 1965 to 1969. Representing the bank November 21, 1969, were Tristan E. Beplat, senior vice president of Manufacturers Hanover; and Fernando F. Cunha, assistant vice president, international division. They were accompanied

by Roy L. Reardon of the New York law firm of Simpson, Bartlett & Thatcher, counsel for the bank (pp. 679-694).

To provide more information on the bank's role in the black market accounts, Manufacturers Hanover was requested in a February 14, 1970, subcommittee letter to answer a series of specific questions. The questions were answered in a February 25 letter to Senator Ribicoff from J. H. Andren, executive vice president of the Manufacturers Hanover. The documents were made part of the hearing record March 4, 1970 (pp. 857-862).

Beplat and Andren both said the bank did not understand Prysmeen to be a black market account and did not knowingly cooperate with black marketeers. Beplat explained the name Prysmeen was applied to the account only "as a means of expediting transactions" and to prevent unauthorized persons, such as postal and telegraphic employees, from knowing the size and scope of bank transactions (p. 682).

Andren added to that by pointing out "business espionage" and "just plain leaks abound" in business, frequently making it necessary to conceal the true nature of certain transactions. Moreover, Andren stressed that the Prysmeen account was not in any sense a "secret" account simply because it had a coded title. He said the bank records showed Wai and Ohadu as being "merely signatories"; and that the "true owners" of the account, as registered in bank files, were Ameen and Husain (pp. 860-862).

If Ameen and Husain thought of their Prysmeen account as being secret, "they were very much mistaken," Andren said. He reminded Senators that the Manufacturers Hanover had done "everything in our power" to cooperate with the subcommittee as it investigated the black market account, an indication, he said, that Ameen and Husain were not being protected by his bank (pp. 861, 862).

Both Andren and Beplat emphasized that, while the \$51 million that went through the Prysmeen account in 4 years was a large sum of money, it was small compared to the \$5 to \$6 billion in transactions conducted at their bank every banking day. Andren said:

Judged against this standard, an account of the size of Prysmeen and with its activity would not have drawn itself to the attention of officers of the bank (p. 859).

Had someone such as a Government agency alerted the bank to the possibility that Prysmeen might be a black market currency account an investigation would have been conducted, Beplat said.

Senator Gurney wanted to know if anyone from the U.S. Government had briefed bank officers on the extent and procedures of the Vietnamese black market and urged them to be on the lookout for suspicious accounts. "Not to my knowledge, sir," said Beplat (p. 689).

Senator Ribicoff also remarked that the U.S. Treasury Department, the intelligence gathering agencies of the executive branch and "various other banks" were guilty of "a great deal of laxness" in not joining together in an effort to control the Vietnamese black market (p. 690).

Beplat said that because of the subcommittee's investigation the bank was developing "internal controls" to pinpoint black market accounts. He added that rapid analysis of the bank's 5,000 accounts would be achieved over the next 2 years as more and more computers were installed in the bank. Beplat told Senators:

We would like to get together with others and try to work out something because we think there is nothing more important than trying to control this black marketing operation (p. 688).

At the request of Senators Ribicoff and Gurney, Beplat met with other bankers to recommend methods that might reduce the black market in money. In a February 4, 1970, letter, Beplat recommended (1) that payment to all U.S. military personnel in Vietnam be in MPC and not in U.S. dollar Treasury checks; (2) more "rigid control" on the use of MPC; (3) an end to payments by U.S.-dollar checks to non-military workers in Vietnam; and (4) discontinuance by foreign exchange banks located in South Vietnam of the practice of issuing drafts expressed in foreign currency (pp. 855, 856).

XVII. INSIDE THE VIETNAMESE CURRENCY BLACK MARKET

SENATORS HEAR FIRSTHAND ACCOUNTS OF ILLICIT EXCHANGE

Gabriel T. Kerekes, a Wall Street economist and expert on war-time fiscal matters, explained to Senators why a black market in currency had begun and then flourished in Vietnam (pp. 583-595). Robert Parker, the American official assigned to help the Vietnamese control the illicit money market, explained to the subcommittee how the black market in currency operates and what steps had been taken to control it (pp. 535-565).

But Senators received an inside look at what trading in the currency black market is really like from people who had been there—like Brandon H. Backlund, an American businessman seeking AID contracts, who programed black market rates into his company's operating budget; and Sgt. Albert Chang, a heavily decorated, four times wounded U.S. Army combat photographer, who played the black market so he might expose it. These and other inside views of the black market were presented to the subcommittee.

WORLDWIDE CONSULTANTS AND NGUYEN TAN PHUOC

Nguyen Tan Phuoc of No. 4 Le Loi Street, Saigon, was a wealthy Vietnamese who wanted to convert his big piaster supply into U.S. dollars safely deposited in American banks.

Brandon H. Backlund was the newly arrived representative in Vietnam of Worldwide Consultants, a consortium of 15 U.S. engineering firms. Backlund wanted piasters to pay his in-country expenses but he wanted a better exchange rate than the official rate set by the Vietnamese Government.

Jack E. Sutherland of No. 2 Ngo Thoi Nhiem Street, Saigon, was a well driller under contract to the U.S. Agency for International Development. He knew his way around Saigon and the Vietnamese currency black market.

Sutherland introduced Backlund to Phuoc and they agreed to execute a lateral transfer of \$20,000 from Worldwide Consultants' account at the Morgan Guaranty Trust Co. in New York into the Prysmeen account at the Manufacturers Hanover Trust Co. Backlund was to deposit this sum in the Prysmeen account. Phuoc, in turn, was to pay Backlund in piasters at the black market rate (p. 598).

Backlund was so intent upon winning a favorable rate for his dollars that he seemed to have lost sight of the fact these were illegal transactions and he could have been fined heavily for them and even forced out of the country by the Vietnamese. He sent two communications to the United States in which he discussed in no uncertain terms his black market activities.

In an interoffice memorandum of August 25, 1965, written from Saigon, Backlund gave his associates back in the States a brief description of the trade in dollars. Backlund wrote:

This money exchange is an awful pain, plus the worry of hauling it around. Must keep my briefcase in hand at all times, awake or asleep. Still working on exchange for balance of year's villa rent through Sutherland with his wealthy VN friend who has a bank account in New York. Plan now is to mail my letter of credit back to Morgan Bank, have them transfer funds to his bank account and I get VN\$ [piasters] here. Am asking him to talk to chartered bank, deposit direct in our account so I don't have to handle the stuff. He is part of wealthy group here who meet daily, set money prices (p. 599).

Two days later, August 27, Backlund wrote the vice president of his bank, again spelling out the details of his illicit money manipulations—and enlisting the help of the bank officer. In a "Dear Dick" letter to R. Dunmore, vice president of Morgan Guaranty Trust Co., Backlund said "in order to get the best rate of exchange" he had worked out an agreement with "a friend here" to deposit \$20,000 at the Manufacturers Hanover Trust, care of Prysumeen. Backlund directed Dunmore to make the transfer to Prysumeen and then "cable me that it has been done" (p. 602).

Backlund, who testified November 19, 1969 (pp. 596-604), explained to Senators that the wealthy Vietnamese Phuoc had confirmed the \$20,000 transfer to the Prysumeen account. Then Phuoc came to him, Backlund said, carrying a cardboard box a foot and a half long, a foot high and a foot wide, tied with twine, containing \$20,000 in pisaters at the black market rate.

"Was this the ordinary way for everybody to do business?" Senator Ribicoff asked. Backlund said, "Well, I had the impression that everyone was" (p. 601).

Sutherland, in an affidavit of June 2, 1969 (pp. 598, 599), said he had been in Vietnam with AID since 1964 and had been introduced to Nguyen Tan Phuoc by a former AID employee, Jack Parrish of the Office of Engineering. Sutherland recalled Phuoc and Backlund negotiating the specific sum of \$20,000.

SGT. ALBERT CHANG AND DIMA

Sgt. Albert Chang testified November 19, 1969 (pp. 573-582). A native of Hawaii and a heavily decorated veteran of 24 years in the Army, Chang said he left the service in 1964 after a 2-year tour as a combat photographer in Vietnam and went to work for the Associated Press in 1965 in Vietnam doing the same kind of work.

The AP offices, he said, were on the fourth floor of the Eden Building on Le Loi Street near the Rex Hotel in downtown Saigon. On the second floor of the Eden Building, Chang said, was a stylish Indian moneychanger named Dima. "Bank of India" was a nickname Dima's many clients gave to his tastefully furnished office, Chang said. He explained that Dima spoke excellent English, was always well dressed, was courteous, good looking and

* * * made no effort to present himself as something other than what he was. He was a moneychanger and nothing else (p. 574).

While his picture assignments kept him with combat troops most of the time, Chang reported into the Saigon AP office three or four times a month and each time he saw Dima's enterprise in operation it annoyed and depressed him. Chang testified :

The Indians were making thousands—possibly millions—of dollars in their moneychanging transactions while many of my friends—some that I grew up with—were getting shot at and killed in combat. The whole thing was upsetting * * * (p. 575).

Chang said he decided to try to expose Dima, his first step being to "win the confidence" of the Indian. Through a fellow American newspaperman who engaged in the black market, Chang was introduced to Dima and began trading \$100 to \$200 a month on the black market (p. 575).

Chang said he followed the same procedure with Dima on each transaction. He would write out a check, leaving the payee line blank, give it to Dima and would be repaid immediately in piasters at a black market rate ranging from 135 to 190, well above the official rate of 118. He gave Dima about 18 checks from January 1967 to August 1968. The checks were drawn on the First National City Bank of New York where the AP deposited his salary, Chang said (p. 575).

Dima was not afraid of being apprehended, Chang testified, recalling that the money changer said to him :

Don't worry about getting caught. I have people who will make certain we are not caught (p. 575).

Since he was trading with Dima not for profit but so that he could one day expose him, Chang said, he made a point to give those piasters he received over the official rate to charities such as the Bo Dap Orphanage in the Gia Dinh sector of Saigon and to refugees fleeing their embattled villages in the Vietnamese countryside (p. 575).

Although always evasive as to the specifics of his money trade, Dima talked with and became friendly and trustful towards him, Chang recalled. The combat photographer indicated to Senators that it was apparent to him that Dima's clientele included not only small time traders like himself but many "civilian contractors and military officers in high places" and that because of these powerful customers Dima felt he was "immune from the Vietnamese law." Chang said the Indian thought of himself as being "an untouchable" (p. 576).

Somebody must have been protecting Dima, Chang said, because the "papers were full of stories about Indian moneychangers being raided" but never Dima. "I do not think this was a coincidence," Chang testified (p. 576).

Afraid to report his findings to Vietnamese customs or United States authorities for fear Dima would hear about it and have him murdered, Chang waited for the right opportunity to put the Indian "out of business for good." The opportunity came in March of 1968 when Chang suffered a serious chest wound while covering a battle of the

25th Infantry Division. It was the fourth time he had been wounded in Vietnam and he decided it would be his last (p. 576). Sergeant Chang testified:

The pressure of going into countless battles had already gotten to me. Sometimes I would come out of a battle talking to myself and crying. I had been through three wars. I decided to leave war zones for good. But I still wanted to get Dima (p. 576).

Recovered from his injury, Chang mentioned to Dima he would be returning to Hawaii shortly. Dima asked him to smuggle five large envelopes containing checks to Hawaii and mail some to the Marine Midland Grace Trust of New York and the rest to Manfra, Tordella & Brooks, Inc., New York.

In Hawaii, Chang kept \$4,000 in checks and mailed the remainder to the "COMUSMACV," the commander, U.S. Military Assistance Command/Vietnam, with an accompanying, unsigned letter detailing Dima's operations, from his address in the Eden Building to the financial institutions in New York he dealt with (pp. 577, 578).

Working as a news photographer on the Honolulu Star Advertiser, Chang said, he received a letter in November of 1968 from Dima, urging him to return the checks. The following December, Chang said, three or four more letters from Dima arrived. The letters indicated Dima knew his checks had been turned over to MACV and that he intended to have him murdered, Chang said (p.579).

Chang testified that the \$4,000 in checks he had kept had been deposited in his account. He planned to turn these moneys over to scholarship funds at the 1st and 24th Divisions for the children of soldiers killed in action. Later, however, he had second thoughts about the \$4,000 so he returned the money to Dima, Chang said. Chang testified:

It was for a good cause—the scholarship fund. Yet it was a form of stealing—even though it was stealing from a law-breaker, Dima. But it was still theft and I had never done anything like that before (p. 580).

Chang said he had not heard from Dima since the threatening letters were delivered to him. Sergeant Chang, appearing before the subcommittee in his Army uniform, had reenlisted in the service after working for the Honolulu paper and was serving as a photographer at U.S. Army Pacific Headquarters, Fort Shafter, Hawaii (p. 580).

The letter Sergeant Chang wrote to MACV exposing Dima was found in MACV files in 1969 by Subcommittee Assistant Counsel LaVern J. Duffy. Even though Chang went to considerable lengths to conceal his identity in the anonymous letter—describing himself as being in the Air Force, for example—Duffy tracked him down in Hawaii, interviewed him, won Chang's cooperation and the assurance he would testify before the subcommittee if needed.

WILSON, BROPHY, AND DIMA

Leonard Lee Wilson and Stephen C. Brophy had three things in common. They were both Americans living in Saigon; they were both employees of firms under contract to the U.S. Government; and they

both traded dollars for piasters at the black market rate with an Indian money changer named Dima.

Wilson described his dealings with Dima in a May 1, 1969 subcommittee affidavit (pp. 605-606). Brophy's recollections were given in a May 17, 1969 subcommittee affidavit (pp. 606-607).

Wilson, employed by Page Communication Engineers under contract to AID, said Dima worked out of room 221 of the Eden Building in Saigon. Dima took checks and U.S. dollars, Wilson said, usually at the rate of 180 to 190 piasters to the dollar (p. 605).

Wilson, who lived at 216 Hien Vuong Street, Saigon, presented to the subcommittee as exhibits 11 checks from 1968, ranging in amounts from \$100 to \$600, he had given to Dima. Most of them were payable to "Arbitrage in favor of Sincere" and were deposited at either the Marine Midland Grace Trust Co. of New York or Manfra, Tordella & Brooks, Inc., New York. Reflecting Dima's connection with the B. S. A. Rahman syndicate were two checks payable to "P. J. Kanakapillai" and two checks to "Arbitrage in favor of Kanakka" (p. 605).

In the summer of 1968, Dima came to Wilson's home, explained that a newspaperman he had enlisted as a courier had stolen several checks in Hawaii and advised him to notify his bank to stop payment on a \$300 check of July 24, Wilson said. After the theft incident, Dima changed the system of exchange in that he would no longer arrange for the sending of the checks to New York himself. Instead he would ask his customers if it would be permissible to send the checks to New York on their own APO privileges, Wilson said (p. 605).

Brophy, who worked for Control Data Corp. on a MACV contract, stated he had exchanged money with Dima at his room 221, Eden Building office in 1967, 1968, and 1969. "Bank of India" was what Dima's office was known as to the many Americans who traded money there, Brophy said, recalling that:

On occasions I have had to stand in line with other Americans to exchange money at Dima's (p. 606).

Brophy, of 240 Gia Long, Saigon, said the usual exchange rate was 160 to 200 piasters to the dollar. He would write out the check, Brophy said, leaving the payee line blank. Presenting as exhibits six canceled checks, Brophy pointed out they were payable to either the Dao Heng Bank of Hong Kong or Arbitrage in favor of Sincere or Arbitrage in favor of Kanakka at Manfra, Tordella & Brooks, Inc., New York (pp. 606, 607).

FREDERICK ADDISON SURBAUGH OF RICHMOND, Mo.

The Majestic Hotel is located at the end of Tu Do Street in Saigon near the Saigon River. Room 117 of the Majestic was home for Frederick Addison Surbaugh, a Richmond, Mo., farmer who left farm and family to work full time in the Vietnamese black market. He started out in August of 1967 with \$2,000 and turned that investment into a \$500,000 business (pp. 566-567).

On October 10, 1968, Vietnamese fraud repression agents arrested Surbaugh as he was leaving the Majestic Book Store. He was carrying a briefcase that contained \$79,889.90 in U.S. military payment certifi-

icates or MPC. Surbaugh admitted having handled more than \$500,000 in negotiable instruments in 1968 at the time of his apprehension.

He was interviewed under oath by the Army CID December 5, 1968, and portions of that interview were made part of the hearing record November 18, 1969 (pp. 565-567).

Surbaugh said his most frequent black market transaction was to fly to Singapore where he would buy U.S. dollars. He would then smuggle them into Vietnam, buy MPC on the black market at a favorable rate, buy cashier's checks at the Bank of America branch in Saigon with the MPC, return to Singapore with the cashier's checks, convert them to dollars and then smuggle the U.S. dollars back into Vietnam, thereby beginning the cycle all over again. Surbaugh counted on a 35-percent profit (p. 566).

Using this system, Surbaugh explained, he was able to support himself at the Majestic, pay for the support of his semi-invalid parents and his son in the United States, pay a live-in housekeeper to take care of them, and, at the same time, buy a 180-acre farm in Ray County, Mo., and a tractor as well (p. 566).

A sideline of his trips to Singapore, Surbaugh said, consisted of buying jewelry and high-fidelity equipment and bringing them back to Vietnam where he would sell them on the black market. But illicit currency exchange was his main line of work and Vietnamese Customs, arresting him with some \$79,000 in MPC in his possession, levied a \$50,850 fine on him. Surbaugh was then sentenced to several months in Chi Hoa prison when he couldn't pay the fine. He mortgaged his property back in the States but still was short and Surbaugh still owed the Fraud Repression Service \$11,000 (p. 566).

Surbaugh said that the places in Saigon where he exchanged currency were the Majestic Hotel, the nearby Majestic Book Stores, the Luxur Store, and the Continental Palace Hotel located at the other end of Tu Do Street (p. 567).

LEONARD EARL PITCOCK AND THE DEGILL CORP.

William O. Gilbert, president of the DeGill Corp., wrote to his firm's banker, the Pacific National Bank of San Francisco, September 11, 1968 to direct destruction of letters calling for the transfer of funds to other accounts. In addition, Gilbert asked the bank to "please refrain from making any disclosures whatsoever" to any U.S. Government investigators seeking information about DeGill's account (pp. 656, 657).

It was apparent from this letter that Gilbert was afraid his government would find evidence of lateral transfers and other black market transactions as well as proof of profits which neither he nor his partner, Leonard Earl Pitcock, wished to have known.

Subcommittee staff investigator Bellino told Senators his analysis of the DeGill Corp. indicated the firm had invested \$617,500 in the currency black market (\$412,500 in J. H. Van Meele and \$205,000 in Prysuneen) and, using an average return of 180 piasters to the dollar, earned \$316,567 from these transactions (pp. 661, 854). Bellino noted that DeGill had been formed by Gilbert Danner, manager of the International House, and by Joe DeBella, an American businessman in the Orient.

But DeGill—the name came from the De of Joe DeBella and the Gil of Gilbert Danner—Corporation was sold to Pitcock and Gilbert. Under their ownership, the enterprise operated in a wide variety of illegal activities, Bellino said, ranging from the currency black market to theft. DeGill performed seven AID contracts amounting to \$1,200,000 and was eventually barred from doing future business with the U.S. Government in Vietnam (pp. 657, 661, 854).

More details about the DeGill Corp. were provided by a former associate of Gilbert and Pitcock, George S. Creamer, an American who lived in Singapore at the time he was interviewed by subcommittee investigators and signed an affidavit July 5, 1969 (pp. 661-663).

According to Creamer, Pitcock was the real leader of DeGill Corp. and he built up a business based on black market violations, theft, false accreditation from the U.S. Embassy, bribery, and cunning. The picture Creamer painted of Pitcock showed the many opportunities open to crooked but enterprising businessmen in Vietnam during the troop buildup of 1965, through 1968 when there was much work to be done and much money being spent by the U.S. Government (pp. 662, 663).

Creamer said he had known Pitcock for many years in the Orient, had let him stay at his apartment in Saigon and had been in Vietnam in a position of confidence with Gilbert and Pitcock so that he could observe at close range many of Pitcock's actions.

In late 1965, Creamer said, Pitcock was deported from the Philippines. Unable to return, Pitcock came to Vietnam, and bought DeGill Corp., which under DeBella and Danner had been "strictly a paper setup," Creamer said. But it was perfect for Pitcock's purposes. Creamer explained that Pitcock wanted a U.S.-chartered firm so he could be paid in U.S. dollars. Piasters were of no use to Pitcock, Creamer said, for he wished to build his wealth outside Vietnam. Piasters for his in-country expenses Pitcock could receive through the Vietnamese black market in currency, Creamer explained (pp. 661-663).

Pitcock promptly won a small AID contract to build prefabricated housing units, Creamer said, adding that the project was not important to Pitcock but the contract itself was. This award made him a U.S. Government contractor, with access to all the benefits that status entitled him to, such as official license plates for his vehicles, use of MPC or military payment certificates, even PX privileges. Pitcock's "real start in Vietnam" was that first AID contract, Creamer recounted (pp. 662, 663).

Pitcock and Gilbert next worked out an illicit arrangement in which they rented trucks from a Vietnamese Government official. The two Americans then leased these same trucks to an AID contractor, Pacific Architects & Engineers (P.A. & E.), Creamer said, paid back the corrupt Vietnamese official and still showed a profit (p. 662).

P.A. & E. paid DeGill Corp. in U.S. dollars deposited in an American bank. With these funds Pitcock promptly invested in the black market, Creamer said. He recalled that Pitcock used the lateral transfer system of moneychanging, notifying his bank in the States to credit certain sums of money to target accounts. Pitcock worked in concert with an Indian moneychanger in Cholon, the Chinese sector of Saigon (p. 662).

Pitcock did not mind setting in motion the lateral transfer, but he did not wish to run the risk of getting caught picking up the piasters, Creamer said, adding:

* * * Pitcock would never go to Cholon himself. He always made somebody else go. Gilbert had to make the pickups some of the time. He was always a little nervous about it—but Pitcock insisted (p. 662).

Creamer said he accompanied Gilbert to Cholon on one or two of these piaster pickup trips. An Indian would meet them in a shop that sold saris, silks, and textiles and present them with the piasters, Creamer remembered (p. 662).

As his fortunes grew, Pitcock began buying his own trucks and gradually phased out his reliance on rented vehicles from the Vietnamese Government, Creamer said. Pitcock bought trucks at the Army surplus sales auctions at Long Binh. Here was where Pitcock's AID contractor status, coupled with his resourcefulness and black-market profits, completely baffled American authorities, Creamer said (pp. 662, 663).

A condition of sale at the Army surplus auctions was that all purchased goods had to be exported out of country, Creamer related. But Pitcock had access to official license plates, as a result of the original contract for AID prefabricated housing units, Creamer said. Using these plates, Pitcock could keep his vehicles, trucks, forklifts, and other heavy surplus equipment in country, overhaul them and turn right around and lease them back to P.A. & E. to be used in the Allied effort. Creamer described the circumstances enabling Pitcock to get away with it:

Embassy officials did not know he was lying. They saw him as just another businessman under a USAID contract. The Vietnamese would never question this certification from the American Government. So they issued him official plates (p. 662).

Creamer, who worked for a time for a firm that also bid on equipment at the Long Binh surplus sales, went on to say:

What annoyed all of us in the surplus sales business—and what was blatantly illegal about Pitcock's methods—was this. Equipment we bought had to be exported within a certain period of time. But Pitcock knew full well that he would lease the equipment he bought almost immediately to P.A. & E.. His equipment would stay in country. Therefore, he avoided duty, shipping, handling and other costs. Plus he could avoid the unofficial cost of having to bribe Vietnamese officers involved in exporting (p. 663).

But, Creamer said, Pitcock had other advantages going for him at the Long Binh surplus sales. First, because he could avoid all of these costs, official and unofficial alike, Pitcock could bid higher than other bidders for equipment that he wanted. Secondly, because he was investing in the black market and also abusing his MPC privileges in the black market, he had a larger profit cushion than did other bidders,

which again gave him the resources to offer more money for the surplus equipment. And of the surplus sales people, Creamer said:

They wanted to sell their surplus equipment at the highest possible price. They did not realize why Pitcock was paying so much for their equipment. I don't know that they cared either (p. 663).

Creamer cited the example of a 5-ton truck Pitcock might have bought for \$800 at the surplus sales. It would cost about \$300 to restore it to operating condition. Next Pitcock would lease it to P.A. & E. for a 10-hour a day, 6-day week at \$1,350. Creamer said that anything beyond that would be \$5.50 an hour overtime. Some months overtime would run to 150 hours or \$825, Creamer said (p. 663).

Creamer said Pitcock frequently paid off all the costs of his surplus equipment the first month he leased them to P.A. & E. "From then on," Creamer said, "the truck would be virtually all profit," except for the drivers and maintenance costs (p. 663).

Pitcock confided in him once, Creamer said, that he had 70 trucks leased to P.A. & E. and other USAID operations and that they were bringing in \$104,000 a month. Creamer said Pitcock's total black market transactions with the Indian in Cholon came to 8 million piasters a month (p. 663).

Pitcock's activities so concerned the vice president of DeGill, Howard Spuler, that he quit, Creamer explained. Corporate titles meant nothing to Pitcock, Creamer said, recalling that Pitcock once told him he did not want to be president of DeGill for fear of being the "fall guy" if the organization got into trouble (p. 663).

To sum up, as Creamer said, "Pitcock was playing all the angles." Pitcock was later deported from Vietnam and was seen by subcommittee staff in July of 1969 managing a heavy equipment sales company on the outskirts of Manila (p. 663).

ERNEST L. PASCHALL OF CONDOMATS AND SERGEANT LAZAR OF THE 1ST INFANTRY

A check for \$7,490 was credited to the account of Sgt. Seymour (Sandy) Lazar on February 21, 1968 at the Bank of America, Beverly-Wilshire Branch, Los Angeles (p. 529). The check was a kickback to Lazar and it was from Ernest L. Paschall, owner and Vietnam representative of Condomats Corp. (p. 502).

Paschall sold goods to Sergeants Lazar and Narvaez Hatcher at the 1st Infantry Division; to Sgt. William Higdon, custodian of the club system at Long Binh; and to Gilbert Danner and William Nichols, the manager and assistant manager, respectively, of the U.S. Embassy-sponsored International House in downtown Saigon (pp. 502, 673).

The check to Lazar was drawn on the Bank of Delaware in Wilmington, one of several accounts Paschall maintained. A total of \$569,866 was deposited in that Wilmington account by Paschall from February of 1967 to March of 1968. Of that sum, \$334,881.40 was then deposited in these black market accounts:

Baker & Co., Dao Heng Bank, Ltd., Hong Kong, \$2,100; Far East Commodities, Bank of California, San Francisco, \$9,960; Far East

Commodities through Hang Tai Finance Co., Hong Kong, \$28,650; Foreign Exchange & Investment Co., Ltd., Republic National Bank, New York, \$10,120; Hang Tai Finance Co., Manufacturers Hanover Trust, \$31,568; J. H. Meele, Crocker-Citizens National Bank, San Francisco, \$28,700; K. Pillai, Dao Heng Bank, Hong Kong, \$53,517.40; Dao Heng Bank, Hong Kong, \$63,834; Union Bank of Hong Kong, \$77,132; and Wing Lung Bank, Hong Kong, \$29,300 (p. 674).

RAY AND ISOBEL EVANS, DUONG THUONG VAN AND THE BLACK MARKET

Two of the first witnesses to testify before the subcommittee in connection with this investigation were Ray and Isobel Evans of Scottsdale, Ariz. They appeared March 6, 1969 in an executive session (pp. 719-769). The Evanses owned and managed three firms in Vietnam, R & R Supply, Cold Storage, Inc., and the King Co., all of which sold goods and services to NCO clubs of the U.S. military. It was fitting that the Evanses should be among the lead-off witnesses for they embraced both aspects of this investigation. They paid kickbacks to GI club custodians—and they invested heavily in the black market in currency.

In their first appearance before the subcommittee, they denied paying kickbacks or giving other illegal gratuities to club system custodians. But they both admitted readily to being traders in the black market in currency. Yet they were surprised when investigator Bellino informed them they had traded at least \$438,000 in the Vietnamese black market in currency. Mrs. Evans said:

Well, it sounds large to me * * * it just surprised me. I didn't realize it was that (pp. 755, 756).

They had a Chinese partner named Yang who handled their money manipulations, the Evanses said, but they did not know his address. The system of black market they used was to write out checks with the payee line left blank to be drawn on their account at the First National Bank of Arizona in Scottsdale (p. 722).

The Evanses said they had never heard of the Prysmeen account but in later hearings Bellino presented evidence to show they had traded \$248,000 in that account at the Manufacturers Hanover Trust (p. 637). Bellino also showed that they, like Madame Phoung, had invested in the C. F. Hsiao account at the Irving Trust, their deposits being \$40,000 (p. 646).

The Evanses traded \$510,800 in black market accounts from November 1, 1965 to December 23, 1968, Bellino said. He noted that by calculating an average return of 180 piasters to the dollar that the couple realized a profit of \$286,386 on these illicit transactions (p. 666).

Yang, their partner, lived at 134/17 Bach-Dang, Gia Dinh, Saigon and his Vietnamese name was Duong Thuong Van, facts which the Evanses had tried to conceal from the subcommittee by first claiming loss of memory and then tearing off parts of subpoenaed documents listing Yang's Vietnamese name and address (p. 669).

But subcommittee investigators did locate Yang in Saigon, interviewed him and on May 17, 1969 he swore to an affidavit (pp. 698-700). In the affidavit, Yang said he met Ray Evans in May of 1965 and that he went to work for Evans and another American named

Robert—he could not remember the last name—as a carpenter, furniture maker, and translator. Later, Yang said, he also became involved in currency manipulation for the Evanses.

Yang said Evans always introduced him to NCO club managers as his “partner” but Yang asserted he was never a partner who shared equally in the profits from open mess sales and renovation work the Evanses performed. Nor did he receive any proceeds from black market transactions, Yang said (pp. 698, 699).

Yang noted early in his employment with Evans that Evans did his money changing with an Indian at Johnny’s Book Store on Tu Do Street. He warned Evans “he could get in trouble” changing money illicitly but Evans replied “he knew what he was doing,” Yang said. When Johnny’s was raided by Fraud Repression agents, Evans asked his Chinese employee if he knew another place to trade money, Yang recounted (p. 699).

Yang said he put Evans in touch with a friend, Chau Khiet Phuong who owned a noodle factory in Cholon, and who wished to have \$15,000 deposited in a California bank for his daughter’s college education. Evans sent a \$15,000 check to the designated California bank, Yang said, Chau reciprocating by rewarding Evans in piasters at the rate of 165 piasters to the dollar.

Next, Yang recalled, he took over some of the Evans’ money transactions, making the trades with another Chinese friend of his, Kouo Meou Si, at noontime on Nguyen Cong Tru Street near several banks in Saigon. Kouo would accept Evans’ check from Yang and would then hand to Yang a satchel filled with piasters, usually traded at a rate of 158 to 190 piasters to the dollar, Yang said (p. 699).

The piaster supply became so large in the Evanses’ apartment that Ray Evans, after counting the currency, would keep what he needed and turn the rest of the proceeds over to Yang for safekeeping, Yang recalled. Specific transactions of 1968 Yang remembered making for Evans were a \$20,000 payment to Mrs. Wedrene, care of the Banque Nationale de Paris; and \$10,000 checks to Cheung Ying Lum, Wing Lung Bank, Hong Kong; Mrs. N. T. Tran, Overseas Development Bank, Geneva; Tai Chan Peng, North Carolina National Bank; C. F. Hsiao, Irving Trust Co.; and Chau Khieu Phuong, Bank of America, Whittier Branch (p. 699).

Yang said he made no transactions for Evans through the Prysmeen account or through Indian moneychangers in general (p. 699).

In what may have been an insight into what made Ray Evans so determined to receive a favorable return on his dollar-piaster exchanges, Yang declared:

Mrs. Evans was always anxious to make lots of money and she told me once if Mr. Evans didn’t make at least \$100,000 one year she would divorce him (p. 700).

By his own statements before the subcommittee, however, Evans was a long way from reaching the \$100,000 goal. In the 1969 executive session, he and Isobel Evans both said their best annual salary had been a combined total of less than \$25,000 in Vietnam (pp. 732, 762). But Bellino asserted in the public session that the couple’s gross receipts from business from club sales was \$1,104,000 and that from 1965 through 1968 deposits in their bank accounts which he had seen

amounted to \$1,258,457.23 (p. 665). This tabulation led Bellino to state the U.S. Internal Revenue Service would be investigating the Evanses (p. 668).

In the executive session, Duffy pointed out that the first time he and Bellino interviewed the Evanses, Ray Evans denied participating in the black market. To that, the Evanses' attorney, Ralph Pittman, replied:

I would like to suggest he didn't have the benefit of counsel. You get him strained. Now the reason you are getting more details is because Mr. Ralph Pittman is his counsel. As I told you and Mr. Bellino, I know whom I am representing * * * and they are not going to perjure themselves. I want the record to clearly show that. Those are my instructions (p. 752).

Ralph Pittman changed those instructions, however, and the next time the Evanses appeared—November 21, 1969, in public session—they refused to answer questions as they invoked their privilege not to testify under the fifth amendment of the Constitution (pp. 694–704).

WHERE THE EVANSES GOT THE MONEY FOR THE MARKET

It was from the NCO clubs of Vietnam that Ray and Isobel Evans earned the money to trade in the currency black market. Therefore, the Evanses' efforts to profit from the clubs and messes will now be reviewed.

In her testimony before the subcommittee, June Collins, the entertainment booking agent, related a comment heard at the International House one day. Someone remarked, Miss Collins said, that it would be unfortunate if the Paris peace talks succeeded since the money and living were so good with the war going on (p. 344). This observation was reminiscent of something Isobel Evans wrote to her banker in 1968.

"The war goes on—but so does our business," Mrs. Evans said in a letter to the First National Bank of Arizona May 7, 1968 (p. 669). Isobel Evans was writing in connection with a letter of credit she and her husband wished to receive from the bank to finance a \$75,000 purchase of 1.5 million three-dimensional Christmas cards to be sold to clubs and messes for sale to GI's for the holiday season. According to Subcommittee Investigator Bellino, the Christmas card transaction "was typical" of the way the Evanses conducted business (p. 669).

They won the letter of credit, Bellino said, but they did it under false pretenses. They informed their bank that 10 clubs had ordered the 1.5 million cards when in fact only 640,000 cards had been ordered. Then when the cards arrived in Vietnam shipments were sent to the clubs considerably larger than what they had originally ordered. (p. 669).

The United Service Organization (USO) in Vietnam ordered 180,000 similar Christmas cards through the same Japanese company the Evanses contracted with. The USO, wishing to offer these cards to American GIs, would have been in competition with the Evanses. Ray Evans found out about the USO's order. He sent a wire August 25, 1968, to Japan Publications Trading Co., Ltd., Tokyo, in which he said:

Are you going to jeopardize the prospect of a \$3 million dollar order for sixty-nine by selling Sun Enterprise 180,000 cards for Vietnam, USO (p. 670).

T. Murayama, executive director of the export department of Japan Publications, wrote Ray Evans August 28 to inform him the USO contract had been canceled owing to the "exclusive" agreement the Evanses enjoyed with his firm (p. 670).

The Evanses' profit on the cards was 300 percent as they bought them for 5 cents each and sold them to the clubs for 20 cents (p. 671).

The sale of the Christmas cards by Evans to the Davis Station enlisted men's open mess system was one of three transactions with the Evanses examined by a special Army board of inquiry in November of 1968. The inquiry, completed in March of 1969, found that the custodian of the Davis Station Club, Sgt. William F. Gilbert, had bought overpriced and inferior wrist watches, meats, and Christmas cards from Ray and Isobel Evans.

Subcommittee Assistant Council LaVern J. Duffy, who reported to Senators on this special inquiry (pp. 700-704), said Evans sold Davis Station 500 Mickey Mouse watches for \$17 each, or \$8,500. The watches were worth "a maximum" of \$10 each, the board of inquiry found, adding that the timepieces were "a nonrepairable item because of the cheap construction." But the watches were sold to the Davis Station GI's for \$21 each (p. 701).

That is, the club tried to sell them for \$21. Of the 500 watches purchased from Evans, only 16 were sold to the troops. Sgt. James W. Parrish, who succeeded Gilbert as custodian, gave this explanation of how the watches were received by the men:

* * * I would not say they have proven to be real good sellers. When we first got them we sold between 12 and 20. Three or four individuals brought them back within 3 or 4 days. In fact, two of these individuals walked into the office and threw them at me (p. 701).

Even Sergeant Gilbert, who paid \$8,500 for the watches, acknowledged that Evans had made a "very handsome profit" from the sale. A measure of that "handsome profit" was seen in the declared value of \$3,334 placed on the watches as they were shipped aboard a Pan American cargo aircraft (p. 702).

But one Davis Station club sergeant felt no apologies were in order for the watch purchase. Sgt. Richard M. Clark, an assistant custodian, told board of inquiry investigators that Davis Station personnel believed they had "the best club in Vietnam" and that Mickey Mouse watches enhanced their feeling toward their club and led them "to work harder." "It is something you can't put in words," he said.

An Army interrogator asked:

So what raises the morale of the group; to sell Mickey Mouse watches for \$21? (P. 701.)

"Sir, morale is a funny thing," Sergeant Clark replied (p. 701).

Sergeant Gilbert ordered the watches May 14, 1968. On May 15 he placed another order with Evans, this one a \$3,299.50 order for meats and a refrigerator to store them. When the shipment arrived, however, the bill was for \$9,286.21 and in a few days the refrigerator broke

down and all the meat spoiled. Many of the meats included in the Evanses' shipment could have been purchased at a nearby commissary at one-half the price (p. 703).

When on or about March 27, 1969 Davis Station clubs still refused to pay the \$9,286.21 bill for the rotten meat and the broken down refrigerator, Evans threatened to refer the matter to his Washington, D.C. attorney, Ralph D. Pittman. Evans issued that threat after having conferred with Pittman only a few days before when Pittman appeared as counsel to the Evanses as they testified before this subcommittee March 6, 1969, in executive session.

The Davis Station board of inquiry concluded about the meat-freezer purchase:

Entering into such an agreement with the best interests of the club in mind is inconceivable (p. 702).

Sergeant Gilbert, the purchases of the Mickey Mouse watches (May 14) and meat-freezer (May 15) behind him, entered into a third contract with Evans May 24, this time ordering \$1,800 in Christmas cards. That purchase was also criticized by the board of inquiry. But Sergeant Gilbert wasn't around to justify it. His tour as Davis Station custodian ended May 26.

The board of inquiry noted that Sergeant Gilbert ordered the cards without prior approval from the club board of governors. In addition, when the shipment arrived October 11, 1968, the bill was not \$1,800—but \$24,000. Sergeant James W. Parish, Gilbert's successor, accepted the shipment anyway (p. 703).

As Duffy put into the record his exhibits regarding the Davis Station investigation, Ralph Pittman, attorney for the Evanses, said he would "like to insist" that a November 6, 1967, letter in praise of his clients be made part of the record of the hearings as well, apparently to offset some of the derogatory comments made about them. The letter is printed here in full.

DEAR MR. AND MRS. EVANS: I wish to thank you for the outstanding work performed on the remodeling of the Davis Station Enlisted Open Mess. The change in the club, the atmosphere, the beauty and the design have made a definite impact on the morale of the personnel living on Davis Station.

You accomplished this work well within the time frame asked, in fact, some 3 days early. This in spite of the transportation problem, lack of skilled labor and the necessity to keep the club open during construction, reflects great credit upon the ability of your company to live up to their commitments.

On behalf of the personnel at Davis Station, I thank you for giving us the "Showplace of Saigon," the most beautiful EOM I have had the pleasure to visit. You are cordially invited to visit us any time you are in the area.

Sincerely,

FREDDY G. MUSGROVE,
Major SigC Commanding
Headquarters & Service Co.
509th Radio Research Group
(p. 704).

In checking out the board of inquiry findings at the Davis Station, subcommittee investigators interviewed C. O. Bentley in Singapore. Bentley was the businessman who sold Evans the large refrigerator which had broken down at Davis Station, allowing the meats to spoil. Evans was also in Singapore at the time. During their 2-hour interview with Bentley, Investigator Carmine Bellino said, Evans called Bentley on the telephone three times and "told him not to say anything" to the subcommittee representatives (p. 668).

Also during their Singapore stay, investigators Bellino and Duffy asked J. D. H. Neill, acting general manager of the soft drink bottling firm of Fraser & Neave, if they could examine the company's records relating to their dealings with the Evanses, who represented the firm in Vietnam. Neill wrote to Senator Ribicoff, the acting chairman, May 13, 1969, and said his company's practice was not to provide access to files unless agreed to by the "third party"—in this case, Evans—and that, when permission was asked of him, Evans "indicated to us that on no account would he be so willing" (pp. 666, 667).

BLACK MARKET, CORRUPTION AT THE "I" HOUSE

The International House in downtown Saigon was a combination restaurant, bar, nightclub, snackbar, giftshop, and slot machine casino for American civilians who worked for their Government or Government contractors (p. 671).

Sponsored by the U.S. Embassy, the "I" House was supposed to be a recreation center for Americans many miles from home. However good its intentions at the start, the "I" House turned into something very much different as Americans with no connections with the war or pacification effort frequented the establishment along with third country nationals from throughout the Orient. It was managed by two men, Gilbert Danner and William Nichols, who were the recipients of kickbacks from Ray Evans and Ernest L. Paschall and who traded heavily in the black market (pp. 672, 673).

Neither Danner nor Nichols was paid more than \$20,000 annually at the "I" House. Yet an account maintained by Danner at the Northwestern Bank of Boone, N.C., disclosed deposits of \$120,343.65 from January 4, 1965, to September 16, 1969. Nichols deposited \$194,749.37 in an account he maintained at the First National Bank, Mobile, Ala., from February 3, 1966 to March 10, 1969 (p. 673).

Bellino said his analysis of Nichols and Danner's records indicated to him they may have been changing money themselves in the manner of Indian moneychangers. Bellino testified Ray Evans gave personal checks of \$1,000 each to Danner and Nichols while Paschall gave Danner \$7,500 and presented \$800 to Nichols (pp. 672, 673).

The U.S. Internal Revenue Service would be looking into the tax returns of Danner and Nichols as a result of this investigation, Bellino said (p. 673).

THE STAR DISTRIBUTING COMPANY AND PRYSUMEEEN

Black market currency violations were common among businesses with PX and NCO club contracts in Vietnam. In fact, proof of a black market money transaction was not even considered serious enough

by the Army/Air Force Exchange to constitute grounds for the termination of exchange contracts. This state of affairs was seen in the example of the Star Distributing Co.

Star Distributing enjoyed an exclusive contract with the PX in Vietnam and Okinawa for distribution of Stars & Stripes newspapers and other English-speaking periodicals for sale to U.S. troops. In fiscal year 1969, sales under the contract amounted to \$7,770,503 in Vietnam and \$660,477 in Okinawa (exhibit 646).

Subpenaed records of the Manufacturers Hanover Trust Co. showed that Star Distributing Co. invested \$58,500 in the Prysumeen account. This point was brought out in the hearing of November 20, 1969 (p. 637). Star's involvement in the illicit money trade was further supported by testimony from Subcommittee Assistant Counsel Duffy who stated that John Serviates, president of the firm, admitted to him his participation in the black market in a July 16, 1969 interview (p. 637).

Briefed on the prison terms which GI's were receiving in Vietnam for black market violations of a size smaller than \$58,500, Senator Gurney wrote Defense Secretary Melvin R. Laird November 20, 1969 to inquire what action would be taken against Star. On December 5, Brig. Gen. Leo E. Benade, the Deputy Assistant Secretary of Defense, replied that the matter was under review and that "further reply to your letter" would be forthcoming.

Senator Gurney received a second December 5 letter, this one from Air Force Brig. Gen. George E. McCord, chief of the exchange service. McCord said any violation of currency laws "constitutes cause for termination" of exchange contracts. But McCord also pointed out Star had provided "excellent service" in Vietnam and Okinawa, adding that this was, after all, Star's "only known contract violation." As for the possibility that Star Distributing's contract might be canceled, McCord said it would take 6 months for the exchange to take up the duties carried out by Star without a disruption in service.

On January 20, 1970, General Benade advised Senator Gurney that "an investigation is underway" into the Star Distributing matter and results of this inquiry would be made available to him. Senator Gurney next heard from General Benade on this point in a May 7, 1970 letter. The General related that an investigation was begun October 30, 1969 into the activities of Joseph W. DeMarco, vice president of Star. That inquiry, while it as yet had failed to develop anything but "unsubstantiated allegations" of smuggling and fraud, was continuing, Benade said. In addition, "sufficient contract irregularities" had been found in Star Distributing's service for the PX to justify "not renewing" the company's contract. General Benade stated. The contract had expired on March 31, 1970 but Star was still handling distribution of periodicals in Vietnam under a contract extension to enable the post exchange to take over the firm's functions.

Reporting in February of 1971 to the Government Operations Committee on his trip to Southeast Asia in connection with black market violations and PX and open mess system corruption, Senator Gurney said the Star Distributing Co.'s contracts in Vietnam as well as Okinawa were finally ended.

Senator Gurney added that the U.S. Internal Revenue Service "fortunately did not reflect the same indecision" regarding Star as

did the Army/Air Force Exchange. The IRS, he said, had filed a jeopardy assessment or tax lien of \$2 million against the Star Distributing Co., pending the outcome of a tax court case. That case is being tried in New York State with the Star Distributing Co. being represented by the Washington law firm of Trammell, Rand, Nathan & Bayles.

The exchange of correspondence between Senator Gurney and the Defense Department was in Senator Gurney's committee report of February 1971, a report to Senator John L. McClellan, chairman of the Senate Government Operations Committee, "regarding matters in Vietnam and selected Southeast Asian countries." This committee print was made part of the record of the hearings (exhibit 646; p. 1980).

XVIII. PRODUCT PROMOTION IN VIETNAM AND ELSEWHERE IN ASIA

THE MANY WAYS TO PROMOTE PRODUCTS

Subcommittee investigation showed that in Southeast Asia vendors had discovered many ways to promote their products for sale to U.S. military installations. It was demonstrated, for example, that frequently "promotional allowances" were just another way of giving kickbacks.

Jack Bybee, a former employee of William J. Crum, told Senators that the money the Carling Brewery gave Crum to promote its beer was used mostly in kickback transactions with custodians. Moreover, Bybee said, the Carling promotion funds—as much as \$4,000 some months—were first invested in the currency black market where they were converted illegally to military payment certificates. On rare occasions Crum would spend the money on Carling but the funds usually went for kickbacks to further Crum's other interests such as slot machine sales, Bybee said. Bybee went on to say his job at Price & Co. required him to doctor Carling promotion expense vouchers so that they indicated the money had in fact been used in support of the beer's selling campaigns (p. 1050). G. P. (Tommy) Thompson, in charge of Carling exports to Vietnam, insisted the promotion money was never understood by him or any other Carling executive to be used for kickbacks (pp. 1078, 1079).

Because of his firsthand knowledge of the abuses of the promotion funds, Bybee suggested, as one of his proposed reforms in club and PX affairs, that the U.S. Internal Revenue Service more carefully examine promotional allowance claims before granting tax credits on them. Furthermore, Bybee said, "actual receipts" indicating how the promotional allowances were spent, along with a "consumption record," should be submitted to the IRS and to club system auditors, particularly with reference to beer and liquor promotions (p. 1056).

Subcommittee investigation proved the wisdom of the Bybee recommendation—and established a pattern of promotional allowance abuse. The subcommittee found that abuses were not limited to allowances among the methods businesses would employ to promote their products. Other devices examined by the subcommittee—and which will be reviewed in this section of the report—included questionable and elaborate entertainment of custodians and other procurement officials of nonappropriated fund activities; the award of a law school scholarship to the son of a key nonappropriated fund procurement officer by a liquor company; and the efforts of a general officer first to promote the sales of a certain beer in Vietnam and, second, then to seek to promote the reputation of the man who sold the beer.

ENVOY INTERNATIONAL'S USE OF PROMOTIONAL ALLOWANCES

As the Southeast Asia regional director for Envoy International, Glenn D. Faulks represented National Distillers & Chemical Corp. (Old Crow and other spirits), Liggett & Myers Tobacco Co. (L & M cigarettes and other items), Bacardi [Rum] International, Royal Crown Cola, Falstaff Beer and J & B Scotch in sales to U.S. military clubs, messes and exchanges (pp. 1005, 1009).

Records subpoenaed from the files of the Envoy International headquarters in Miami indicated that Faulks was cynical about selling liquor and beer and other products to nonappropriated fund activities of the U.S. military. A May 9, 1970 memorandum he wrote from his home office in Bangkok to other representatives of Envoy reflected that cynicism. Faulks said liquor sales to military installations in the Pacific area were "corrupt and fickle" and had been for years. Faulks then went on to encourage the use of "a monetary allowance per case" as being the sort of promotional program Envoy must resort to if it was to "obtain a fair share of the business" (p. 1002).

Evidence was presented to show that when Faulks said "monetary allowance" he meant kickback or bribe—and he meant for this sales incentive to be applied to the promotion of his beer and cigarettes as well as hard liquor (p. 1002).

Two checks, dated December 9, 1967, each for \$1,200 and payable to George Schell, were introduced into the record of the hearing. Drawn on a joint account maintained by Faulks and the owner of Envoy, James D. Henry, the checks were kickbacks to Sgt. William Higdon, custodian of the Long Binh club system. Higdon used the name George Schell as an alias for his deposits in the Foreign Commerce Bank of Zurich and other foreign accounts. But these two checks were endorsed by Higdon and turned over for deposit to a foreign account owned by Sgt. Seymour (Sandy) Lazar, custodian of the clubs at the 1st Infantry Division (pp. 1007, 1037, 1038).

The two \$1,200 payments were based on a promotional allowance formula of \$12 a case for the purchase by Higdon of two orders of 100 cases of L & M cigarettes. A case contains 60 cartons of cigarettes (p. 1004).

Another 400 cases of L & M cigarettes were purchased in the spring of 1968 at Long Binh, resulting in a third check in the amount of \$4,800 payable to George Schell, an alias of William Higdon. This April 29, 1968 check, drawn on the Faulks-Henry joint account, was signed by Mr. Hayward, comptroller of Envoy in Bangkok. Higdon deposited this check at his Schell account at the Foreign Commerce Bank of Zurich (pp. 1007, 1040).

Robert Weightman, an Envoy International salesman working Okinawa, reported to Faulks in a May 22, 1970 memorandum that two club system officials—a sergeant and a civilian—at the Kadena Air Force Base had agreed to buy 80 cases of Old Crow whiskey with a \$1.00 a case kickback or promotional allowance for them and 470 other cases of National Distillers beverages with a 50 cent kickback per case. Weightman advised Faulks he won the sale after assuring the men that they would not be mentioned in National Distillers records as having accepted the promotion money (pp. 1007, 1008).

Weightman and other salesmen working under Faulks were also authorized to kickback 50 cents a case on J & B Scotch, according to a directive entitled "Special Allowance J & B" their Bangkok-based boss sent out May 22, 1969. In that directive, however, Faulks stressed that each salesman must guard against promoting the "same case of J & B Scotch Whisky at more than one level." For example, he said, if the "special allowance" is being spent at "depots and central warehouses" salesmen should be careful not to then promote the same Scotch at the NCO club levels (p. 1008).

Subcommittee assistant counsel Duffy explained to Senators that liquor and beer companies in Vietnam could falsify "rapid depletion or out-of-stock position" statistics for their beverages by making "payoffs to strategically located personnel in the warehouses where the beer was stored." Duffy said:

In this way, a certain brand was pushed even though it was not requested by a particular club. We found that true, Mr. Chairman, in the case of Falstaff beer in Vietnam and the Envoy Corp. (p. 1118).

A series of expense vouchers charged to the accounts of National Distillers, Falstaff Beer, and Bacardi Rum demonstrated to Senators another manner—besides direct kickbacks—in which Envoy International spent its promotion money (pp. 1009, 1010).

These records showed:

Marine Gunnery Sgt. D. Wiley, listed on the voucher as warehouse depot manager, 3rd Marine Division, DaNang, was hosted by Falstaff in the amount of \$300 for expenses he incurred on an R. & R. stay in August of 1968.

National Distillers paid \$179.66 for drinks, dinner, entertainment, accommodations and golfing in September of 1968 for a Saigon visit made by Lt. A. J. Fred Sarno, Long Binh beer depot manager, and his assistant, Lieutenant Mitchie.

Lodging at the Hotel Okura, Tokyo, and the Hotel New Grand, Yokohama, plus dinner, drinks, and entertainment for Lieutenant Sarno again cost Falstaff \$125 October 15–21, 1968.

Dinner, drinks, and entertainment for Lieutenant Sarno and Oscar McLeod, exchange coordinator for eastern area and Saigon depot, cost \$83.05. This bill was charged to Falstaff in November of 1968.

Falstaff picked up the tabs in December for a \$52.55 night out for Lieutenant Sarno and a \$34.75 venture by Sarno's replacement, Lt. Bob Knowlton.

Again in December, \$89.71 was charged to the Falstaff account for the purchase of a princess ring for Paul R. Bogeman, stock controller at Cam Ranh Bay, and a princess ring for his assistant, J. Lacamana.

Falstaff picked up \$138.64 of Bogeman's hotel charges while he was in Hawaii on R&R in February of 1969.

Some \$531.50 was charged to National Distillers for the months of March, June, October, November, and December of 1969 as the cost of "promotion of National products at Saigon depot, Vietnam regional exchange" (p. 1010).

Bacardi Rum paid for \$309.25 worth of promotion at the Saigon depot, Vietnam Regional Exchange in May and June of 1969.

And \$500 went for "entertainment of Saigon area warehouse and depot personnel" from March to October of 1968 courtesy of Falstaff (pp. 1009, 1010).

ENVOY'S PROMOTIONS AS RECALLED BY RON A. WETZEL

On advice of counsel, Edwin L. Weisl, Jr., Glenn D. Faulks invoked the 5th amendment and declined to comment on allegations that he used promotion money to bribe and give other illegal gratuities to military personnel to promote the products of Envoy International. But Ron A. Wetzel of Portland, Oreg., who worked in Vietnam as a salesman for Faulks from 1968 to 1970, was willing to discuss the uses that were made of promotion money. Wetzel made his disclosures in a December 14, 1970, subcommittee affidavit which Wetzel wrote out in longhand and transmitted to Assistant Counsel Duffy in Saigon (pp. 1004-1006).

With Long Binh, Bien Hoa, Cu Chi, Dong Tom, Phu Lei, and other military reservations surrounding Saigon as his route, Wetzel said, he was "naive and unaware" when he started out with Envoy but he soon learned the "necessary evil" of paying kickbacks and bribes. His immediate superior, Jack Harris, found the kickback system "very distasteful," applied the word "pigs" to describe Sergeant/Custodians William Higdon of Long Binh and William Briscoe and Billy Dugger of the Ninth Division and eventually quit because of the corruption involved in military sales, Wetzel said (p. 1005).

Wetzel recalled he witnessed his first kickback transaction in 1968 when he saw Faulks give Higdon a sealed envelope in exchange for having bought 100 cases of L. & M. cigarettes. The promotional allowance or kickback was \$12 a case so Wetzel said he assumed the envelope contained a \$1,200 check. Wetzel observed:

I recall the callous and brazen way in which Higdon handled the sealed envelope. He merely laid the envelope on the desk with no effort to hide or conceal it (p. 1005).

A month or so later, Wetzel said, he delivered another sealed envelope to Higdon from Faulks. This was also payment for buying L. & M. cigarettes, Wetzel said (p. 1005).

The \$12 a case promotion money could have served as a kind of going away present for Higdon in the summer of 1968 when, Wetzel said, he and Faulks entered into a contract with Higdon for 800 cases of L. & M. cigarettes. Wetzel recounted:

We knew Higdon was about to leave Vietnam. This was Higdon's last chance—as far as we were concerned—for a large kickback before his departure (p. 1006).

Wetzel pointed out, however, that he could not vouch for the fact that this order was ever executed or that Higdon ever got his due—\$9,600. Those custodians who did receive kickbacks from him personally included Sergeants Billy Dugger, William Briscoe, and Libario (Bill) Giambra (p. 1006).

Wetzel said his wife managed a bar on Hai Ba Truong Street and later a second bar on Rue Pasteur in Saigon. Custodians and military warehousemen and depot personnel could drink at no charge at the

bars and also were provided with women, Wetzel said, if in return they agreed to purchase or promote Envoy International products (p. 1006).

In a recommendation of his own for reform, Wetzel said promotional money could be controlled if salesmen were required to make their firm's checks payable to the NCO clubs themselves—and not to individual custodians. But Wetzel had no heart to seek to improve club affairs himself as he concluded :

In closing, I would like to say that when I resigned from this business, I was completely “fed up” with the improper practices that I had to participate in to make a living in Vietnam. I will never again enter the military sales field based on this experience (p. 1006).

PROMOTION ON GUAM

As the civilian manager-treasurer of the Marianas Officers' Mess on Guam for more than 20 years, Leo D. Slotnick was the principal buyer of alcoholic beverages for Air Force and Navy personnel on the island (p. 988).

Subcommittee inquiry indicated there seemed to be no limit to the lengths to which liquor and beer salesmen and executives would go to curry Slotnick's favor. In one instance, the retired chairman of the board of the James B. Beam Distilling Co., Harry Blum, actually apologized to Slotnick for not being more receptive to a proposition the liquor and beer buyer had made. Slotnick asked the Beam Co. for a loan to help finance a business venture of some kind. Blum seemed to want no part of it.

In an October 31, 1967, letter, Blum pointed out to Slotnick that James Beam was a seller of goods to Government installations and that he, Slotnick, was a procurement officer, a relationship that “would forbid us, whether in this country or any other country, to loan you money.” Blum then admonished Slotnick, saying :

Our attorneys were surprised at this request and strongly advised that you would not place yourself in that position with any supplier, be it liquor or any other commodity (p. 974).

Slotnick responded in a November 7, 1967, letter which the subcommittee could not find in the subpoenaed files of the James B. Beam Distilling Co. in Chicago. But whatever Slotnick's letter said it must have made an impression on Harry Blum for the former board chairman's attitude turned full circle.

On November 16, 1967, Blum wrote that “I wish to apologize for this little mix-up” in the way “my previous letter” failed to express “my thoughts correctly.” Blum said he had made the mistake of dictating the letter in the presence of “one of my auditors” and “like a darned fool I listened to him” (p. 975).

Senator Ribicoff was struck that a man of Harry Blum's position would “so demean himself to apologize in such a way” to Slotnick (p. 975). But Mel Peterson, the vice president of Jim Beam with whom Blum had talked before sending the letter of apology, assured Senator

Ribicoff and other members of the subcommittee February 19, 1971, that no loan was ever made to Slotnick by Blum or by himself (p. 974).

But the fact that Slotnick, a U.S. Government procurement officer, could have asked for financial assistance from a man so closely associated with a whiskey company with which he transacted business reflects the kind of operation Slotnick was running on Guam—and had run for more than 20 years.

The loan did not go through, according to Peterson. But Slotnik received many other gratuities from vendors in blatant violation of Government procurement regulations.

The price National Distillers, a competitor of Jim Beam, had to pay to cultivate Leo Slotnick—and promote its products on Guam—was a case in point. Slotnick, his wife Connie and their family visited the mainland United States in January, February, March, and August of 1968. To make their time here more comfortable, National Distillers spent \$1,474.90 on a variety of items, ranging from air fare to hotel room flowers to a chauffeur driven Cadillac limousine, all of which were charged to the company's expense of doing business (p. 988).

Vouchers at National Distillers files showed these expenditures (p. 988):

Jan. 23: 3 days by Mr. and Mrs. Slotnik at Fairmount Hotel, San Francisco; room rate \$55 per day-----	\$249. 66
Pan American Airways air fare to New York for Slotnick-----	256. 50
Jan. 26: Essex House, New York, for Mr. and Mrs. Slotnick-----	201. 34
Jan. 26-30: Carey Cadillac Rental (limousine with uniformed chauffeur) in New York-----	96. 40
Jan. 30: New York Hilton Hotel-----	163. 15
Feb. 1: Cafe Cristol, Diplomat Hotel, Hallandale, Fla-----	103. 20
Feb. 16: Flowers from Lexington Flower Shop, New York-----	42. 00
Mar. 26: Entertainment, meals, and auto for Leo Slotnick-----	156. 05
Aug. 2: Carey Cadillac Rental for Lou Slotnick-----	11. 25
Aug. 3: Essex House, New York, for Miss Barbara Slotnick-----	66. 80
Aug. 13: Carey Cadillac for Miss Barbara Slotnick-----	16. 85
Aug. 14: Hotel Americana for B. Slotnick-----	33. 11
H. Slotnick-----	62. 49
Aug. 14: Carey Cadillac Rental for Miss Barbara Slotnick-----	16. 10
Total -----	1, 474. 90

Other gratuities found by the subcommittee to have been given by National Distillers to Leo Slotnick included a Detecto model doctor's scale, \$64.58; an Abercrombie & Fitch town and country rotisserie and matching cart, \$360; two shipments of 100 pounds of swimming pool chemicals, \$119.84 each; and an automatic pool chlorinator and various chemicals, \$101.36 (pp. 987, 988).

Jim Beam's vice president for international sales, Mel Peterson, also arranged for gifts to be given to Slotnick and charged to the firm. Peterson said he sent Slotnick a \$418.80 sauna bath, for which the shipping charges were another \$199.51. But Slotnick did not pick up the sauna bath, so Peterson paid \$200 to have it stored in a warehouse owned by Mr. Ferrante, Slotnick's brother-in-law and the Guam distributor for Jim Beam beverages (pp. 968, 969, 972). The sauna equipment was finally taken out of storage by U.S. Navy criminal investigators. They seized the bath as evidence in their own inquiry into Slotnick's activities in 1971 (p. 969).

Peterson also sent Slotnick a shipment of chlorine and a dispenser, the value of which was about \$150 (p. 969). The cost of the pool supplies was charged off as a business expense, Peterson said. He said the sauna bath would have been written off as a business expense if only Slotnick had called for it, but since he didn't Peterson felt the equipment was a company asset (p. 972).

The subcommittee heard varying versions of why companies of the size and reputation of James B. Beam and National Distillers would wish to treat Slotnick so well. Mel Peterson explained that people living on Guam have difficulty obtaining certain items and, since he had been a friend of the Slotnick family since 1953, he tried to help them whenever possible, ordering the sauna bath and the pool supplies, fully expecting to be paid back for them (p. 967). Peterson did not explain how he came to charge these items to the company.

Another explanation of why people treated Slotnick well was found in a subpoenaed letter G. P. (Tommy) Thompson, an overseas representative of the Carling Brewing Co., wrote September 20, 1966, to another Carling official, D. J. Dittman. Thompson stated that Slotnick was the principal buyer of liquor and beer for Navy and Air Force clubs, for the exchange, and for package stores. Thompson warned:

Whatever we do, we must not try to get Slotnick in trouble with the Navy. Budweiser tried and failed 3 years ago. * * * and their sales have been nil to the military ever since.

Thompson cautioned:

* * * believe you me, he [Slotnick] controls the situation in supplying the bulk of the military. Do business with him *or else* (p. 988). [Emphasis supplied.]

The emphasis is supplied because the same phrase "or else" was used in a similar letter Mel Peterson wrote to Beam's Charles Wittwer October 19, 1966, just a month after Thompson's letter. Peterson, who had described himself as a longtime friend of Slotnick, asked Wittwer to arrange to have "some lumber and fixtures" sent to Slotnick. Peterson added:

Confidentially, Leo Slotnick gives us a lot of business on Guam, and it is either a matter of doing this *or else* (p. 967). [Emphasis supplied.]

A COLLEGE SCHOLARSHIP FOR LOU BERNARD'S SON

The name of Louis Bernard was first raised in the hearings by former CID agent Augustin J. Manfredi (p. 940). Manfredi, who testified about his 1959 investigation into William Crum's activities in South Korea, remembered Louis Bernard as having two Government jobs. He was in charge of the 8th Army locker—or liquor—fund, and also was the Army customs officer for importation of goods for non-appropriated fund activities such as clubs and exchanges (p. 941).

Bernard, a retired Army officer, could have been an important resource for controlling and tracing William Crum's smuggling ventures since only Bernard was in a position to maintain centralized

records on nonappropriated fund imports, Manfredi related. Unfortunately, Manfredi said, since Bernard had two jobs, he was unable to keep adequate records on either assignment. Manfredi related:

I spent many long hours talking with Mr. Bernard on the subject of Mr. Crum's smuggling activities, but I was never able to achieve the improvements I felt were required (p. 940).

Lou Bernard's name came up again in testimony during the appearance of Mel Peterson of Jim Beam, February 18, 1971 (pp. 960-962). Peterson described himself as having "a close working relationship" with Bernard, who since leaving Korea had become the civilian head of the Far East U.S. military liquor fund headquartered in Tokyo.

Since there was a leadtime of 3 to 5 months from the placing of a liquor order for Vietnam to delivery, Peterson said, he stockpiled in 1967 some 3,000 cases of Jim Beam in reserve at the Far East locker fund in Tokyo, with Bernard's collaboration. Then, when shortages developed in Vietnam, he tapped the reserve he had built up in Tokyo and shipped in his Jim Beam reinforcements well ahead of schedule, Peterson explained (p. 960).

Once he established that there was "absolutely no connection" between the Far East locker fund and the Vietnam Regional Exchange which handled liquor importation in Vietnam, Senator Gurney asked Peterson:

In other words, what you were doing here is using your close relationship with Mr. Bernard to have him stockpile whisky for another area that he had nothing whatsoever to do with? Is that correct?

Peterson replied:

Yes, sir. I was hoping that he would do that (p. 960).

Senator Gurney said he considered it "wrongful" for one nonappropriated fund activity—the Far East locker fund—to order liquor stockpiles in anticipation of market demands in another totally separate nonappropriated fund activity, the Vietnam Regional Exchange, all for the benefit, convenience, and profit of the James B. Beam Distilling Co., and all because Louis Bernard happened to have been a friend of Mel Peterson (p. 961).

But Mel Peterson said he saw nothing wrong with Bernard doing that. Nor did Peterson find anything wrong or questionable about this letter he wrote to Bernard October 22, 1968:

DEAR LOU: You may recall our discussing the possibility of your son receiving a Blum-Kovler Foundation scholarship. I discussed it with Mr. Blum yesterday, and he said he felt this was quite possible and asked that I send the attached application to you to be filled out, thence mailed to your son to be completed and signed and returned to me so that I may make presentation to the Full Scholarship Committee. I am very optimistic and hopeful (p. 961).

Mel Peterson's hopes were fulfilled as the younger Bernard won the scholarship, enabling him to attend law school in Washington, D.C.

To those who might question the propriety of awarding a scholarship to the son of a Government procurement officer who ordered large amounts of liquor each year, Peterson pointed out that the Blum-Kovler Foundation scholarships are to help "needy, deserving, worthwhile" students complete their education. Peterson insisted the Blum-Kovler scholarships have "no financial correlation" with the James B. Beam Distilling Co.—even though Harry Blum was a former board chairman and Kovler happened to be the current president of Jim Beam (pp. 961, 962).

When Peterson said he was confident there was no "conflict of interest" or "no strings attached whatsoever" to the award of the scholarship, Senator Gurney pursued the point in this discussion:

Senator GURNEY. Do you think it [the scholarship] might make Mr. Bernard friendly to you if you wanted to stockpile Jim Beam whisky in his locker fund for use in Vietnam?

Mr. PETERSON. I don't think that had any bearing, Senator.

Senator GURNEY. It wouldn't have anything to do with it?

Mr. PETERSON. No, sir (p. 962).

REFRIGERATION AS A FORM OF PROMOTION

Subcommittee investigation and testimony indicated that William Crum believed the best promotional effort for his products was a kick-back or a bribe, coupled with lavish entertainment and accommodating women. It was in the context of this well-established pattern of behavior by Crum that Senators examined a January 10, 1966, letter Crum wrote G. P. (Tommy) Thompson, Carling beer's director of export sales for Asia.

In the letter, Crum said that thanks to "an arrangement" with the "head man" at Tan Son Nhut Air Force Base, Carling beer, plus one other premium beer, would be made "the coldest and most available in the cooler." Crum added that the "arrangement" had cost him \$1,000 and, in a postscript, asked if the "extra \$1,000" could be worked into "our budget" (pp. 1244, 1245).

Senators asked Thompson February 23, 1971, if the \$1,000 was a kickback or a bribe to the "head man." The \$1,000 was for promotion, Thompson said; it was not a kickback.

Referring to Crum's assurance that the Carling beer would be "the coldest," Senator Gurney asked if the \$1,000 was for "improved refrigeration," a new beer cooler perhaps (p. 1095). No, said Thompson, the \$1,000 was for "promotions to get the goodwill" of the airmen of Tan Son Nhut, who, in turn, would influence their club managers to keep Carling beer up front in the refrigerator where it would be coolest, and, therefore, the most popular. Thompson said Crum wanted the \$1,000 to sponsor "Carling nights" at the clubs when his beer was served for a dime a bottle or even for free (pp. 1095, 1098, 1099).

Interested as to how this worked to Carling's interests, Senator Gurney entered into this discussion with Thompson:

Senator GURNEY. What did Carling's nights have to do with cold beer?

Mr. THOMPSON. During this promotion——

Senator GURNEY. Wait a minute. Let's get this down, if we can. I understand it was spent for free beer. Why does that make it cold beer?

Mr. THOMPSON. We would hope that later on, sir, anytime that Black Label was in stock in Vietnam that our beer would be kept cold in preference to other people's beer. We are asking a favor.

Senator GURNEY. But how would your beer become cold in preference to some other beer?

Mr. THOMPSON. By them putting it in the coolers.

Senator GURNEY. Why would they put it in the coolers.

Mr. THOMPSON. Because we had held these promotions.

Senator GURNEY. Do you mean because you gave free beer to a lot of soldiers, that the custodian would put it in the ice box; is that it?

Mr. THOMPSON. It could be.

Senator GURNEY. Seriously, you don't really want to testify like that, do you?

Mr. THOMPSON. Seriously, Senator, these were the kinds of things we did to get the people to be favorable to our product (p. 1099).

Later, Senator Gurney, returning to the matter of the cold beer, won a concession from Thompson that other beer firms, like Budweiser, also served beer free or at cut rates in Vietnam. This colloquy ensued:

Senator GURNEY. But suppose Monday night you have a free beer night and you [Carling] get the cold beer but Tuesday night Budweiser does it.

Mr. THOMPSON. True.

Senator GURNEY. Then they would have the cold beer and you would have the warm beer.

Mr. THOMPSON. I would hope that my promotion would be better than the Budweiser promotion so they would remember to keep mine cold. Does that explain it?

Senator GURNEY. I think it probably explains it as best we can get it explained (p. 1101).

A GENERAL CAN PROMOTE A BEER

On January 24, 1968, G. P. (Tommy) Thompson wrote a memorandum to Carling executive E. S. Coombs, Jr., to advise that he would ask William Crum's Price & Co. to have "friendly custodians and club managers" notify the Vietnam Regional Exchange of the increasing demand for more Carling beer (pp. 1265-1267).

Thompson next wrote to William Crum February 2, 1968, to "suggest" that Sgts. William Higdon, William Briscoe, Narvaez Hatcher, Ira Strack, and others be urged to begin to apply pressure on the exchange for the need to authorize the importation of more Carling beer (pp. 1268, 1269).

Briscoe, Higdon, Hatcher, Strack, and nine other club system sergeants did write letters. They were addressed to Carling. Somehow the letters were presented to Brig. Gen. Earl F. Cole, who, having left USARV to work in the pacification program, had absolutely no in-

volvement with club or exchange affairs. But General Cole swung into action anyway.

On October 29, 1968, Cole wrote this letter to Army Brig. Gen. Joseph S. Hardin, chief of the exchange system in Dallas:

DEAR GENERAL HARDIN: It is with considerable trepidation that I write you this letter. I am sure you have enough problems without my adding to your burden. However, I have recently completed an extensive trip throughout Vietnam. Of necessity, I spent considerable time dining in the various clubs and messes. Because of my previous assignment with the USARV, I was acquainted with many of the club custodians, thus they felt free to unburden any and all problems upon me. One problem appears to be getting the brand of beer they desire. In that regard many of the custodians complained about their inability to obtain Carling Black Label in the quantity desired.

A couple of days after my return to Saigon, a vice president of Carling Black Label dropped by the office to say hello. He left with me a number of letters concerning the shortage of that brand of beer here in Vietnam. I asked him why he didn't discuss this matter with Headquarters Vietnam Regional Exchange. He responded that he had but that Inventory Control advised him that Dallas determined the amount of beer that would be ordered by brand.

Since I am no longer in the post exchange business I decided the best course of action would be to forward this on to you. I know that your interest is the same as mine and that is to serve the troops.

Trusting that all goes well with you, I am with warmest regards.

Sincerely and best wishes,

EARL COLE (p. 1126).

On November 15, 1968, General Hardin replied:

DEAR EARL: This will acknowledge your letter of October 29, 1968. I appreciate your interest and concern with exchange problems in Vietnam. The letters left with you by the Carlings Black Label vice president certainly indicate that Carling has a mighty convincing sales representative. Ten of 13 letters were written between October 10 and 19, 1968, all had the same mailing address and all contain the same general message.

It is interesting to note that the September 10, 1968 inventory taken at all Vietnam Regional Exchange Depots shows that we had a total of 99,810 cases of Carling beer on hand. In addition, monthly replenishment of Carling Black Label beer averages 125,000 cases. This in-stock and reorder position clearly indicates that Carling Black Label beer continues to be available for the various clubs and messes in Vietnam.

We share a mutual interest in providing service to the troops. Understandably, having an adequate supply of beer is a mighty important factor in providing this service.

Kindest personal regards,

J. S. HARDIN (p. 1128).

Pleased to hear General Hardin's reply to General Cole, Senator Ribicoff said:

I am glad that at least one general realized that the war in Vietnam wasn't just being fought to see who could sell the most beer * * * (p. 1127).

But Tommy Thompson had a different reaction to Hardin's reply. Thompson wrote William Crum December 19, 1968 to thank him for sending a copy of Hardin's letter and to observe:

It seems to me that Hardin was a little bit tough in his reply but then I guess this is the way in which two Brigadier Generals behave toward each other. I personally was hoping that Cole would make that other star to Major General so that he would have the rank to maybe take over in Dallas. However, he is going to stop off to see General Westmoreland in Washington, D.C. to try to get his assignment changed and let's hope he is successful. He can certainly do us a hell of a lot more good in Dallas than he can in Europe. Altho I think he would give us a good break in Europe (pp. 1271, 1272).

Testifying March 15, 1971, Colonel Cole told Senators he could not remember who gave him the letters to send to Hardin, could not remember whether or not he gave a copy of Hardin's reply to Crum and he could not remember any of the sergeants with whom he had spoken during his tour of Vietnam who had complained of not having enough Carling beer in stock (pp. 1689-1691).

Cole stressed that the purpose of his letter was not to necessarily bring in more Carling beer but to call to the attention of the exchange headquarters in Dallas that frequently there were serious beer shortages in Vietnam (p. 1689). Responding to questions from Senator Percy, Colonel Cole said his interpretation of the letter he wrote General Hardin differed from the reading Senator Percy was making. Cole said:

Sir, may I put in context one sentence in the letter to General Hardin? "One problem appears to be"—appears to be—In other words, I wasn't certain this was a problem. I am passing something on "getting the brand of beer they desire."

Now, if that is a forceful statement and I am saying Carlings should have more beer or any other person should have more beer, then I don't understand the English language at all (p. 1691).

Senator Percy observed:

Once again, Mr. Chairman, I find it incredible that a general, with the responsibilities—which he himself so outlined in such great detail to us—of such a tremendous magnitude finds the time to intervene in the selection of certain specific types of products which are as inconsequential as they are in relationship to his total overall responsibilities. And in my own personal background and experience I can't imagine what would ever motivate a general to get into such areas of detail in attempting to influence the selection of products (p. 1692).

A GENERAL CAN ALSO PROMOTE A BEER SALESMAN

William J. Crum, peddler of beer, liquor, slot machines and other goods on U.S. military reservations in Vietnam, was, according to those who knew him, a man of great appetites, and daring ambitions. But even for someone of Crum's resourcefulness, it was still unexpected to find his name engraved on a silver cigarette case presented to Gen. William Westmoreland by senior MACV staff members. The presentation was to commemorate General Westmoreland's service in Vietnam as Commanding General of U.S. Forces on the occasion of his return to the United States where he was soon to become the Army Chief of Staff.

Clark Mollenhoff, Washington bureau chief for the Des Moines Register Tribune, in a March 12, 1971 article was the first to report that Crum's name was on the cigarette case—and first to assert that Crum got his name engraved on the gift because of Brig. Gen. Earl F. Cole (p. 1584).

Questioned about the Mollenhoff article the day it appeared, Cole testified that he had purchased the box at the International House in Saigon for \$30 or \$40, that it had been engraved with the names of about 15 senior MACV staff officials and that somehow, from the time Cole turned the cigarette box over to his secretary until it was delivered to General Westmoreland, Crum got hold of the gift, had his name engraved upon it and returned it to Cole, who without looking at the embossed names presented it to General Westmoreland's administrative assistant, Warrant Officer Sauer (pp. 1584, 1585, 1791).

However, according to General Westmoreland, who arranged for the subcommittee to receive a thorough explanation of the silver cigarette box, Cole told the Army Chief of Staff quite a different story than the version Cole offered the Senators.

When the gift was given him, General Westmoreland noted the name William Crum on the cigarette box and assumed it was his longtime but deceased friend, Air Force Maj. Gen. William J. Crumm, who had died in 1967 in an airplane crash while serving in the Pacific with Westmoreland. General Crumm—two m's—was commander of the 3d Air Division on Guam which provided B-52 air support for U.S. combat troops in Vietnam. In this capacity, General Crumm and General Westmoreland had worked very closely together (p. 1791).

General Westmoreland thought little more about the gift until the subcommittee's inquiry spotlighted attention upon William J. Crum, the vendor and friend of former General Cole. At that point, General Westmoreland checked the cigarette case, which lay on his desk at the Pentagon, and ascertained that the Crum engraved on the gift was not meant to be the name of his late colleague, General Crumm (p. 1791).

General Westmoreland then confronted Cole with the matter. Cole admitted to General Westmoreland that he had, in fact, purchased the box through Mr. Crum (p. 1791). This was contrary to what Cole told the subcommittee that he could not recall discussing the cigarette box with Crum (p. 1585).

The silver cigarette case was photographed (subcommittee exhibit No. 610) and returned to Colonel Cole.

OVERTIME PAY FOR MRS. GAULT

The subcommittee heard testimony from witnesses and introduced documents indicating that Brig. Gen. Earl F. Cole, during his 30-month tour in Vietnam, interceded improperly on behalf of William Crum and his products.

The subcommittee also found that Cole, in 1968, was notably generous in the overtime pay he authorized for his secretary in Vietnam, Mrs. Catherine Gault. Mrs. Gault was paid \$25,640.95 in 1968. Her base salary, Army records show, was \$8,777.60 for 2,080 hours work. Her overtime pay was \$13,445.35 for 2,108 hours work. Her living quarters allowance was \$851.28. Other allowances were \$2,466.72 (exhibit No. 601 A, p. 1931).

Subcommittee investigator Bellino testified that Mrs. Gault was paid for overtime for every pay period from the beginning of 1968 to December 28, 1968. Her overtime workload ranged from 70 to 92 hours a pay period, he said, except in her final pay period when she was credited with 48 hours (p. 1931).

Bellino said her Army records indicate Mrs. Gault traveled extensively during her employ under General Cole and that her overtime continued at the same levels during those trips. In his interview with Mrs. Gault, Bellino said, she characterized most of these trips as having been shopping trips (p. 1932).

Combining information he gained from the interview with Mrs. Gault as to the nature of the trips and documented evidence from Army files as to the dates of the trips, Bellino said Mrs. Gault went to New York in January 1968, where she visited her stockbroker, Loeb Rhodes & Co.; she visited Hong Kong May 1 to May 3, 1968; she returned to Vietnam from a Manila visit June 29, 1968; she was in Hong Kong July 20 to July 24; she stayed at the Hotel Americana in New York City September 11, 1968; and she was in Hong Kong from October 10 through 19 (pp. 1932, 1933).

Asked about the nature of these trips, Cole said:

Sir, without seeing her orders and given some time to look at them, I don't think I would be in a position to recall precisely what the nature of her trips were * * * given an opportunity, I can probably sit down and make a determination as to the specific nature of—at least reasonably certain of the nature of the trips (p. 1944).

Cole said he did authorize overtime pay for Mrs. Gault. He added "I don't recall" authorizing overtime for her while she was away on travel unless it was official business. Cole said he had Mrs. Gault take two or three trips to check on supplying goods in the Vietnam post exchanges for WAC's, military nurses, and other women involved in the Allied effort (p. 1918).

THE PROMOTION OF LORILLARD PRODUCTS

Learning that Brig. Gen. Earl F. Cole was being reassigned to Germany, G. P. (Tommy) Thompson of Carling Beer remarked to William Crum that he was sorry to see the general leave. But, on the other hand, Thompson observed, perhaps Cole could be of help to them at the

European Exchange Service (pp. 1271, 1272). The same thought may have occurred to Crum.

Having completed a 30-month tour in Vietnam, General Cole went on to Germany where in early January of 1969 he assumed command of the European Exchange Service (EES) headquartered in Nuremberg.

One of the first matters that came to his attention in his new position was a serious oversupply of True cigarettes, a product of the Lorillard Corp. of New York. Through a miscalculation of demand for True, an order of 2,400 cases of cigarettes had been placed. It was a miscalculation that could cost Lorillard \$200,000 if the cigarettes were allowed to go stale (pp. 1719, 1720, 1744).

Lorillard also wanted other of its products to receive a preferred location in the European exchanges to catch the public's eye and enhance sales. In return for this "shelving agreement," Lorillard would pay the exchanges for the preferred shelf locations. But the headquarters staff of the European exchange was against the shelving agreement. Staff members also urged that Lorillard should take back the cigarette surplus.

This was the Lorillard situation at the EES when General Cole took over in early January of 1969.

General Cole's two predecessors, General Scott and Colonel Burgess, had turned down Lorillard's proposal for a shelf agreement. But Cole, in spite of their opposition as well as his own staff's negative position, was favorably inclined toward Lorillard. "I was encouraged to adopt the shelving arrangement," Cole told Senators (p. 1704).

Meanwhile, in Vietnam, the Lorillard Corp. was faced with another problem, this one having to do with military clubs and exchanges. The James S. Lee Co., an enterprise composed largely of Asians, had the contract to represent Lorillard in Vietnam and Thailand. But there was some dissatisfaction at Lorillard with the manner in which the Lee Co. was handling the account (p. 1718).

Moreover, Martin J. Bromley and Scott F. Dotterer of the Service Games organization and their Vietnam operative, William J. Crum, had recommended to Lorillard officials that they turn over their Vietnam representation to Price & Co. (pp. 1718, 1721).

Indicative of the reasons that were proposed as to why the firm should give its Vietnam account to Price & Co., were claims offered by Scott Dotterer and Crum. On November 20, 1968, Dotterer wrote Lorillard officials in New York that "our associates, Messrs. Price & Co." could do a good job in Vietnam and Thailand in promoting Lorillard products. Price & Co., Dotterer said, could "influence proper rotation and turnover of stocks and influence best possible position at the points of sale." Dotterer concluded by asserting that Price & Co. "has a unique service to offer—depth of coverage not offered by anyone else in this field" (p. 1718).

William Crum's December 16, 1968, letter to Lorillard was more specific as he stated:

Our relationship with the Vietnam Regional Exchange is excellent. We also have established very strong ties with the custodians under the supervision of Sergeant Major Woolbridge.

Wooldridge, as you probably know, was a previous sergeant major in the Army, the first one. After 2 years in this position in Washington, he was transferred to his present position and is first Sergeant Major at MACV, Saigon. His control of transfers of personnel is of great importance to us (pp. 1789, 1790).

Both the Vietnam and German situations were discussed by Lorillard's overseas military sales director, Joseph H. Michaels, in testimony and in a subcommittee affidavit March 15, 1971 (pp. 1716-1746).

Michaels said he met with Crum in Hong Kong December 14, 1968, to discuss the matter of representation in Vietnam. Then, in February of 1969, he met Cole in London to discuss the oversupply of True and the proposed shelving agreement.

When Crum learned that Michaels would soon be seeing Cole, Crum said to be sure to express his regards, Michaels testified. And when he did pass to Cole Crum's regards, the General "responded warmly to this mention of Crum and seemed pleased at my having mentioned his name," Michaels recalled (pp. 1719, 1720).

Michaels said that there was never an understanding by him that Cole and Crum might have had a "business connection"—or that they might be seeking to tie together the German problems with the Vietnam representation (pp. 1723, 1724).

Michaels conceded, however, that the Lorillard account was taken away from James S. Lee after he had received an assurance from General Cole that the shelving agreement giving Lorillard products preferential display treatment would be put into effect, although on a "trial basis." The important dates are these: Michaels testified that Cole assured him on August 13, 1969, the shelving agreement would go into effect October 15, 1969. Michaels testified that Lorillard cancelled its agreement with James S. Lee September 30, 1969 with a "positive recommendation" that the new representation be given to Crum's Price & Co. (pp. 1721, 1722). But Michaels insisted the two points were unrelated, that he never understood the Cole matter to have any cause-and-effect relationship with the Crum matter. Michaels said:

Please allow me to emphasize the fact that my own dealings with these men related to separate matters. Crum wanted to represent us in Vietnam. General Cole, as commander of the exchange system in Europe, had the power of decision in matters of concern to us in Europe. I did not connect the two in my mind. Crum had mentioned to me that if I met General Cole I should give him his regards. As a good salesman, I did so. And Crum was the subject of the usual salesman's small talk in my three personal meetings with General Cole (p. 1723).

Michaels added that he once asked Cole his opinion of Price & Co. and the general said it was "a good company but indicated no interest in our decision one way or the other" (p. 1723).

General Cole did not have the chance to implement the shelving agreement for Lorillard October 15. On September 30, Gen. William Westmoreland, the Chief of Staff, personally relieved Cole of command, some 2 weeks before the display arrangement was to have begun.

And Michaels decided against giving the Lorillard account to Price & Co. when he read an October 11, 1969, article in the New York Times by investigative reporter Walter Rugaber in which Crum's record and reputation were discussed in an unfavorable light.

General Cole's behavior in connection with the True cigarettes surplus and the shelving proposal came under scrutiny by Senators and subcommittee Chief Counsel Jerome S. Adelman. Cole was so sympathetic to Lorillard's surplus problem and display proposal—so willing to be accommodating—that even Joseph Michaels was surprised. Michaels had never met Cole before. They spoke for the first time in a telephone conversation February 6, 1969. But whatever it was that Cole said must have made an impact on Michaels for the next day he wrote his Lorillard superior, R. H. Orcutt, to report :

I telephoned General Cole yesterday from here and the reception was fantastic—no kidding. (He was in Africa while we were in Nuremberg.) He was to come to Frankfurt and have dinner with me today; however, he telephoned me this morning at my hotel and apologized as his secretary notified him last night of a fashion show commitment tonight. He wanted me to come to Nuremberg tonight as his guest. The general is a close personal friend of Bill Crummaho, who I met in Hong Kong. He understands that I am coming back to Germany after Greece, Turkey, and Italy—better this way than gang busters. I feel that for socializing it is better to meet the general away from Nuremberg. Needless to say this association is now open to us—specifically on the shelf agreement. In addition to getting together in Germany, I will also meet him in England at his suggestion, which coincides with my itinerary (p. 1696).

Senators were curious about several points in the letter. To their questions, Michaels explained that he found Cole's reception "fantastic" because, after getting no cooperation from the EES staff regarding the surplus and shelving issues, discovering a "sympathetic ear" in General Cole, the new commanding officer, "was fantastic;" Bill Crum was referred to as "Bill Crummaho" because an incompetent secretary typed it that way and not because of any effort to conceal Crum's identity; he thought socializing with Cole away from Nuremberg was preferable to meeting with him in view of the EES staff because the staff was opposed to Lorillard's proposals and would possibly dampen Cole's willingness to cooperate; he said the "association" with Cole was "now open to us" because in the general the firm had found someone who might be cooperative in future matters; and, yes, he had met with Cole in London—the night of February 26, 1969—in Michaels' hotel room at the London Hilton where they discussed Lorillard's problems and dined alone together (pp. 1720, 1733, 1735, 1736).

Michaels said he was surprised and flattered that General Cole called on him in London to discuss Lorillard's problems. Senator Percy asked why. Michaels replied :

Because I did not expect it, a man in his position and so on
* * * I am quite certain he was busy with many other
things * * * (p. 1738).

Senator Percy asked if it was unusual for a commanding officer to stop by a hotel room in London to discuss a cigarette surplus and shelving agreements.

Michaels replied:

Under the circumstances I felt, yes; it was unusual, but in the two to three times I had met with General Cole I felt that he had an understanding of problems and was sympathetic to problems and as far as I was concerned he treated my association with him in a business sense and quite fairly (p. 1738).

XIX. THE ENTERTAINMENT OF AMERICAN TROOPS IN VIETNAM

BOOKING PRACTICES ARE CRITICIZED

The subcommittee's investigation aired allegations that the entertaining of U.S. troops through open mess systems in Vietnam was an effort in need of reform at almost every level. It was asserted that many club custodians demanded and received kickbacks from entertainment booking agents and entertainers. One CID survey found that custodians "could easily gross" \$12,000 a month from kickbacks in the entertainment field (p. 347).

The subcommittee presented information indicating that in addition to kickbacks custodians demanded the sexual favors of girls in the shows they booked. As an added inducement to booking their acts, some agents offered custodians paid vacations to Hong Kong and other cities of the Orient.

The performers themselves were said to have suffered considerable abuses. Agents on occasion were alleged to have conspired with custodians to cheat performers out of their earnings. Other agents were said to have refused to allow entertainers access to their own passports, using the passports as leverage in contract negotiations and as a form of persuasion in other matters.

Entertainers said that drunken, aggressive soldiers had been allowed to assault the wives of performers. It was asserted that show people entertaining troops in desolate areas were not fed properly if they were fed at all and were assigned to primitive, unsanitary quarters.

At the Army's Commercial Entertainment Office, where acts were judged and rated as to what salary they could ask at clubs and where contract disputes and grievances were supposed to be resolved, questionable procedures were reported and the noncommissioned officer in charge gave the appearance of a possible conflict of interest by being engaged to marry a woman who ran her own booking agency for American troop entertainment.

THE STRAHAN REPORT

The most comprehensive survey of the entertainment booking field was conducted by CID Agent Douglas H. Strahan of Detachment A, 8th Military Police Group, Vietnam. Strahan, conducting his inquiry early in 1969, found corruption, irregularities, and abuses virtually everywhere he looked. In a May 19, 1969, affidavit obtained by assistant counsel Duffy in Saigon, Strahan summarized his findings (pp. 346-349).

Strahan concluded that a \$12,000 monthly gross was a realistic goal for a crooked custodian with at least 10 clubs under his control. This sum would be reached, Strahan said, by demanding from agents and

entertainers kickbacks for shows the custodian booked. The kickback was usually "a package deal" that included cash or check and the affections of a female performer from the show, Strahan said (pp. 347, 348).

Entertainers' pay was another matter that Strahan found in need of reform. Entertainers complained to him that their agents delayed payment to them for as long as 3 months or didn't pay them at all. Agents levied fines on show people, Strahan said, for "petty reasons" and then extracted these sums from their salaries (p. 348).

Since agents took possession of passports when the performers arrived in Vietnam, Strahan said, the holding back of these travel documents was often used as a "coercive device" to force the entertainer to "renegotiate" a new contract more favorable to the agent. Payment was also demanded of performers by U.S. military air terminal personnel, who, for a price, would help an act find passage to remote sections of Vietnam when no other transportation was available, Strahan stated (p. 348).

The CID agent proposed firing both the officer coordinator and the noncommissioned officer in charge of the Army's Commercial Entertainment Office in Saigon (pp. 384, 394).

The NCO, Sgt. Earl L. Putnam, had announced his intention to marry Chico Aiko Soma, co-owner of Chi-Co's Promotions, Inc., an agency booking entertainment acts for clubs. And upon his imminent retirement from the Army, Putnam planned to join another entertainment agency, Fitz-Ray Promotions, as general manager, Strahan reported (pp. 347, 149).

The officer coordinator at the Commercial Entertainment Office, Capt. Bruce L. Rhames, was believed to be, like Putnam, unable to "maintain an impartial position" in dealing with booking agents and performers due to his off-work social associations, Strahan found. Furthermore, Strahan said, neither Putnam nor Rhames was qualified to "arbitrate contract and salary disputes" (pp. 347, 349).

ROBERT ALWYN CARTER'S STATEMENT

Robert Alwyn Carter, a British subject and the leader of a show called "The Shades of Holly," could not attest to Sergeant Putnam's qualifications as a contract arbiter. But Carter could judge Putnam's concern for entertainers. He gave the Sergeant poor marks. Carter's February 2, 1969, sworn statement was taken by Strahan (pp. 356—359).

In April of 1968, Carter said, his group was performing at the 25th Infantry Division at Cu Chi when the custodian, Sergeant Oxley, called him aside. Carter stated that Sergeant Oxley, who was also known as "the Big Ox," asked, "What about my bit?" Carter understood this to mean Oxley wanted a kickback so he gave him \$50 in MPC (p. 356).

Returning to Saigon, Carter went to Sergeant Putnam at the Commercial Entertainment Office and reported Oxley's demand. Putnam listened, Carter recalled, but was not encouraging as he replied:

You couldn't prove it and that you will also be charged if you are involved (p. 357).

Carter said he brought another complaint to Putnam's attention—this one of a more personal nature—and again received no satisfaction from the Sergeant. The "Shades of Holly" were performing April 5, 1968, at an NCO club in Pleiku, Carter said. After the show, the custodian, Sergeant Callahan, arranged for himself and another sergeant to sleep in the same hut assigned to Carter's wife and the wife of another performer in the act. The husbands were assigned to a hut some distance away. Carter said :

The obvious arrangement was for Callahan and his friend to sleep with our women * * * (p. 357).

It was "bitter cold" out and the male performers, refusing to go to their hut, slept on the floor of a nearby MP Station, not wishing to be far from where their wives were staying, Carter recounted (p. 357).

Another sergeant explained to Carter that since soldiers were not allowed to have their wives in Vietnam, it was the policy at Pleiku to separate visiting married couples as well. When he objected to this policy, the sergeant called him a "troublemaker," Carter said (p. 357).

The group cut short their stay at Pleiku and returned to Saigon where Carter said he again went to Putnam and to Lieutenant Hensley, also in the commercial entertainment section. Neither man took his complaint seriously, Carter said, as they told him keeping the Carters apart "was camp regulations" at Pleiku (p. 357).

In a similar incident at DaNang, Carter said, Marine WO George Lehr broke into Mrs. Carter's dressing room and in a drunken rage sought to assault her. Later that night, Lehr tried to force his fondness on the wife of one of the other performers in the act. Carter said three jeeploads of MP's accompanied by a Vietnamese national policeman finally subdued Warrant Officer Lehr (p. 357).

Reporting this incident to Lieutenant Hensley, Carter again received no assurances that Lehr would be made to answer for his actions. Carter also pointed out that Lehr was a brother of Robert and Ray Lehr, part owners of Lad Promotions, booking agents for his "Shades of Holly" and other acts in Vietnam. Carter felt Hensley might have overlooked Warrant Officer Lehr's actions on the recommendation of the two brothers (p. 357).

Carter said that because entertainers were denied access to MPC they frequently were unable to buy proper food in remote outposts. One custodian at the 199th Infantry provided MPC but only in exchange for four personal checks, a currency violation. "I had no alternative if I wanted my group to survive," Carter said (p. 358).

Carter said custodians would ask certain questions to determine if the entertainer or agent gave kickbacks and if a woman's favors were part of the deal. A custodian at Vung Tau, for example, having received a negative on the question of whether or not Mrs. Carter was available, then asked, "What systems have you worked on?" Carter said had he volunteered the right club systems—clubs where kickbacks were the rule—he might have been awarded a contract; but apparently he listed the wrong previous employers (pp. 357, 358). Carter said:

After he saw that he could not have my wife and that I wasn't offering a kickback, he said he did not need our show. We did not get a booking (p. 358).

THAD SWIFT'S STATEMENT

Thad Swift, an American entertainer, said he first met Sergeant Putnam early in 1968 shortly after arriving in Vietnam for the first time. Swift recalled seeing Putnam in his office at Commercial Entertainment surrounded by "a lot of loot * * * radios, televisions, and cases of alcoholic beverages." Swift said as he worked in Vietnam and learned the kickback system he understood how Putnam came to have this "loot" (p. 353).

In a May 11, 1968, affidavit taken by the CID (pp. 352-354), Swift said:

I know for a fact that cases of alcoholic beverages, radios, and televisions were used to pacify and to pay off Sergeant Putnam (p. 353).

One of those who paid off Putnam, Swift said, was his agent, Ed Hill, who, when "loot" wouldn't suffice, also wrote checks payable to the sergeant. Swift recounted that the salary rating his act received was one of the highest, \$425 a show, but he usually entered into contracts with clubs giving him around \$350 a performance. Hill, the agent, made the kickbacks, Swift said, and they ranged from \$50 to \$75 per show (p. 353).

Near the end of his affidavit, Swift made a straight-forward request that the entertainment booking system in Vietnam be reformed. He said:

The reason I am making this statement is not for personal gain, nor do I have personal animosity against any person or persons in Vietnam, but I do feel that the "kickbacks" consisting of moneys and gifts is a million dollar business and that it should be looked into by the proper authorities (p. 354).

GOFFREY M. LAING'S STATEMENT

So well known was the Commercial Entertainment Office's lack of concern for the rights of entertainers that the office could be used to intimidate recalcitrant performers unhappy with the way their agent was treating them. Such was the account Goffrey M. Laing, an Australian, offered to Strahan in a February 2, 1969, sworn statement (pp. 354, 355).

Laing said his agent, Ed Murdock, had possession of the performers' passports, would not return them on demand and in the event they might be planning to quit, he threatened to take the matter to the Commercial Entertainment Office "to see what they had to say about it" (p. 355).

Laing said his group, "The Unfortunates," had signed an agreement in Australia to entertain troops in Vietnam for 6 months at a fee of \$1,800 per month. Upon arriving in Vietnam, however, Murdock presented them with a new contract that required that they pay their own air fare to be deducted from their salaries and that stated they would be returned to Australia after the first 3 months unless Murdock stipulated they could remain in Vietnam longer (p. 354). Laing said:

We did not want to sign the contract, but Murdock put it to us in such a way that we either signed or we didn't get to work. We signed the contract against our desires (p. 355).

"The Unfortunates" carried out their part of the contract but Murdock never got around to paying them except for occasional advances on their salaries, Laing recalled. Often the members of the act did not have enough money to buy food, soap, or other necessities and in December of 1968, while performing at Cam Ranh Bay, the entire six members of the band "became sick because of the sordid living conditions and from continually eating only snack bar food," Laing said (p. 355).

Sidelined for 3 days because of the illness, "The Unfortunates" returned to Saigon to find Murdock had deducted \$150 each from their as yet unpaid salaries for the sick leave, Laing said.

Laing added that he reported Murdock to the Army's Commercial Entertainment Office and he was "assured that Murdock would be disciplined" but his troupe did not note any difference in the way their agent treated them so they concluded no action was taken (p. 355).

Murdock found "The Unfortunates" to be of no further use to him, Laing said, and on January 30, 1969, they were advised their passports were in the hands of Vietnamese Immigration and they would have to leave the country within 10 days—without collecting their pay.

Laing concluded:

I feel that we have been treated unfairly by our agency, by the Commercial Entertainment Office, and by several open mess custodians. The Commercial Entertainment Office has not acted on any of our complaints of mistreatment by our agency and has not attempted to help us collect the salary due us (p. 355).

THE AFFIDAVIT OF JYTT RAVN (DIANA) FLACK

When Jytt Ravn (Diana) Flack, a Dane, came to Vietnam in December of 1967 to work as a performer and booking agent, she quickly learned how the kickback system worked. In a June 20, 1969, affidavit, obtained by Assistant Counsel Duffy in Saigon (pp. 706, 707), Miss Flack listed several kickbacks of which she had first-hand knowledge.

As the agent for, as well as a member of, a show with an Italian dancer named Clauca Rossi, Miss Flack arranged to have the act perform at the 9th Infantry Division. They agreed to a contract paying them \$4,800, Miss Flack said, noting that she agreed to kick back \$600 of that sum to the custodian, Sgt. William Briscoe. A copy of the canceled check was introduced as evidence (p. 779).

In May of 1968, Arnulfo Cortes, a Filipino entertainer, asked her to book his act at the 9th Infantry. Miss Flack said she warned him that kickbacks were required at the 9th, but Cortes indicated he would pay them if necessary.

A \$4,200 contract was signed by Sgt. Ted Dickerson, Briscoe's successor, with a provision for a \$400 kickback, Miss Flack said. Cortes then wrote out a check for \$400 payable to Dickerson. However, Dickerson was soon to be replaced by a new custodian at the 9th, Sgt.

Billy Jack Dugger, and Dugger, Miss Flack felt, "wanted some of the \$400" (p. 707).

Dickerson explained to her instead of the one \$400 check he wanted two \$200 checks with the payee line left blank, Miss Flack said. The first check was returned to Cortes, who dutifully wrote out two more \$200 instruments as instructed. Unfortunately, the checks bounced, Miss Flack said, adding that she made good on Dickerson's.

Arnulfo F. Cortes, in a June 11, 1969, subcommittee affidavit (pp. 705, 706) recalled these events as Miss Flack did—except that Cortes remembered Miss Flack made good on both checks. Cortes said Miss Flack told him it was essential that they pay off both Dugger and Dickerson and that if they "didn't we would get no more bookings at the 9th Division" (p. 706).

In Vietnam, Cortes, whose group was known as "The Warlords," turned over to subcommittee investigators copies of the two checks for \$200 he gave Dugger and Dickerson and which were returned for insufficient funds (p. 705).

THE AFFIDAVIT OF MOHAMED GUIZANI

I am a small agent and do not do a lot of business here in Vietnam. To be a big success here you have to do the illegal—pay kickbacks. It is a rotten situation and something that I cannot fight by myself. All I can do is refuse to pay and get a few shows here and there. * * * I hope someone can come here and expose this bad situation so that an agent can make an honest living (p. 710).

These were the words of Mohamed Guizani, a Tunisian and one-time world-ranked professional boxer, who was interviewed in Vietnam by Assistant Counsel Duffy. In his June 26, 1969, subcommittee affidavit (pp. 709–711), Guizani said kickbacks were demanded from him often and when he would not pay he lost business.

On October 18, 1968, he signed a contract with Captain Appleton, custodian of the officer's club at Tan Son Nhut Air Force Base on the outskirts of Saigon, to provide entertainment for two nights for \$325 a performance. Two months went by and he had not received payment so he complained to Sgt. Don Helsabeck, Appleton's assistant, Guizani said. Helsabeck replied he had the two checks for the money owed him, Guizani recalled, but first 10 percent had to be paid to Appleton. Guizani said he objected and Helsabeck told him: "Don't act dumb, you know about it." Guizani said he walked out of Helsabeck's office and was never paid by the Tan Son Nhut club (p. 710).

While Captain Appleton did not ask directly for the kickback but left it to his assistant to make the demand, Guizani said, Sgt. Billy Dugger, custodian of the 9th Infantry Division NCO clubs, "came right out and asked" for \$50 kickback on every performance. When he refused to pay Dugger kickbacks, the custodian replied "in no uncertain terms" not to bother trying for new bookings at the 9th "because I wouldn't get any," Guizani recalled (p. 710).

Providing custodians with girls from the show was another practice Guizani objected to. He related one incident at Pleiku in the Spring of 1968, when the custodian, Sgt. John B. McGhee, broke into the room

of two of the showgirls three times the same night and "tried to force his intentions on one of the girls" (p. 710).

The next morning, however, the rejected custodian canceled the contract, explaining that Guizani's road manager, Danny Alegre, had offered him a \$350 bribe to schedule two additional performances. To accuse Alegre of offering a bribe for two more shows was "ridiculous," Guizani said, because there were 10 shows yet to perform under the existing contract (p. 710).

DUGGER, GIVENS, DICKERSON INVOKE THE 5TH AMENDMENT

Sgt. Billy Jack Dugger, the former custodian of the club system at the 9th Infantry Division; Sgt. Ted L. Dickerson, also a former 9th division custodian; and Sgt. James D. Givens, who was custodian of the fourth division at Pleiku, appeared before the subcommittee November 21, 1969 (pp. 711-716).

Givens was shown evidence—four cancelled checks and one credit transfer—that he had accepted \$4,221 in kickbacks from entertainers and booking agents in Vietnam. Asked to explain these financial documents, Givens invoked his constitutional privilege granted him under the fifth amendment not to testify as the remarks might incriminate him (pp. 712, 713).

The fifth amendment privilege was invoked by Dickerson when he was asked to explain a \$200 canceled check shown him that was payable to him and drawn on the account of Miss Flack (p. 714).

Dugger invoked the fifth amendment privilege when he was asked if he demanded kickbacks from Mohamed Guizani or if he accepted a \$200 kickback from Diana Flack. Dugger also invoked the fifth amendment privilege when asked about a \$1,000 check he received from Ray Evans of R. & R. Supply (pp. 711, 712).

JUNE COLLINS TESTIFIES ABOUT ENTERTAINMENT, CORRUPTION

But there is a far greater tragedy in this than my losing my business. That is the terrible disservice being done to America's GI's in Vietnam. They risk and give their lives in a massive military effort and they ask very little in return. Yet they are exploited by a widespread syndicate of cynical men who are making millions of dollars at their expense. After what I have seen in Vietnam, I have very little faith in anyone or anything. I have become very cynical myself (p. 319).

These were the words of June I. Skewes, who uses the name June Collins, testifying before the subcommittee October 9, 1969. Miss Collins was a booking agent and a dancer in Vietnam from 1967 to 1969, providing entertainment, bands and other performers for NCO clubs. She said corruption, compromise and moral laxity were everywhere visible in U.S. military open mess systems—and that persons taking part in these practices were often remarkably candid in saying so. Miss Collins recounted:

I recall one club custodian—a Sergeant Higdon of USARV Open Mess Division—who said to a group of people one day

in the International House in Saigon that he was extending because he couldn't afford not to.

"Being a club custodian," he said, "is worth \$150,000." Nobody blinked an eye. No one was surprised to hear such a remark coming from a club custodian. * * * Frankly, I think custodians make a lot more (p. 320).

Miss Collins recalled another equally candid remark she heard at the International House. This comment was made not by a custodian but by a sales representative who sold goods and services to the clubs. Miss Collins said:

I remember at one time when the peace talks began and people were hoping that there would be a pull out of a lot of GIs * * * I heard one sales person in the International House say, "I hope these peace talks don't come to anything so that the bubble won't burst" (p. 344).

The "bubble" the sales representative spoke about, Miss Collins said, was the fast, easy and illicit money dishonest concessionaires, vendors, salesmen and others were making in Vietnam by selling to U.S. military nonappropriated fund activities (p. 320).

Miss Collins, a citizen of Australia, told the subcommittee that in her work—the booking of entertainment acts in the clubs—kickbacks and bribes for custodians were common occurrences. She commented:

In my experience in South Vietnam * * * I do not know a single club custodian who does not receive kickbacks.

One tends to judge custodians not by whether or not they are honest—because in a strict sense most of them are dishonest * * * but you judge them by the manner in which they conduct themselves in receiving their kickbacks. * * *

Some [custodians] are gentlemanly and kind. Others are crude and greedy and demand sexual favors from the businesses they buy from * * *

* * * I did pay kickbacks. I had no choice. It was either pay kickbacks or go out of business (pp. 318, 319).

Miss Collins said custodians took their kickbacks in cash—Military Payment Certificates or MPCs were acceptable—but rarely would accept payment in the form of personal checks. The pitfall risked in taking a check was illustrated in the example she cited of a custodian—Captain Appleton of the Tan Son Nhut Air Force Base clubs—who accepted a \$300 check from Miss Collins. The check, she said, was turned over to Air Force investigators who arrested Appleton. He was later court-martialed, she said (pp. 325–327).

Miss Collins said the size of the kickback varied, depending on the custodian and the size of the show. Citing a common situation, she said a five-piece band, for example, might be booked for \$150 a show. Out of that, she said, she would give the band \$100, keep \$25 as her commission and kick back \$25 to the custodian (p. 318).

If, for instance, a custodian booked one such act each night, 7 nights a week, in 25 of the individual clubs in his system, he would collect \$18,750 a month in kickbacks.

Senator Mundt asked:

These profits that were made by kickbacks, skimming and cheating, whom did they hurt? (P. 336.)

Miss Collins answered :

I think they were hurting the GI. Say, the custodian took \$10,000 or \$20,000 a month. If he had not taken that money, it could have been spent to provide more shows or to provide new furniture, something like that (pp. 336, 337).

She added that she had not been required to pay kickbacks to clubs run by the Marines or by the Special Forces (p. 341). Miss Collins also pointed out that custodians—sergeants who managed an entire club system—demanded kickbacks, but that many of the managers of the individual clubs within a system were honest and asked nothing more from entertainers but a show (p. 332).

Miss Collins said her business failed not because she refused to pay kickbacks—she admitted she paid them—but because she went to military authorities and reported these corrupt practices were going on. Miss Collins testified that, as a result of her revelations, no action was taken against the custodians. But the custodians took action against her—they quit booking her acts.

One custodian—Sgt. Libario (Bill) Giambra of the 25th Infantry Division at Cu Chi—confided in her once, advising her she would suffer financially if she did not keep quiet about the kickback system. Miss Collins said Giambra said to her :

June, you are never going to get anywhere in this country unless you start to play along. You know it is the syndicate. The syndicate has put out a list of people who to do business with and who not to do business with. You are definitely on the list as someone not to do business with (p. 334).

Miss Collins said she reported her allegations about this so-called syndicate and the kickback system to Capt. Bruce L. Rhames of the Commercial Entertainment Office (p. 326) ; to two officers of the 25th Division command—Colonels Reubens and Sumner (pp. 328, 329) ; to a MACV officer, General Clay (p. 329) ; and to several CID agents (p. 340). Except in the instance of Captain Appleton, no criminal prosecution resulted, although certain booking procedures were tightened up, Miss Collins said.

Senator Percy asked :

When you made several reports to the CID, the officers in charge, did you ever get any real satisfaction that your complaints were falling upon sympathetic ears and that some real followup action was going to be taken? (P. 340.)

Miss Collins said :

They were always very sympathetic. They were sympathetic. For example, when I spoke to one of them at the 25th, I saw him again about a month later. I said, "Why haven't you put that man out?" He said, "We had a murder in the division last week and we are all busy on that, we can only work on this in our free time. So we don't have a chance to come back to it often. We can't devote our full attention to it."

This seemed to be the general feeling. Also in Saigon everywhere it seemed to be the same way (p. 340).

Miss Collins summed up her decision to report the kickback systems to the authorities—and the result of that decision—this way:

I hoped I could help the authorities put an end to this form of corruption. That is why in the latter part of 1968 I went to the Army Criminal Investigation Detachment, the CID, and to other authorities and reported what I knew of this system. The word obviously filtered down to the custodians and their friends. Gradually my business dried up. Finally, I closed up shop. I was having a difficult time to get anything at all.

It was a personal tragedy for me. I am faced with an uncertain future. I must find a new career for myself. I enjoy living in the Far East but, because of this statement and because I am known for having reported on these corrupt practices, I probably will never be able to work in Asia again, at least not in Vietnam (p. 319).

While her financial fortunes dwindled, Miss Collins said, she could draw a semblance of satisfaction in knowing that she had given the U.S. military authorities ample information that their open mess systems were riddled with corruption. For example, she had put the 25th Infantry Division command as well as its CID on notice that Sgt. Libario (Bill) Giambra was not managing the club system according to Army regulations—and that he had accepted illicit gratuities from two vendors, Virgil and Ronald DeFalco (pp. 319, 320).

Miss Collins testified that when she became friendly with Giambra, dating him and socializing with his friends, her bookings at the 25th Division increased. Dating Giambra helped her career, Miss Collins said, but hurt her conscience so, after 2 or 3 weeks, she broke off the relationship and went to the 25th Infantry Division G-1, Colonel Reubens, and told him that Giambra was a corrupt custodian and that his friends, the DeFalco brothers, vendors who sold to the clubs, were "crooks." She said she informed Reubens, for instance, that the DeFalcos had paid for Giambra's flight to Hawaii at a cost of \$600 and that Giambra had his own room in their Saigon villa (pp. 322, 323).

Concerned, Reubens initiated action that prevented the DeFalcos from winning a gift shop concession at the 25th Division but otherwise the situation at the clubs remained the same, Miss Collins testified, citing the following incident.

In early 1969, Giambra, finishing up his tour, entered into an agreement to buy from a vendor, Bo Bohunicky of the Pacific Sales Co., \$400,000 in bar snacks such as pretzels, sausages, and peanuts, prepared foods which GI's eat at the bar while drinking. Normally, Miss Collins said—and subcommittee staff verified—a club system contracts to buy about \$40,000 a month in bar snacks.

But Giambra, like certain other club system custodians about to leave Vietnam, became "a little greedy," Miss Collins said, and placed a \$400,000 order for the next 10 months, thereby receiving a 10-percent kickback of \$40,000 rather than the usual monthly return of \$4,000 (pp. 323, 324).

Through a mixup in writing the order, Bohunicky and Giambra had apparently indicated that the entire 10 months' shipment should be sent at once. "Quite a disaster" ensued, she said, as the division commanding general "looked out his window and saw a convoy of peanuts coming through." Independent staff inquiry corroborated Miss Collins' account, Senator Ribicoff observed, adding that "the shipment engulfed the area with snacks" (pp. 323, 324).

Miss Collins said it was assumed among vendors, booking agents, and other civilians working with open mess systems in Vietnam that MACV Command Sgt. Maj. William O. Wooldridge was the "ring-leader" of the sergeants who controlled the club systems (pp. 329, 339).

In addition, she was the first witness to mention the names of Brig. Gen. Earl F. Cole and William Crum during the hearings. Responding to questions from Senator Gurney, Miss Collins said General Cole was a close friend of William Crum, a wealthy Saigon businessman (p. 343).

XX. GENERAL COLE'S CONTROVERSIAL WEEKEND

SIGNIFICANT POINTS RELATING TO THE WEEKEND

On October 9, 1969, June Collins, questioned by Senator Gurney, said Gen. Earl F. Cole was a friend of William J. Crum, an American businessman. Crum was the Vietnam representative for the worldwide slot machine organization, Service Games, headed by Martin Jerome Bromley.

On October 10, 1969, General Cole dropped out of sight in West Germany and immediately became the subject of an extensive CID search in which Army investigators looked for him in Heidelberg, Frankfurt, Munich, and Geneva.

On October 11, 1969, the New York Times carried two articles asserting that William Crum, identified as a friend of Gen. Earl F. Cole, had a multimillion-dollar monopoly on slot machines in GI clubs in Vietnam and was the leading figure for a "group of businessmen linked with a number of illicit operations" whose activities included smuggling and black market in currency (exhibit 641, p. 1980).

On October 12, 1969, CID agents found General Cole at the Frankfurt airport. General Cole explained that over the weekend he had been offered a \$50,000 bribe by two men who identified themselves as Jeff Bromley and Larry Gordon. The bribe, Cole said, was to induce him to invoke the fifth amendment when called before the Senate Permanent Subcommittee on Investigations.

On March 17, 1971, the subcommittee brought together Martin Jerome Bromley and General Cole at which time General Cole swore that the person who identified himself as Jeff Bromley in Frankfurt in 1969 and offered him the bribe was not the Martin J. Bromley beside him in the hearing room.

At this writing neither Cole, the subcommittee, nor Army investigators have established the identity of the person who called himself Jeff Bromley.

THESE EVENTS SHOULD BE SEEN IN A LARGER CONTEXT

The events of October 9-12, 1969, should be seen in a broader context that began earlier, as early, in fact, as June 1969 when the U.S. Army noted—and was put on notice—that the activities of Brig. Gen. Earl F. Cole were subjects of considerable interest to this subcommittee.

As subcommittee investigators examined CID files and conducted hundreds of interviews from March through May 1969 in Vietnam and elsewhere in Southeast Asia, Army military police officers, CID agents, and other officers, in Saigon as well as Washington, became aware that a pattern was emerging that reflected unfavorably on General Cole's performance in Vietnam.

This pattern consisted of varied amounts of information—some well substantiated, some less so—indicating that General Cole time and time again exercised preferential and improper influence in favor of William J. Crum, the Tung or Tom Brothers and other vendors selling to nonappropriated fund activities in Vietnam. Most of the initial information which led to the subcommittee's interest in General Cole was taken directly from the files of the CID in Vietnam.

Guarding against the unlikely possibility that the Army had somehow failed to detect the subcommittee's interest in General Cole, subcommittee investigators went directly—and personally—to the Commanding General of U.S. Forces in Vietnam, Gen. Creighton Abrams, and advised him, June 27, 1969, that General Cole had become involved in this inquiry and that Cole's activities would be investigated by subcommittee staff.

Assistant Counsel Duffy and Ribicoff aide Asselin explained to General Abrams that the subcommittee did not take lightly an inquiry regarding a general officer and that was why it was felt that General Abrams, the senior Army officer in Vietnam, should be informed that the investigation had taken this turn.

Sometime in the early summer of 1969—about the time of the meeting with General Abrams—the Army began its own inquiry into allegations of wrongdoing in the nonappropriated fund activities of Vietnam and elsewhere. Col. Henry H. Tufts, commanding officer of the Army CID Agency, Pentagon, testified that the work of subcommittee investigators in the spring and summer of 1969 resulted in the Army beginning its own inquiry into many of the same matters. The name of Earl F. Cole did not escape the CID's attention as Colonel Tufts here acknowledged in this response to a question posed by Senator Gurney. Tufts said:

This subcommittee staff brought back information and this kicked off our large-scale worldwide club and mess investigation. To address your point, I think if we go in time, Senator Gurney, sometime during the summer of 1969 General Cole's name surfaced (p. 1477).

Also about this time—late May or early June, according to Cole himself—William J. Crum traveled to Germany and met with Cole (p. 1618). Corroborating Cole's assertion that Crum and he met in Germany were records from the Carlton Hotel in Nuremberg showing that Crum's reservations were made by a person named Bower with the telephone number of 276201. Investigator Bellino pointed out that Mrs. Gertrude Bower was Cole's secretary at the time and that 276201 was the telephone number of Cole's Nuremberg office (p. 1920).

The Army investigation continued through the summer of 1969. In early September, the Army Chief of Staff, Gen. William C. Westmoreland, flew to Germany and personally relieved General Cole of command of the European Exchange System. This was the first time in his 30 years in the Army, Cole said, that he had ever been relieved of command and it came to him as a shock (pp. 1556, 1569, 1573).

On September 22, 1969, General Cole was transferred out of the European exchange post to become assistant to Maj. Gen. H. N. Maples, Deputy Chief of Staff for Logistics, U.S. Army/Europe,

working out of the USARE Headquarters in Heidelberg. This position was tantamount to being "put on the shelf," Cole said (pp. 1569, 1615).

It was also in September that Cole considered retiring from the Army (p. 1615). Cole asked General Westmoreland for advice. The Chief of Staff replied in a letter this was a decision only Cole himself could make but that Cole should "have faith in the Army court-martial system," Cole said (p. 1621).

On October 2, 1969, an agent from Colonel Tufts' CID Agency in Washington began a series of interviews with General Cole in Heidelberg about his relationship with William J. Crum in Vietnam; and about the award of certain contracts in the European exchange to Chinese vendors from Hong Kong. On October 8 Cole swore to the truthfulness of his statements.

Meanwhile, articles appeared in American newspapers and in papers read by U.S. military personnel in Europe that a scandal was about to surface regarding nonappropriated fund activities in Germany (p. 1549).

In Washington, the subcommittee had opened its hearings into clubs and messes September 30, 1969, making many revelations about the extent of corruption in NCO clubs in Vietnam.

On October 9, 1969, June Collins linked Cole with William J. Crum in her testimony before the subcommittee. It was the first—and only—time that a witness mentioned Cole in the 1969 hearings (pp. 343–345).

Against this background General Cole, on Friday, October 10, 1969, dropped out of sight, after first telling his immediate superior officer, General Maples, that FBI and IRS agents wished to interview him in Frankfurt, causing a delay in his return to his duty station in Heidelberg.

Returning to Heidelberg the following Sunday, October 12, and undergoing interrogation Monday, the 13th, General Cole was described as being in a "highly emotional state" (p. 1789). On October 14, 1969 General Cole voluntarily submitted his application for retirement (p. 1620). "I felt that my career had ended," Cole testified (p. 1615). This application was accepted July 30, 1970 and Cole was also reduced in grade to colonel at that time and stripped of his Distinguished Service Medal.

GENERAL COLE'S ACCOUNT OF WHAT TRANSPIRED

The subcommittee questioned Cole extensively about his activities from October 9 through 12, 1969.

Cole said that he was approached by two men in the hallway outside his room in the Ambassador Arms hotel in Frankfurt. Cole did not specify and was not asked what day this happened. But an examination of the testimony he gave indicates he must have meant the subcommittee to understand that he was approached by the two men Friday, October 10. An inconsistency developed in his testimony regarding the matter of just when the men approached him. This inconsistency will be examined later in this report.

In any event, the two men identified themselves as Jeff Bromley and Larry Gordon, Cole testified. They said they were investigators,

one with the FBI, the other with the Treasury Department's Internal Revenue Service, according to Cole (p. 1549).

Bromley and Gordon said they wanted to speak with him about clubs and messes in connection with the inquiry by the Senate Permanent Subcommittee on Investigations, Cole recounted. They assured him that they were concerned for his best interests and then warned him that an article to be printed in the newspaper the next day would carry unfavorable references to him, Cole said (p. 1549).

Telling Bromley and Gordon he was due back in Heidelberg, his duty station, Cole testified, he left the men, went to his room, called his immediate superior officer, Maj. Gen. H. N. Maples, and asked for permission to have a weekend leave so that he could meet with Bromley and Gordon and attend to other matters of a personal nature. Cole recalled that General Maples approved his request for leave (pp. 1549, 1552, 1553).

Cole said he returned to Bromley and Gordon about 30 minutes later and told them he had been given permission to delay his return to Heidelberg, allowing him to meet further with the two Federal agents. They asked him, he said, if he would meet them at the Rhine/Main Airport Terminal, serving Frankfurt. Cole said he would (p. 1549).

Cole said he then went back to his room, packed, walked to an Army sedan outside the hotel and had the driver take him to the airport. Arriving at the airport, Cole said, he gave the driver \$2 and instructed him to return to this airport at about 2 p.m., Sunday, October 12, 1969 (p. 1550).

By this time, Cole had apparently decided to leave Frankfurt following his meeting with Bromley and Gordon and fly to Munich where he planned to make several telephone calls to Hong Kong. These phone calls had to do with matters of some sensitivity, he said, and he wanted to make them from a place where he felt they would not be monitored. Since he had already received permission to have a weekend leave from General Maples, Cole testified, he decided to go to Munich and place the calls from there (pp. 1573, 1575).

Cole said he also wanted to "remain out of sight" for a few days to avoid being badgered by news reporters asking for comment about earlier articles about the clubs and messes scandal, about his having been transferred out of the exchange system command and about the article that he had been told by Bromley and Gordon was to appear in the next day's newspapers (p. 1549).

Both these considerations—the delicate phone calls and the desire to avoid the press—were prompted by the meeting with Bromley and Gordon, Cole said. Had he not been approached by them, Cole said, he would have returned to Heidelberg as he had originally planned when his work in Frankfurt ended.

Cole told Senators:

Sir, at the time this came up, I had planned to return to Heidelberg and I had no firm plan to go anywhere. My plan was to return to Heidelberg until I was accosted by these two people [Bromley, Gordon] (p. 1575).

But at another point in the hearings Cole said :

Well, my primary purpose was to get out of Frankfurt when the Stars and Stripes weekly was published, which it was, and my name was again in the headlines (p. 1572).

The trip to Munich was not a "spur of the moment" decision, Cole said as he had considered it since September 8 (p. 1575).

Inside the terminal, Cole met Bromley and Gordon and a third man in the airport restaurant. Cole said that before their conversation progressed more than a few minutes he requested that the men show him their Government credentials (p. 1550).

Bromley or Gordon—he could not remember which—admitted to him that they were not Federal agents at all. Cole testified that the men expressed an interest in obtaining information from him regarding his experiences in military nonappropriated fund activities and that they would be willing to pay him \$25,000 for this information—and if \$25,000 wasn't enough, they would up the price to \$50,000 (p. 1550).

Cole said that in return for this money Bromley and Gordon wanted an assurance that he would invoke the fifth amendment when he was summoned to testify before the Senate Permanent Subcommittee on Investigations (p. 1550).

Cole gave the subcommittee the understanding that Bromley and Gordon were more concerned about obtaining the exclusive rights to his information than they were about inducing him to not cooperate with the subcommittee. Cole left the impression the men might be connected with a publishing house as this exchange between him and Senator Allen showed:

Senator ALLEN. Which one made the offer to you? * * *

Colonel COLE. Sir, I couldn't tell you which one of the three gentlemen made the offer.

Senator ALLEN. Just what did he say?

Colonel COLE. He initially started out—and let's take the emphasis off of taking the fifth amendment. The emphasis was on my story, not the fifth amendment. That came later. In other words, the indication was they would like to have their story published, if that is really what they were going to do, and this is what they told me, before I appeared before this committee * * * They wanted my story from me, whatever it was that I was supposed to know or that they thought I would know. That is what they wanted from me (pp. 1565, 1566).

Cole said he refused their offer to pay him \$50,000 for his story and also declined their invitation to travel with them to Geneva or Zurich, Switzerland. Then he left the table and had not seen or heard from any of the men since, Cole said (p. 1550).

Cole said he did not divulge the bribe offer until Sunday, October 12, when he told a CID investigator about it and until Monday, October 13, when he asked the U.S. Army/Europe provost marshal, Brig. Gen. Harley M. Moore, Jr., to try to find the men identified as Bromley and Gordon.

When Senator Allen asked Cole why he had not done more, Cole replied: "Sir, what more could I do?", a question that prompted Senator Ribicoff to say:

You could have taken them by the scuff of the neck, couldn't you? You were a general and you had two guys you didn't know offer you \$50,000. You could have been pretty summary with them. You didn't have to just say, "What is that all about?" (P. 1569.)

Responding to Senator Ribicoff, Cole said he never took the offer seriously and doesn't "to this day." "I think it was somebody playing a game," Cole continued (p. 1569).

Senator Allen asked:

Why did you bother to mention it, then, in talking to General Polk, as part of your explanation of your weekend absence? (P. 1569.)

Cole replied:

Sir, the general wanted me to relate to him, including what time I left the Ambassador, and every detail that occurred during the period of my absence. So I gave him every detail (p. 1569).

Senator Percy wanted to know:

I can't quite understand when this bribe attempt was made and why you didn't immediately notify someone. I should think it would occur to you right there; you probably had military police in the airport. Wouldn't it have been prudent, reasonable and wise to immediately notify someone so that you could nail it down right then and there? (P. 1622.)

Cole answered:

Sir, I quite agree in light of subsequent events I certainly should have, but at the time I thought someone was putting me on (p. 1622).

Leaving the three men, Cole found that the flight he had expected to take to Munich had been canceled due to fog so, he testified, he traveled to Munich by train, arriving there about 6 a.m., Saturday, October 11. Cole insisted that he did not have reservations on a flight going to Munich from Frankfurt October 10 (p. 1553).

He went to the home of Mrs. Gertrude Bower, his former secretary. Her mother, Mrs. Frederick, was also at the home, Cole said. Cole explained he told Mrs. Bower of the meeting with Bromley and Gordon, saying:

* * * I told her that these men had offered me this sum of money, and I considered it ridiculous, that it was a trick of some kind (p. 1571).

Later that day, he and Mrs. Bower went for a 3-hour drive in her car, Cole said. While staying at her home, Cole said, he tried to place calls to Lindy Johnson in Hong Kong and to a business establishment owned by a Mr. Chou. Lindy Johnson's business, a clothing concern, had shipped two dresses to his wife and daughter, Cole said, and he wanted to find out who paid for them so that he could reimburse the donor (p. 1647).

The call to the business of Mr. Chou, Cole said, had to do with a jade figurine which Cole had arranged to be purchased by Mrs. Westmoreland, the wife of Gen. William C. Westmoreland, the Army Chief of Staff (pp. 1647, 1648).

But, Cole explained, Mr. Chou felt "a very deep debt to the American forces" and that General Westmoreland "was helping to keep Hong Kong free of communism" and had never sent a bill for the "moderately priced" figurine (pp. 1647, 1648).

Cole said he had written Mr. Chou three times about the Westmorelands' concern that they had not had an opportunity to pay for the figurine. And that on September 7, 1969—the same day her husband relieved Cole of command—Mrs. Westmoreland raised the issue again. Her last request had been a factor in his decision to go to Munich, October 10, and place the phone call to Mr. Chou's store, Cole said (p. 1647).

Senator Ribicoff said:

I talked with General Westmoreland about the so-called jade figurine. General Westmoreland stated to me that at a party given—at which your wife [Cole's] and Mrs. Westmoreland were present—discussion was held about procuring and purchasing for her a figurine because you [Cole] were going to Hong Kong; that you procured this figurine and Mrs. Westmoreland asked you for a bill because she wanted to pay you for the cost of the figurine; that this bill wasn't forthcoming, and she again asked for the bill for the figurine, because she wanted to reimburse you for the cost of this figurine; that after a number of requests and attempts and the bill was not forthcoming, she then packed up this figurine and returned it to you by registered mail.

I believe General Westmoreland's statement, and I would not want this hearing to allow this fact to be left dangling in midair which in any way would reflect upon General Westmoreland. I think I owe the duty to the committee, General Westmoreland, and the press to so state. I believe General Westmoreland's statement (p. 1574).

Cole replied:

The statement is 100 percent true, sir (p. 1574).

Unfortunately, Cole continued, he was not successful in making connections on either telephone call and was, therefore, not able to request the receipt from Lindy Johnson nor the bill from Mr. Chou's enterprise (p. 1647).

Sunday morning, October 12, Mrs. Bower drove him to Nuremberg when weather prevented him from flying out of Munich to Frankfurt, Cole said. Learning in Nuremberg of serious delays of flights out of that city to Frankfurt, Cole and Mrs. Bower went on to Frankfurt in her auto (pp. 1554, 1572).

Mrs. Bower drove him to the Frankfurt airport, Cole testified, where he left her car and was on his way to the Army sedan awaiting him when he was met by CID agents. With CID Agent James Johnson accompanying him, Cole returned to Heidelberg in the Army sedan. He said he explained to Johnson that over the weekend he had

met two men who identified themselves fictitiously, claiming to be Jeff Bromley and Larry Gordon of the FBI and IRS, working in support of the inquiry by the Senate Permanent Subcommittee on Investigations into clubs and messes. Cole said he remembered that Johnson wrote down the names Jeff Bromley and Larry Gordon on a note pad (p. 1576).

Cole recalled that he asked Johnson if he knew where he had been. When Johnson said, yes, he knew, Cole said he replied:

Oh, my God. You are not going to say anything about that, are you? (P. 1555.)

Cole explained that he meant by this remark that he was worried about damaging the reputation of Mrs. Bower by having her name brought into this matter (p. 1555).

In Heidelberg, Cole returned to his home, and on Monday, October 13, 1969, he had first a conversation with General Maples and then went to the office of Gen. James H. Polk, the Commanding General, U.S. Army/Europe.

Cole said he related the account of his activities over the weekend and included his experiences with Jeff Bromley, Larry Gordon, and the unnamed third man and their \$50,000 bribe offer. He said he told General Polk of this affair only because the general wanted to know all details of what had transpired during the past 3 days (p. 1569).

Cole also said he had advised General Polk that in the previous August or September he had heard a gunshot near his home and believed it could possibly have been aimed at him (p. 1577).

GENERAL MAPLES' RECOLLECTION

General Cole's immediate superior officer at the time of the so-called lost weekend was Maj. Gen. H. N. Maples, Deputy Chief of Staff for Logistics, U.S. Army/Europe. Since September 22, 1969—his last day as commander of the European Exchange System—Cole had been assigned as assistant to General Maples.

Maples received the telephone call in his office in Heidelberg from Cole in Frankfurt October 10 that set in motion the CID search for Cole. Maples, serving in Vietnam while the subcommittee met, responded to—and then affirmed under oath—a telephone interview with Senator Gurney in which certain facts were discussed regarding Cole's weekend of October 10–12 (pp. 1606–1608).

Maples said that on Friday, October 10, at 4:30 p.m. he received a phone call from Cole. Cole, Maples said, stated he was calling from Frankfurt, that he was in "deep trouble" and that two FBI agents and one Treasury Department agent had spoken with him the night before, Thursday, October 9. Cole said he was to confront a Frankfurt figure known as "Mr. Big." Maples went on (p. 1607).

Maples said Cole asked for permission to remain in Frankfurt long enough to resolve this matter with the Government agents. General Maples recalled that he told Cole to stay in Frankfurt to do what was necessary with the Federal agents and then to return to Heidelberg.

Maples stressed that he did not give Cole a weekend leave, nor had Cole requested leave. Maples, in fact, said he instructed Cole to return

to Heidelberg because "we were working on Saturday and Sunday" (p. 1608). Maples said at various points in his interview with Senator Gurney:

* * * he [Cole] did not request leave * * * as I said, he did not request a leave over the weekend * * *. It was not a request for a leave over a weekend * * *. It was a request to stay with the FBI and the Treasury until he had straightened out whatever it was he was to straighten out * * *. It was not a request for leave * * * (p. 1607).

General Maples, replying to a question from Senator Gurney, said Cole in his October 10 call made no reference to his name having been mentioned in the press or that it soon would be mentioned or that he wanted to avoid news reporters for a few days (p. 1608).

This interview with General Maples was recorded in Senator Gurney's office the morning of March 12, 1971, and played back at the hearings the same day by subcommittee investigator Walter S. Fialkewicz. General Maples swore to the truth of the interview in an April 27, 1971, affidavit (p. 1608).

CID AGENT JAMES JOHNSON'S RECOLLECTION

WO James R. Johnson, the operations officer for Detachment A, 9th Military Police Group (Criminal Investigations), Heidelberg, testified before the subcommittee March 9 and 10, 1971.

Johnson told Senators of his work in searching for, finding and then interviewing General Cole in connection with the weekend of October 10-12, 1969. For Johnson, however, this was not his first official contact with Cole that month. Earlier, beginning on October 2, 1969, he and CID agent Kenneth D. Hayse of the U.S. Army CID Agency, Pentagon, had a series of interviews with General Cole concerning Cole's associations with William J. Crum, the Tom or Tung Brothers and other post exchange concessionaires, vendors and sales representatives in Vietnam and West Germany (p. 1467).

Prompting this interview, Johnson said, had been an Army action of September 7, 1969, in which General Cole was relieved of command of the European [Post] Exchange System in Munich, a post he had held some 9 months before being assigned to Heidelberg to serve as assistant to the Deputy Chief of Staff for Logistics, General Maples (pp. 1467, 1617).

In the October interviews, Cole denied having given Crum, the Tom Brothers or any other businessmen preferential treatment in Vietnam or Germany, but acknowledged he had social associations with Crum and the Tom Brothers. He swore to a statement October 8, 1969, in the Heidelberg office of Johnson's superior officer, Brig. Gen. Harley M. Moore, Jr., Provost Marshal, U.S. Army/Europe (pp. 1467, 1512-1531).

Johnson then went to Munich on business where on October 10 he received a call from General Moore. Moore said General Cole was missing and to find him, Johnson told Senators. Johnson, Moore's chief investigator, notified his CID agents and the search for General Cole began.

Army investigators learned from Cole's chauffeur, an enlisted man, that Friday, October 10, Cole had gone to the Ambassador Arms Hotel in Frankfurt, changed into civilian clothes, and had been driven to the Frankfurt airport where he got out of the car. Cole's final instructions to the chauffeur were to return Sunday, October 12, at noon to pick him up, Johnson testified. Cole, the chauffeur said, left his Army uniform and briefcase in the sedan (pp. 1467, 1468).

Johnson said CID agents, finding the untended briefcase unlocked, came upon classified Army documents inside, a discovery which when passed on to senior officers in the U.S. Army/Europe command made, in Johnson's words, "the objective of locating General Cole and returning him to the Heidelberg command * * * more immediate than ever" (p. 1468).

Johnson told Senators further CID inquiry revealed that General Cole on October 9 had made a reservation to fly from Frankfurt to Munich on October 10 but that inclement weather had forced a cancellation of that flight (p. 1468).

As the weekend wore on and contact with the missing general had still not been made, the CID established that Cole had made a reservation to fly October 12 from Munich back to Frankfurt. In Munich himself, Johnson booked a reservation for the same flight—Lufthansa flight No. 753, departing Munich 11:30 a.m.—hoping to meet Cole on board. But, Johnson said, Cole did not appear for flight No. 753 so Johnson flew to Frankfurt without him (p. 1468).

Arriving in Frankfurt, Johnson immediately joined other CID agents in a stakeout of the Frankfurt airport as the investigators awaited Cole's return. Cole's chauffeur, following the general's instructions from the previous Friday, drove to the airport in time to meet Cole at noon, only to learn from airport police that Cole would be arriving from Nuremberg at 2:30 p.m. (p. 1468). The chauffeur, his sedan and himself under surveillance by the CID, stood by (p. 1468).

At 3:26 p.m. General Cole arrived at the airport—not aboard an airplane but in a Karmann Ghia driven by a woman, later identified as Mrs. Gertrude Bower. Johnson's agents reported General Cole got out of the car, walked into the airport terminal, mingled among the crowds inside the lobby and then went outside again, heading toward where his chauffeur was to meet him—and looking very much like any other deplaning traveler (pp. 1445, 1468).

At this point, a CID agent intercepted him, escorted him to the Army sedan and detained him until Agent Johnson could join them from his stakeout point. Johnson informed Senators he advised the general that he was to accompany him on the drive back to Heidelberg, that Cole was to be returned immediately to his home and from there he was to telephone the Chief of Staff, Maj. Gen. Frank Taylor (p. 1468).

As they drove to Heidelberg, Cole began to explain his activities over the weekend, Johnson told the subcommittee. He said Cole spoke about having been approached by FBI and IRS agents Jeff Bromley and Larry Gordon and that these investigators had tried to interview him in connection with an inquiry into clubs and messes. Once he mentioned these names, however, Cole pointed out they were fictitious,

that he knew their real names and that they wanted to help him, Johnson testified (pp. 1469, 1576).

Cole asked Johnson if he believed him, the CID agent testified. Johnson said he told Cole, no, he did not believe him (p. 1469).

Cole then asked if Johnson knew where he had been and, Johnson related, when he said, yes, he did know where the general had been, Cole replied:

Oh, my God, you are not going to say anything about that, are you? (Pp. 1469, 1470.)

Johnson told Senators his response to that was that he would tell everything he knew to his superior, General Moore. On that note, the chauffeur pulled in front of Cole's home, the general went inside and Johnson returned to his office, Johnson said (p. 1470).

Johnson said that during the drive Cole had seemed to be in a highly emotional state.

At 9:30 o'clock the next morning—Monday, October 13, 1969—Cole and General Moore met Johnson. Cole was advised of his rights under article 31 of the Uniform Code of Military Justice and was interrogated about the events of the past weekend, Johnson said (p. 1470).

Johnson said Cole repeated his account of the meeting with the FBI and IRS agents who identified themselves as Jeff Bromley and Larry Gordon. Johnson said Cole then explained why he had gone to Munich—to call Hong Kong from a telephone he was confident was not being monitored. He placed a series of calls, Cole said, according to Johnson, to obtain a receipt from a Hong Kong businessman, Lindy Johnson, for two dresses which had been sent to Cole's wife and daughter; and to obtain a bill for a gift which had been presented by Cole to a certain "officer of high rank." According to Agent Johnson, Cole said the "officer of high rank" had asked him September 5, 1969, to obtain the receipt (p. 1470).

Johnson testified that General Cole wrote a statement but he refused to sign it (p. 1470).

Cole also acknowledged that he held another classified document—separate from the ones found in his unlocked, untended briefcase—and that this document, relating to Vietnam, would be returned, Warrant Officer Johnson testified (p. 1470).

THE UNSIGNED STATEMENT BY GENERAL COLE

CID Agent Johnson said he and General Moore were present as Cole dictated a statement regarding his whereabouts the previous 3 days. Cole declined to sign the statement. Cole informed the subcommittee first that he did not sign it because to do so would have resulted in the names of Mrs. Bower and Mrs. Frederick being "bandied about." But Cole also told Senators he did not sign the statement on advice of counsel (pp. 1577, 1578).

Johnson told Senators that he intended to interview Mrs. Bower and Mrs. Frederick whether Cole signed the statement or not, and had so advised the general (p. 1579).

The unsigned statement of General Cole was identified and read into the record by Brig. Gen. Harley M. Moore, Jr., Provost Marshal, March 9, 1971. It follows:

Subject: Accounting for time during absence.

I departed the Ambassador Arms, Frankfurt/Main, at approximately 1700 hours [5 p.m.] 10 October 1969, for Rhine Main, Civilian Air Terminal. I met three men at the Rhine Main Terminal, talked with them for approximately 30 minutes and then attempted to get on the Lufthansa flight 146 to depart Frankfurt at 1910 hours [7:10 p.m.].

The flight was canceled. I took a bus to the Frankfurt Hauptbahnhof and bought a ticket for the train departing for Stuttgart at approximately 2139 hours [9:39 p.m.]. The train did not arrive until approximately 2230 hours [10:30 p.m.].

I then caught the 2349 hours [11:49 p.m.] express to Munich. The train arrived at the Hauptbahnhof in Munich at approximately 0640 hours [6:40 a.m.]. I walked around the Hauptbahnhof for a short time and then called Mrs. Gertrude Bower, my former secretary, and said I was coming over.

I arrived at her quarters at approximately 0800 hours, Saturday morning, by taxi. I remained in her quarters until about hours 1430 [2:30 p.m.] and then went for a drive. I returned at approximately 1930 [7:30 p.m.]. I remained in her quarters overnight and departed her quarters at approximately 1100 hours on Sunday, 12 October 1969.

I drove to Nuremberg, stopped at the airport in Nuremberg to see if I could catch a plane to Frankfurt. I was told there was space available on a plane departing at 1445 hours; however, the ticket salesclerk suggested that I not take the flight because of the large number of planes waiting to land at the Frankfurt terminal.

I departed there at approximately 1330 hours and arrived at Frankfurt Rhine Main Civilian Terminal at approximately 1530 hours. I immediately looked for the V Corps driver who was to take me to Heidelberg. I was met by a gentleman who identified himself as Mr. Jones, CID.

Mr. Jones stated that he would escort me to my automobile. We started toward the automobile and then he stopped and said, "Wait a minute. Mr. Johnson will accompany you back to your quarters in Heidelberg."

He repeated the statement that I was to go immediately to my quarters and call the Chief of Staff. Mr. Johnson then accompanied me to my quarters. We arrived there at approximately 1630 hours. I called the Chief of Staff who warned me of my rights under the 31st Article of War.

EARL FRANKLIN COLE
[typed and unsigned] (p. 1448).

GENERAL MOORE'S RECOLLECTION

Brig. Gen. Harley M. Moore, Jr., the Provost Marshal, U.S. Army/Europe, knew General Cole when they both served in Vietnam—Moore as Provost Marshal, U.S. Army/Vietnam; Cole as Deputy Chief of Staff for Personnel and Administration. They were room-

mates for a time. In September of 1969—some 8 months after Cole had come to Germany as the commander of the European [Post] Exchange System (EES)—Cole came to Moore's attention in a CID matter.

Testifying before the subcommittee March 9, 1971, Moore said that in September of 1969 Army investigator Kenneth Hayse from the U.S. CID Agency, Pentagon, had interviewed Cole about certain PX contracts. His own CID agents had participated in that interview, Moore said (p. 1444).

It was also in September, Moore said, that Cole was relieved of his command of the European exchange, Munich, and transferred to Heidelberg to serve under General Maples, Deputy Chief of Staff, Logistics (p. 1444).

Moore told Senators that the afternoon of October 10 he had received a call from a puzzled General Maples saying that Cole had telephoned him from Frankfurt to ask permission to remain there to meet with Treasury Department and FBI agents (p. 1444).

Moore explained that FBI, IRS and other Federal investigators whose work takes them to areas within the U.S. Army/Europe jurisdiction make courtesy calls to him to let him and his CID units know they are in the area. Having received no such notification, Moore checked and ascertained that no Federal agents were in Frankfurt, he said (p. 1444).

Moore said he was "95 percent" concerned that General Cole might be in physical danger yet he was also worried that the unauthorized absence was somehow linked to the uncertain circumstances surrounding Cole's dismissal from the European exchange (p. 1474).

Anyway, Moore said, he concluded Cole's call to Maples was a "hoax" and he "immediately instituted an all-points search for Cole." Neither friends and associates nor Mrs. Cole could help locate the missing general, Moore said (p. 1444).

Moore testified CID agents established that Cole on October 9 had made reservations to fly from Frankfurt to Munich for Friday, October 10 and for a return flight on Sunday October 12 (pp. 1445, 1446).

The search continued through the weekend until Sunday afternoon when Cole was seen at the Frankfurt airport and was returned to Heidelberg in the company of Moore's chief investigator, WO James Johnson (p. 1445).

Moore recounted that General Cole asked for an interview with the Commander in Chief of the American Army in Europe, Gen. James H. Polk (p. 1445). Moore quoted Cole saying:

If I can see General Polk, I can explain the whole matter
(pp. 1445, 1474).

Moore said that it was his opinion that Cole wanted to talk with General Polk because he thought he could "snow" him. General Polk agreed to see Cole the morning of Monday, October 13, Moore said (p. 1474).

General Polk asked Moore to attend this meeting as a "witness," (p. 1474) Moore said, adding:

Cole started out by stating to General Polk that he had done no wrong but that he was in serious trouble as his name was being blackened by various persons in connection with the Ribicoff investigation (p. 1445).

GENERAL POLK'S RECOLLECTION

Gen. James H. Polk, Commander in Chief, U.S. Army/Europe, was scheduled to testify before the subcommittee in March 1971 but a commitment in Europe involving the North Atlantic Treaty Organization (NATO) precluded his appearance in Washington. But the general forwarded to the subcommittee a sworn statement in which he described those events about which he was knowledgeable relating to the weekend of October 10-12—and the subsequent interview October 13 he had with Cole.

In this statement, General Polk said he and his Provost Marshal, Brigadier General Moore, met with Cole Monday, October 13. Polk said Cole informed him he had gone to Munich over the weekend on the "spur of the moment" because he wanted to telephone Hong Kong to obtain a receipt for an "expensive gift." Polk went on to say:

He [Cole] stated that he met three men at the Frankfurt Airport on Friday evening who offered him \$50,000 to take the 5th Amendment and keep his mouth shut. When directly asked the identity of these three men, why they wanted him to keep his mouth shut and what were their connections in order that we could follow up on an obvious bribery attempt, he refused to tell their names or furnish any other information.

I pressed him hard for this information and pointed out that it was important that we knew the identity of these individuals so that we could investigate them, but he refused flatly to give any additional information.

* * * * *

I informed Brigadier General Cole that in my judgment he had been absent under false pretense since he was absent over the weekend for the stated purpose of seeing a Treasury and FBI agent in the Frankfurt area which he himself admitted was not true.

I told him his story lacked credibility and that he had an obligation to tell me the identity of the people who had contacted him. * * *

Finally, I told him he was no longer of value to me and that I was wiring Washington for instructions. I restricted him to quarters and essential business in the local area and relieved him of all duties (pp. 1788, 1789).

General Polk indicated that Cole said he had been shot at recently but gave no other details because he felt no one would believe him anyway. In addition, General Polk noted that Cole seemed distraught. General Polk concluded his sworn statement by pointing out that subsequent inquiry revealed that no long-distance telephone calls had been placed to Hong Kong from Mrs. Bower's apartment the weekend of October 10-12, 1969 (p. 1789).

MOORE AND JOHNSON INTERROGATE COLE

After the interview with General Polk ended, Generals Moore and Cole went to a CID office where they were met by Warrant Officer John-

son and a stenographer, Helga Johann (p. 1447). CID agent Johnson remembered that they arrived at 9:30 a.m. (p. 1470).

Cole dictated the statement—which he later refused to sign—to Miss Johann. The dictation completed, Miss Johann went to another office to type the statement. While she was gone, Cole elaborated on his account of the weekend, providing further details, Moore testified (p. 1448).

Moore related that Cole said he had planned to spend the weekend in Munich for personal reasons, having reserved on Thursday, October 9 space for himself on a 7:10 p.m. flight from Frankfurt to Munich Friday, October 10, and a return flight to Frankfurt Sunday.

Cole recalled how two men had approached him at the Ambassador Arms BOQ or bachelor officers quarters in Frankfurt Thursday, October 9, before he made the reservations to fly to Munich, Moore said, adding that Cole declined to identify the men (p. 1449).

Cole said he was met by "some men" at the Rhine Main Civilian Air Terminal at about 6:30 p.m. Friday, October 10, Moore testified. The Provost Marshal pointed out that Cole's accounts varied on the number of men who met him each time, ranging from two men to four. Again, Moore said, Cole did not identify the men who met him at the airport (p. 1449).

Cole acknowledged, Moore recounted, that a reason for going to Munich was that he wanted to telephone Lindy Johnson, a Hong Kong merchant and associate of William Crum (p. 1449). Moore said Cole asked Johnson and himself not to interview Mrs. Bower or Mrs. Frederick because he did not want to "drag them through the mud" (p. 1449).

Moore told Senators that Cole informed him that the men he had met in Frankfurt had suggested he travel to Geneva, Switzerland. Provost Marshal Moore advised Cole that he had assigned CID agents to look for him in Geneva. Moore said Cole responded with words to the effect:

Wouldn't I have been in the soup had you caught me there?
(p. 1449).

Senator Gurney asked:

Why would he have wanted to go to Geneva?

Brigadier General Moore replied:

Well, that has something to do with money, payoffs and bank accounts, Senator. That was my impression (p. 1449).

Questioned as to why he would not identify the men who approached him in Munich, Cole, according to Moore,

* * * stated that it had nothing to do with USARE [U.S. Army/Europe], but that his pursuers were after him in connection with an investigation, which I assume is this investigation (p. 1449).

Both Moore and Johnson, pointing out to Cole there were inconsistencies in his explanations, urged him to retain a lawyer (p. 1448). CID Agent Johnson recalled the moment at which he recommended counsel for Cole. Johnson said:

I am, by law, required, when I feel a man is harming himself and you don't know which story he will tell next, to get him counsel. I said to General Cole in the office, "General Cole, you need counsel desperately * * *" (p. 1578).

Army Capt. Allen Cook, an attorney, was retained, Johnson said, and later that day Cook said to Johnson:

General Cole has nothing further to say, will not sign anything and anything further you have to do with my client will be done at your request through me (p. 1579).

Captain Cook arranged for the return of the second classified document, this one relating to Vietnamese matters, which Cole had stored in his home, Johnson said (p. 1470).

Cole explained the classified document relating to Vietnam, Moore said, by saying he had possession of it because he planned to lecture in Germany and would use information from it in these presentations. General Moore said CID inquiry revealed that Cole had made no lectures in the time he was in Germany and there was no evidence that he planned to (p. 1450).

The day after the interrogation—on October 14, a Tuesday—Cole formally made application for retirement, a step, he said, he had been considering since the previous August. On October 20, 1969, the Army transferred Cole out of Heidelberg and assigned him to Washington, D.C. His retirement application was accepted and he was reduced in grade to colonel July 30, 1970, and was stripped of his Distinguished Service Medal.

UNRESOLVED CONFLICTS IN TESTIMONY AND STATEMENTS

Through testimony and sworn statements, the subcommittee heard varying accounts of significant points regarding the weekend of October 10-12, 1969.

One question raised was, when did Bromley and Gordon first approach Cole?

Cole told the subcommittee the two men approached him in the hall of the Ambassador Arms in Frankfurt, identified themselves as being FBI and IRS agents and told him they were concerned about his interests and wished to speak further with him whereupon Cole went to his room, called his immediate superior, General Maples, requested and received a weekend leave, advised Bromley and Gordon he could remain in Frankfurt and then agreed to meet the men at the Frankfurt airport. Cole said he packed, had his chauffeur drive him to the airport, met the men, was offered the bribe, rejected it and went on to Munich. All these events happened one after another and on the same day, according to Cole's testimony, meaning that day had to be Friday, October 10.

However, General Moore, General Polk, and General Maples all related that Cole said the two men approached him first Thursday, October 9. The differing statements indicate that there is a matter of 24 hours unaccounted for, depending upon which conflicting version of the story is accepted.

Additionally, another related question that was never satisfactorily resolved was, did General Maples give Cole a weekend leave, as Cole

testified? Or did Maples simply give Cole permission to stay in Frankfurt long enough to meet again with the two Federal investigators and then return to Heidelberg, as Maples said?

In turn, did Cole have reservations to fly to Munich the night of October 10—and, if so, did he make these reservations October 9? Moore said Cole admitted he made the reservations October 9. Cole told Senators he had no such reservation and, had the flight not been canceled, would have boarded as a standby passenger.

Cole did acknowledge having been booked for an October 12 flight from Munich to Frankfurt and Warrant Officer Johnson said he took that very flight back to Frankfurt himself, hoping that Cole would appear as his reservations indicated he would. Yet, while Johnson testified that he took that flight back to Frankfurt Sunday, October 12, Cole said he and Mrs. Bower found that no flights would be flying from Munich to Frankfurt so they decided to drive to Nuremberg where they found further problems making connections so Cole and Mrs. Bower went on to Frankfurt by auto.

There is the further question of just why Cole went to Munich anyway. Cole said it was a combination of wanting to make the sensitive phone calls to Hong Kong and wishing to be out of sight to avoid having to meet the press. But these two considerations were prompted, Cole said, by the fact of Bromley and Gordon meeting him.

If he did not meet Bromley and Gordon until Friday, October 10, the question must be asked, why did Cole make the reservations to fly to Munich and back on October 9? General Moore testified that Cole made the reservations October 9. Cole told the subcommittee he only decided to fly to Munich after meeting with the men Bromley and Gordon October 10.

If Cole decided to fly to Munich after meeting Bromley and Gordon October 10, why did Cole tell General Maples that the men had met him the night before, October 9?

Regarding Bromley and Gordon, CID Agent Johnson testified that Cole told him he knew the names Bromley and Gordon were fictitious but that Cole added he knew their real names but would not divulge them. Cole denied that and said he did not say he knew their real names.

Finally, what was Cole's reason for having classified documents concerning Vietnam? Cole said it was to give a series of briefings. Moore said there was no evidence that Cole had ever given briefings in Germany—or that Cole was planning any.

These questions remain unanswered.

MARTIN JEROME BROMLEY DENIES HE OFFERED COLE A BRIBE

Martin Jerome Bromley of London, England, head of the worldwide slot machine and coin-operated amusement syndicate originally known as Service Games and later changed to Club Specialty Overseas, Inc., Panama, appeared before the subcommittee March 16 and 17, 1971.

Bromley appeared under subpoena. His associates in CSOI, Richard Devant Stewart and Raymond Lemaire, appeared with him under subcommittee subpoena. David Rosen, formerly with Sega Enterprises of Japan and now vice president of Gulf & Western Systems Co., also appeared under subpoena. They were accompanied by counsel, Hans

Nathan, of the Washington, D.C., law firm of Trammell, Rand, Nathan & Bayles. All four of them were served subpoenas by subcommittee investigator Walter S. Fialkewicz, while they attended a music machine makers' convention in Chicago October 17, 1970.

Bromley said he did not offer General Cole a \$50,000 bribe, that he was in Madrid October 9-12, 1969, that he had sworn affidavits and other evidence attesting to his presence in Madrid at that time—and that the subcommittee had allowed an “infamous, reckless and ruthless charge” be “hurled” against him when the “allegation” was made that “I offered a bribe to Gen. Earl F. Cole” (pp. 1818, 1821).

Bromley said he had never met, seen or ever spoken with General Cole and that the subcommittee erred in not advising him, through counsel, ahead of time that General Cole would raise the name “Jeff Bromley” in connection with the bribe attempt and that subcommittee witnesses would be allowed to identify “Jeff Bromley” as being an alias used by himself.

Bromley said:

You have accused me; you have judged me and you have found me guilty without ever even asking me whether I knew General Cole; without ever bringing this accusation to the attention of my counsel with whom your counsel have been in constant contact.

You have destroyed my reputation all over the world on what I must call, in the strongest possible terms, false testimony before this subcommittee (p. 1818).

Bromley's criticism of the subcommittee was based on the fact that CID agent James Johnson had said that Jeff Bromley was an alias for Martin Bromley (pp. 1469, 1551) and that staff investigator John Brick had testified that Japanese Customs officials had believed that Jeff Bromley was an alias for Martin Bromley (1801).

Bromley denied he had ever used the name Jeff Bromley as an alias. He said his original name was Martin Jerome Bromberg and that he had changed it legally to Martin Jerome Bromley (p. 1819).

Bromley admitted, however, that he had used names other than his own for corporate bank accounts he had set up for the Service Games organization. The names he gave were John Raymond, Robert Mason, and Jeff Jerome, Bromley said (pp. 1822, 1823).

Under questioning from Senator Gurney, Bromley conceded that other corporate accounts in the names of nonexistent persons had been set up on behalf of the Service Games Complex. These names were Adolph Dixon, John Baxter, and Peter Schmuck, Bromley said (pp. 1826, 1827).

The semantic distinction between an “alias” and the use of the name of a nonexistent person was not pursued at the hearings.

When Bromley confirmed that Service Games had used the names John Raymond, Robert Mason, Jeff Jerome, Adolph Dixon, John Baxter and Peter Schmuck, he corroborated information the subcommittee had received from U.S. Air Force Office of Special Investigations (OSI) agents who said these and other names had been used by Martin Bromley on behalf of Service Games (p. 1801).

It was the same OSI agency which had worked with Japanese Customs agents in 1959 in an effort to find out if Martin Bromley had

opened Service Games accounts in bogus names in Japanese-based branches of U.S. banks. Japanese agents asked the banks for information on accounts in the above names and also in the other names which the investigators had reason to believe Martin Bromley had used. These names included Peter Schueck, Jeff Bromberg, Jerome Bromberg and Jeff Bromley. This information was the basis of subcommittee investigator John Brick's testimony that Japanese Customs officials had believed that Jeff Bromley was an alias for Martin Bromley (p. 1801).

Jerome S. Adlerman, subcommittee chief counsel, told Bromley his attack on the subcommittee was unjustified. He accused Bromley and his attorney, Hans Nathan, of a "deliberate attempt there to misread the testimony" (p. 1825).

Adlerman pointed out that it was Cole who first brought up the name of Jeff Bromley—and it was also Cole who insisted he knew the name Jeff Bromley was fictitious almost from the start of his airport meeting with the men called Bromley and Gordon and the third unnamed man.

Speaking directly to Bromley, Adlerman said:

You are trying to convert it as though we were charging you with being Jeff Bromley who made the bribe. We didn't say this. This is Colonel Cole, Mr. Nathan's client * * *. Read the whole testimony instead of one or two questions (p. 1826).

Then Senator Gurney said:

As I understand this, this is mostly a red herring anyway. Here is one subcommittee member who never thought at all that the so-called Jeff Bromley identified by [Cole] was this Mr. Bromley. He obviously is too smart to offer a bribe to anybody. * * * He obviously would have used some agent or somebody who worked for him * * * I never thought it was Mr. Bromley anyhow. Now I think we better get on with the hearing and get to the meat of this (p. 1826).

Senator Ribicoff, however, said he had "assumed" with "the advice of staff" that "Jeff Bromley" and Martin Bromley were "one and the same," adding:

If this proves not to be the case, then the subcommittee will so state (p. 1825).

The next day—March 17, 1971—Senator Ribicoff sought to clear up any misunderstanding or any implication that Martin Jerome Bromley could have been unfairly identified as the "Jeff Bromley" who Colonel Cole said offered him a \$50,000 bribe. Calling both Martin Bromley and Cole to the witness table, Senator Ribicoff said:

* * * this committee has never accused Martin Bromley of having offered a \$50,000 bribe. Testimony had developed that on October 10, 1969 Colonel Cole had stated to Investigator Johnson, General Moore and General Polk that on October 10, 1969 he had met some men who had offered him a \$50,000 bribe to take the Fifth Amendment and not appear before the committee.

We asked him to identify these men. He named a Jeff Bromley and a Larry Gordon. We had been told by investigators that Jeff Bromley was an alias of a Martin Bromley. Mr. Bromley came here yesterday indignant, stating he was not in Germany on October 10, 1969. He had supporting evidence that he was in Spain during this period, supported by affidavits.

Mr. Bromley feels that his reputation has been damaged because the implication is that he was the man that offered you a \$50,000 bribe. I think in all fairness to Mr. Bromley this should be straightened out at this time, as soon as it has been called to our attention.

Colonel Cole, the man at the end of the table is Martin Bromley. Is he one of the men who met you in Frankfurt or you met with in Frankfurt on October 10, 1969? (P. 1897.)

Cole said: "He is not" (p. 1897).

Senator Ribicoff asked: "Will you look at him again? Did you ever see him before? (P. 1897.)

Mr. COLE. To the best of my knowledge, I have not seen Mr. Bromley.

Senator RIBICOFF. You don't know Martin Bromley?

* * * * *

Mr. COLE. Sir, I categorically deny it. Also, sir, I was not the one who implied that Martin Bromley and the Bromley I gave the name of—that was done by an Agent Johnson here in this room.

Senator RIBICOFF. But you do state that the Jeff Bromley you talked to is not this gentleman known as Martin Bromley?

Mr. COLE. I do, sir.

Senator RIBICOFF. The committee wants to take this opportunity for clearing up this point * * * The committee wants to state that any implication that you were the man is wrong and that you were not the man that was in Germany, and the committee believes that you were in Spain at this time, and in no way were you implicated in this incident on October 10, 1969, when an alleged bribe was given Colonel Cole. I want to do this in behalf of the committee.

Mr. MAGEE [Cole's lawyer]. Mr. Chairman, you said a bribe was given.

Senator RIBICOFF. A bribe was offered.

Mr. BROMLEY. My sincere thanks, Mr. Chairman.

Senator GURNEY. I must say that it is an amazing coincidence that with all the names in this scenario that we have heard for a year and a half that this name Bromley should creep up in the back seat of the automobile with Agent Johnson. Are you sure that that is the name you heard, Colonel Cole?

Mr. COLE. Sir, I have testified that the names given to me were Larry Gordon and a Jeff Bromley.

Senator GURNEY. Have you ever heard that name Bromley before at any time.

Mr. COLE. I had not heard of the name Bromley until I read the name in the newspaper (pp. 1897, 1898).

THE LAWYERS WHO REPRESENTED COLE, CRUM, BROMLEY, AND OTHERS

Many of the persons involved in this inquiry were represented by the same law firm. Bromley's lawyer, for example, was Hans Nathan of Trammell, Rand, Nathan & Bayles. William Crum's lawyers were Hans Nathan and Norman Bayles of Trammell, Rand, Nathan & Bayles. Cole was represented by Warren Magee and Norman Bayles.

Magee was with the law firm of Magee and Bulow which works out of the office of Trammell, Rand, Nathan & Bayles. Magee's name appeared on certain of Trammell, Rand & Nathan's stationery as "of counsel."

Magee was Cole's lawyer of record, accompanying him at the July 13, 1970, executive session at which Cole testified and at the March 10, 12, 15, 17, 1971, appearances Cole made before the subcommittee (pp. 1533, 1584, 1683, 1882).

Bayles accompanied Cole and Magee in an "of counsel" basis at the executive session (p. 1652) but did not appear with him in March 1971. Magee introduced Bayles at the executive session as "my associate" (p. 1655).

When Martin Bromley accused the subcommittee of being unfair to him when it did not advise him that Colonel Cole would testify about the "Jeff Bromley" episode, the subcommittee Chief Counsel Jerome S. Adlerman, strongly disagreed. Adlerman pointed out that Cole's lawyers, Warren Magee and Norman Bayles, must have known about the \$50,000 bribe offer because it was part of the Army's decision to reduce Cole in grade from general to colonel. In addition, Adlerman said, Magee and Bayles should have advised their associate, Hans Nathan, of the bribe offer (pp. 1820, 1825).

The strong criticism by Martin Bromley of the subcommittee and Adlerman's sharp response were preceded by several similar encounters between the subcommittee and Trammell, Rand, Nathan & Bayles on the firm's action in this inquiry.

The issue was first raised at the executive session by staff investigator Carmine Bellino who asked Warren Magee if his firm represented William Crum and Crum's companies. Magee said he did not represent Crum and that he represented "only General Cole in this picture" (p. 1680). The following March 15, however, Magee clarified that response, explaining to the subcommittee that he had represented Sarl Electronics and Service Games at an earlier period. Magee said he represented Service Games before the U.S. Civil Administration in Okinawa in 1960 and 1961 and Sarl on two unsuccessful collection cases (p. 1715).

At the executive session, Bellino then asked Bayles if he represented William Crum. Bayles did not answer the question, saying he did not think it was relevant to the subcommittee's work (p. 1680).

Of Law, Magee then said :

He is my associate. I asked him to help me in this case because he was familiar with the situation in Vietnam. He has been there. He is an experienced lawyer (p. 1680).

Bellino again asked Bayles to admit he was a counsel for Crum. Bayles again refused, asserting he was there to advise Cole—not answer questions. Senator Ribicoff, the acting chairman, said Bayles did not have to respond to Bellino's question because of the confidential lawyer-client relationship (p. 1680).

Adlerman, subcommittee chief counsel, said he would "establish at a later date" whether or not Cole was represented by the same lawyers who represented Crum (p. 1681).

The subject of Trammell, Rand, Nathan & Bayles was raised again in public session of March 15, 1971, when Senator Percy read into the record of the hearing a section of a March 10, 1971 affidavit of Joseph H. Michaels, Overseas Military Manager of the Lorillard Corp. (pp. 1710, 1717-1723).

Recalling a conversation with William Crum, Michaels said that Crum felt that General Cole would be "exonerated" of all charges against him and that Crum "would have his own lawyer find the general a good Washington lawyer" (p. 1710).

Senator Percy asked Cole how he came to be associated with Norman Bayles who was not present, and with Warren Magee, who was (p. 1711).

Cole explained that in September or October of 1969 he needed a lawyer and that Norman Bayles had called him and said "he would, or he could arrange counsel for me if I did not have counsel" (p. 1712). Cole did not say why Bayles called him to offer this service. Cole said Bayles put him in touch with Magee (p. 1712).

Senator Percy then asked Cole if he was aware that lawyers of the law firms of Trammell, Rand, Nathan & Bayles and Magee and Bulow represented William Crum, Mrs. William Crum, Asa Albert Smith, Joseph DeMarco, Star Distributing Company, Sarl Electronics, Price & Co., Tom Brothers, Martin J. Bromley, Scott Dotterer, Richard Stewart, Raymond Lemaire, David Rosen, and Mrs. Catherine Gault, Cole's former secretary (pp. 1712, 1713).

Cole said he was aware only of the fact that Warren Magee and Norman Bayles were associated with a law firm that had represented Crum and Sarl Electronics and that Col. Roy Steele of the Department of the Army Legislative Liaison office had warned him about the possibility of a conflict of interest by his becoming a client of the firm (p. 1712).

Cole said:

*** I told Colonel Steel who this firm represented. He said, "Make certain there is no conflict of interest." I then called, I believe from his office, and I said, "Now is there a conflict of interest here?" They said, "No, just Mr. Magee will represent you and Mr. Bayles is an associate and there is no conflict of interest" (p. 1712).

Senator Percy asked Cole if Crum or anyone else were paying his legal fees. Cole said no one was (p. 1713). Then Percy asked:

*** When faced with an investigation of this magnitude, wouldn't you want to stay absolutely clear of counsel that would be in any way associated with the very vendors and companies that would form a very major part of this investigation? Wouldn't it be a prudent and reasonable thing to do? (P. 1713.)

Cole replied:

Sir, I did not know—I was told they represented Sarl Electronics and represented Mr. Crum for tax purposes and we have not discussed other clients (p. 1713).

Cole also acknowledged that Mrs. Gault, his former secretary, was represented by Norman Bayles on recommendation of Cole himself.

In his March 16, 1971, appearance before the subcommittee, Martin Bromley told Senators he and Hans Nathan had discussed the possibility of a “conflict of interest” arising at the hearings regarding the several potential witnesses Trammell, Rand, Nathan & Bayles represented. Bromley said:

Sometime back on a trip to England, my counsel did tell me that a Mr. Magee, who happens to share office space with him, had taken Mr. Cole as a client and he wanted to know whether I had any objection or felt it was a conflict of interest (p. 1820).

Bromley said this conversation about Cole had taken place “many, many months ago,” an assertion that was inconsistent with his earlier statement that he had not heard of Cole until Cole’s name appeared in the newspapers in connection with the subcommittee’s investigation.

Adlerman asked Bromley:

Did he [Nathan] also tell you that Mr. Bayles of his firm was also counsel for General Cole?

Bromley said yes (p. 1820).

If Bromley had known about Cole and if he also knew that Bayles and Magee would represent Cole, Adlerman asked, why hadn’t his attorney, Hans Nathan, also advised him of what Cole would testify to—namely, that a “Jeff Bromley” had offered him a \$50,000 bribe?

Bromley said:

I am sure you appreciate, sir, I can’t speak for what my counsel knew (p. 1820).

To that, Hans Nathan said:

You will be surprised but I did not know until this testimony came up that you would connect Jeff Bromley with Martin Bromley. I did not even know about the Jeff Bromley matter.

Mr. ADLERMAN. Did Mr. Bayles know it, of your firm?

Mr. NATHAN. I haven’t seen him.

Mr. ADLERMAN. He is a member of your firm.

Mr. NATHAN. I know. But he has never brought it to my attention (p. 1820).

* * * * *

Nathan added:

I didn’t know General Cole was going to mention it [the “Jeff Bromley” episode] (p. 1821).

The name of Norman Bayles was brought up again by Cole March 17, 1971, when Senator Allen asked if Cole had become involved in European exchange system activities since he was relieved of command

and transferred to the United States. Senator Allen was interested in Cole's actions in connection with a firm known as Elco International (pp. 1912, 1913). Cole explained that while he was assigned to the Pentagon with "no duties" in late 1969 or early 1970, Norman Bayles of Trammell, Rand, Nathan & Bayles asked him to call the European exchange regarding Elco. Bayles, Cole said, wanted him to find out if any debarment action was being taken against Elco, thereby preventing the company from doing business with the U.S. military in Germany (pp. 1912, 1913).

Cole made the call—he could not remember when—and found that "debarment proceedings were under consideration" (p. 1912).

Senator Allen asked:

So your attorney [Bayles] comes to you and says, "Elco people want you to get some information for them?" (P. 1913.)

Cole saw the situation differently, saying:

No. I believe the request was, sir, "Do you know of anyone who could confirm or otherwise this action concerning Elco?" (P. 1913.)

Questions of why Norman Bayles went to Cole with this request and why Cole fulfilled it were not resolved. However, previous evidence (exhibit 580, p. 1810) showed that a distribution list of Sega slot machine representatives throughout the world included the name of Joel Rahn of Elco International in Springfield, Mass., establishing Elco International as an entity in the Service Games syndicate.

Hans Nathan came to the subcommittee's attention again March 17, 1971, when Senators discussed a Columbia Broadcasting System television show, "Sixty Minutes," shown the night before in which Mike Wallace of CBS interviewed William Crum.

Senator Ribicoff said to Hans Nathan:

My understanding is that your firm arranged for the CBS interview with Mr. Crum (p. 1937).

Nathan said he "did not arrange for it" but had conveyed to Crum the CBS request for an interview and that Crum had agreed to appear on the show (p. 1937).

Senator Ribicoff commended CBS for its enterprise in obtaining the interview with Crum when the subcommittee's investigators had for some time tried—and failed—to locate Crum and interview him (p. 1936).

Senator Ribicoff informed Hans Nathan to pass to Crum the message that the subcommittee would go anywhere in the world to interview Crum if, as Crum had told Mike Wallace, poor health prevented him from appearing before the subcommittee in Washington (pp. 1936, 1937).

Senator Ribicoff did point out, however, that anything Crum testified to before the subcommittee would be under oath, a provision Mike Wallace had not required (p. 1936).

In a June 18, 1971, letter, Hans Nathan replied to Senator Ribicoff's invitation to Crum. Nathan explained that Crum, for "both medical and psychiatric reasons," would not subject himself to interrogation by the subcommittee (exhibit 634, p. 2041).

THE ARMY'S INVESTIGATION OF COLE

It becomes very obvious that in many instances no one has the slightest idea of who is in charge (p. 1465).

This was Senator Ribicoff's assessment of the manner in which the Army went about conducting its investigation of Brig. Gen. Earl F. Cole concerning allegations that he had acted improperly in Vietnam and in Germany.

Throughout the hearings there was a note of uncertainty about the Army investigation of Cole. For example, at the July 13, 1970, executive session of the subcommittee, General Cole's attorney discussed the investigation of the general by the Army. Norman Bayles, counsel for Crum and Cole, announced:

The Army has concluded their investigation. I would like to say that on the record right now (p. 1679).

Bayles was wrong. The Army's investigation of Cole was open. The Army CID began its investigation of Cole in July of 1969. On February 4, 1970, the case was closed, according to a letter of February 9, 1970, from Col. Roy H. Steele, Chief of the Investigations Division of the Army Legislative Liaison Office, to the subcommittee. The CID report closing the case was signed by Col. Henry H. Tufts, the commanding officer of the U.S. Army CID Agency in Washington (exhibit 520, pp. 1451, 1462, 1465).

On March 11, 1970, two events occurred, putting Cole back into the CID's "subject block" of an investigation. Subcommittee Assistant Counsel Duffy discovered an Army audit indicating that Cole had been involved in improprieties in his command of the European exchange system in Germany. Duffy made the discovery of the audit report while in Dallas examining records of the Army/Air Force Exchange system. He immediately called the Army CID Agency, explained what he had found and asked for more information.

Shortly thereafter an investigation of General Cole's command in Germany was initiated.

The audit report had been available to the Department of the Army all along. But it was only the discovery of the report by the subcommittee that led to the reopening of the case by the Army.

In November of 1969, the Army/Air Force Exchange had sent a special audit team to Germany to examine certain records of the European exchange. Auditors found that Cole had used command or executive influence in the award of concessionaire contracts to a group of Chinese businessmen, including the Tom Brothers (exhibit 524, pp. 1466, 1475, 1484, 1492).

A copy of the report of the auditors was transmitted to the Army's general counsel, Robert E. Jordan III (exhibit 524, p. 1492). Jordan wrote the subcommittee March 12, 1971, to acknowledge he had received the PX audit report. But he said he forwarded it to the CID Agency (exhibit 623, p. 2025). However, Colonel Tufts, head of the CID Agency, denied in sworn testimony to Senators having seen the audit report. In fact, he said, he had not seen it until September of 1970 when subcommittee Assistant Counsel Duffy called it to his attention (p. 1484).

Senator Gurney asked Colonel Tufts:

Do you know who was responsible for not furnishing it [the audit report] to you?

Colonel Tufts answered:

No, sir; I don't, I really don't know who was responsible for not furnishing it to me (p. 1484).

When on March 11, Duffy found the special audit report he telephoned the Army CID and talked to Tuft's assistant, Colonel Sexton (pp. 1466, 1479). It was not established at the hearings who in the CID Agency telephoned Germany to reopen the Cole case—but someone did, as this testimony from Colonel Tufts indicated:

I would say, Senator Gurney, that while I cannot remember specifically the phone call, I am sure within a matter of, if not hours, days, I know that Germany had picked up this matter (p. 1481).

Gen. Harley H. Moore, Jr., the provost marshal of the U.S. Army in Europe, was in charge of the central CID office in Germany that received the instructions from the Army CID Agency in Washington to reopen the Cole matter. Moore, who had followed the Cole inquiry, told Senators he thought the sudden reopening of the case March 11 "was an unusual procedure" in light of the CID Agency's so recently having closed the case (p. 1453).

General Moore, however, did not think the closing of the case was right in the first place as he told Senators:

In my professional opinion, the statements contained in the subject report and conclusions drawn therefrom are abysmally negligent. The report does not hold together, nor are the conclusions supported by the documentation contained therein (p. 1451).

In December of 1969, even before the Cole case was closed for the first time, General Moore ran into roadblocks from the CID in Washington. Moore testified:

* * * in December of 1970, I received a document from the CID Agency stating they would not pursue certain investigative leads in the United States. This letter was signed personally by Col. Henry Tufts, the commander of the CID Agency.

Senator Ribicoff asked:

Did you consider this unusual, in a case of this magnitude, involving a general officer, that the Washington CID said that they weren't going to go any further?

"Completely unusual, Senator," General Moore replied (p. 1454).

Once the case was reopened on Cole in March of 1970, however, investigators in the field were not encouraged to pursue the inquiry. CID agent James R. Johnson, General Moore's top investigator in Germany, worked the Cole case and in May of 1970 traveled to Washington, with General Moore's concurrence, to brief Army General Counsel Jordan and his deputy, Kenly Webster, and Colonel Tufts and his assistant, Colonel Zane. The subject of the briefing was the Cole case (p. 1453).

According to Moore, Johnson returned to Germany with the impression "in essence that the people he briefed weren't too anxious to have us continue the case" (p. 1453).

Johnson himself testified this way:

I think it was Mr. Jordan and I could be mistaken on this point, who stated the Army had spent a lot of time and a lot of effort investigating General Cole and that agents could be more profitably used pursuing other urgent matters at hand (p. 1483).

Colonel Tufts recalled the sense of the briefing differently, testifying:

I remember the conversation, but I think it was directed at the massive effort that had been and was being conducted in Europe and the many other pressing things. I think it was a statement not in watering down this investigation but, rather, in addressing the many things that were ongoing and the limited resource with which we had to work (p. 1483).

In any event, the CID in Germany continued investigating Cole's activities at the European exchange. But the inquiry, General Moore felt, required investigative work in the United States. Since the U.S. Army/Europe CID was not staffed to continue the probe in the United States, General Moore testified, a request was sent to the Pentagon asking for assistance from the Army CID Agency to follow up on several leads that needed checking in the continental United States. It was at this point, General Moore said, that the Department of the Army withdrew its support for his agents in the field, saying the leads would not be pursued (p. 1454). At this writing, the Army had advised the subcommittee that its case on General Cole was still open.

Throughout the hearings, however, Cole never wavered in his insistence that he had done nothing for William Crum, Sarl Electronics or any other vendor that was in any way improper and that he was the victim of a smear.

Cole accused the subcommittee of allowing hearsay evidence to be presented and asserted that no solid evidence against him had been given. He vowed that no court of law would or could find him guilty of any wrongdoing (p. 1957).

XXI. CORRECTIVE, ADMINISTRATIVE, AND JUDICIAL ACTIONS TAKEN FOLLOWING SUBCOMMITTEE HEARINGS AND INVESTIGATIONS OF MILITARY CLUB SYSTEMS AND CURRENCY BLACK MARKET

June 5, 1969.—The Air Force issued the first of a series of reforms to insure “management integrity” of clubs, PX’s and other nonappropriated fund activities.

July 15, 1969.—Gen. Creighton Abrams, commander of U.S. Forces in Vietnam, issued new, more stringent regulations on solicitation and sales of goods and services on U.S. military reservations in Vietnam.

August 12, 1969.—Defense Secretary Melvin Laird directed each of the services to review the handling of funds in open mess systems.

August 14, 1969.—The Army took back the Distinguished Service Medal from Sergeant Major Wooldridge and transferred him out of the MACV Command to the White Sands Missile Range, New Mexico.

August 29, 1969.—An Army office of central procurement for nonappropriated fund activities was created in Vietnam. The effect of this action was that vendors and sales representatives would no longer deal directly with custodians but would negotiate with the central procurement office.

September 1, 1969.—The Air Force initiated a program calling for 106 “investigative surveys” in nonappropriated fund activities.

September 5, 1969.—The Army established the CID Agency at the Pentagon to coordinate and monitor criminal investigations within the Army.

September 7, 1969.—Gen. William C. Westmoreland, U.S. Army Chief of Staff, personally relieved Brig. Gen. Earl F. Cole as Commander of the European Exchange System.

September 23, 1969.—The Army initiated a more “careful screening procedure” for the selection of custodians and other club system personnel.

September 26, 1969.—The Army took back the Distinguished Service Medal from Major General Turner.

October 1, 1969.—General Abrams directed stronger enforcement of the MACV requirements that all bank drafts purchased from military banking facilities and all United States postal money orders be mailed out of Vietnam at the moment of purchase.

October 17, 1969.—Defense Secretary Laird directed “immediate action” to assure that clubs and messes would be audited regularly by independent certified or licensed accountants.

November 30, 1969.—The MACV Command terminated all amusement machine rental and service contracts with Sarl Electronics.

December 1969.—The Interdepartmental Action Task Group, Vietnam (IATG) was formed by the U.S. State, Treasury and Defense Departments and AID, to help the Vietnamese eliminate the black market in currency manipulation.

December 23, 1969.—General Abrams revised procurement procedures for nonappropriated fund activities in Vietnam.

Late 1969.—An IRS agent went to Saigon to investigate income reports in currency manipulation and service club fraud matters. IRS sent three agents permanently in February 1970, and two more agents temporarily in November 1970. New tax investigations were started on all persons involved prominently in the subcommittee's investigation.

January 15, 1970.—MACV directed that postal money orders issued without fee could be cashed only in military banking facilities or banks in the United States. If cashed in foreign banks, the Post Office was to refuse to honor them.

February 1970.—A Federal grand jury for the Central District of California handed down a 21-count indictment against Wooldridge, Higdon, Lazar, Hatcher, Theodore (Sam) Bass, William Bagby, Clifford Terhune, and Irene Terhune. The indictment charged conspiracy to defraud the United States, false and fraudulent claims against the United States, bribery of public officials and concealment of material fact. Trial was set for October 1971.

February 1, 1970.—The Air Force and Army began a joint review of the Army-Air Force Exchange Service accounting system.

March 10, 1970.—Sergeant Higdon was charged by the Army with larceny and receiving stolen goods during his assignment in the club system at Long Binh. Court martial proceedings were set for the Redstone Arsenal, Huntsville, Ala.

June 17, 1970.—The Army-Air Force Pacific Exchange System was notified by the Internal Revenue Service of a \$1.6 million tax lien levied on the Star Distributing Co.

July 1, 1970.—The Army set in motion procedures to establish career fields for military personnel in the management and operation of clubs.

July 30, 1970.—Brig. Gen. Earl F. Cole's application for retirement was accepted and, at the same time, he was reduced in grade to colonel.

August 31, 1970.—Peter Mason, the PX official who had lived in a villa in Saigon provided by William Crum, was terminated by the post exchange for "abandonment of position."

September 26, 1970.—Congress enacted Public Law 91-508, Financial Recordkeeping and Currency and Foreign Transactions Reporting Act of 1970, to deter use of secret foreign bank accounts for illegal purposes. Final effective regulations on the act will be published on November 1, 1971.

October 5, 1970.—The exchange rate system was revised to provide a new parallel rate of exchange of 275 piasters for one dollar, while the effective official rate continued at 118 to one dollar. (The black market rate on July 19, 1971, was 371 piasters to a dollar for a \$10 bill and the military payment certificates or MPC rate had turned into a discount with a \$10 MPC at a 267 to 1 rate. Servicemen no longer have reason to negotiate MPC other than through legal channels.)

(Third country nationals employed by American enterprises are paid primarily in piasters for needs in Vietnam; the balance is sent in dollars directly to banks in their own countries.)

October 26, 1970.—The Army awarded a management consultant contract for a comprehensive study of the management structure of nonappropriated fund activities and organization.

December 1970.—AID authorized two customs investigations adviser positions on the U.S. Customs advisory team to assist the Vietnam Fraud Repression Service in its operations and to act as liaison with U.S. enforcement agencies.

January 8, 1971.—The Army issued new and expanded regulations for club operations, abolishing the requirement for boards of governors and directing that club officers and custodians be assigned to the respective local commander's staff.

January 12, 1971.—A Federal grand jury in Alexandria, Va., returned an indictment against General Turner for violation of the Federal Firearms Act and income tax laws.

January 20, 1971.—The Department of the Army published comprehensive regulations prescribing specific internal control systems and procedures in all Army nonappropriated fund activities, similar to those utilized in commercial organizations.

January 25, 1971.—Leo D. Slotnick, manager of the Navy open mess in Guam, was terminated from this position as a result of improper procurement procedures in the purchase of liquor.

January 26, 1971.—The Army issued a new regulation for the control, operation, procurement, and disposal of coin-operated amusement machines, including slot machines.

February 1, 1971.—The Army awarded a contract for a demonstration project to determine the feasibility of a credit program in the clubs as a means of reducing the cash flow.

February 19, 1971.—Fred Burgess, a PX official who lived in a villa provided by Crum's associate, Joseph DeMarco, resigned from the post exchange system a month before his appearance before the subcommittee where he invoked the fifth amendment.

February 26, 1971.—The Air Force ordered that no slot machines would be allowed on its installations after July 1, 1972.

February 27, 1971.—The Army-Air Force Exchange System required all personnel in the Pacific area receiving living quarters allowances to certify that their landlords were not doing business with the post exchange.

March 16, 1971.—Defense Secretary Laird ordered an immediate evaluation of the integrity control systems of all nonappropriated fund activities; the development of a comprehensive nonappropriated fund debarment system to be effective worldwide; and the development of a vertically controlled Army criminal investigation system combining all Army CID resources on a worldwide basis.

March 19, 1971.—Theodore Miller was discharged by the Army-Air Force Exchange Service as a result of subcommittee disclosures that he and Fred Burgess had been provided villas in Saigon by Joseph DeMarco.

March 22, 1971.—Richard Llewellyn was discharged by the Army-Air Force Exchange Service as a result of subcommittee disclosures that he had lived in a villa provided by William Crum in Saigon in 1966.

March 27, 1971.—The Army and the Air Force proposed a review of the motion picture service, a worldwide nonappropriated fund activity.

March 29, 1971.—The Air Force began a review of management control techniques and began to develop an independent review of the management structure and control features of all Air Force nonappropriated fund activities.

March 31, 1971.—MACV banned all slot machines from U.S. military installations in Vietnam.

April 9, 1971.—General Turner pleaded guilty in Federal court in Alexandria and was sentenced to 3 years in prison.

April 12, 1971.—The Marine Corps revised the manual for clubs and messes to provide additional safeguards through tighter control of procurement and operation regulations.

April 14, 1971.—A joint task force, composed of Army, Air Force, and exchange procurement experts, was established to examine Exchange Service procurement policies.

April 20, 1971.—Clarence Swafford was discharged by the Army-Air Force Exchange Service as a result of subcommittee disclosures that he had lived in a villa in Saigon provided by William Crum in 1966.

April 21, 1971.—The Army issued instructions to prohibit the introduction of free goods into open messes without adequate documentation, assuring that such goods are properly accountable.

April 21, 1971.—Vendor promotion of goods within open messes was prohibited. Violation of this policy will be cause for suspension or debarment of vendors from doing business with nonappropriated fund activities.

Late April 1971.—Two U.S. Customs advisers were assigned full time, together with personnel on temporary duty, to facilitate Vietnam's stepped-up drive to choke off the flow of contraband through Tan Son Nhut Airport.

May 1, 1971.—The Army took steps to establish mobile club management assistance teams.

May 13, 1971.—General Turner pleaded nolo contendere to violation of income tax laws. He was sentenced to 1 year's confinement and fined \$25,000. Nine months of the confinement was suspended on payment of this fine.

May 17, 1971.—The Navy's Chief of Naval Personnel denied Leo D. Slotnick's appeal to be reinstated as manager of the clubs on Guam.

May 24, 1971.—General Westmoreland directed the establishment of a planning committee for the development of an Army CID command.

May 26, 1971.—Ralph White resigned his position with the Army-Air Force Exchange System. White had lived in the Saigon villa provided PX officials by William Crum in 1966.

Late May 1971.—U.S. Customs furnished two Import Specialists to work operationally in the Saigon harbor on the valuation and tariff classification of merchandise imported into Vietnam.

June 1971.—Two U.S. Customs advisers were assigned to assist the Joint Narcotics Investigations Detachment of the U.S. Military Assistance Command, Vietnam, since the purchase and trade of narcotics often involve illegal currency transactions.

June 11, 1971.—Sergeant Higdon was convicted by a military court martial at the Redstone Arsenal and sentenced to a dishonorable discharge and fined \$25,000.

July 1971.—A comprehensive Army Open Mess Operating Manual was completed and forwarded to the printers for publication.

August 1971.—IRS was considering criminal investigations of 50 persons, and had made field investigations in 31 cases in connection with persons involved in this inquiry. There were 10 criminal investigations underway and 35 civil examinations had been completed, and more than 60 were underway.

September 17, 1971.—The U.S. Army Criminal Investigation Command (USACIDC) was established. The Army announced that this Command would operate under the direct supervision of the Chief of Staff and would exercise centralized command, authority, direction, and control of Army criminal investigative activities worldwide. Secretary of the Army Robert F. Froehlke said the Command would provide criminal investigative support to all Army elements and activities throughout the world. Froehlke designated Col. Henry H. Tufts as commanding officer of the USACIDC.

XXII. FINDINGS AND CONCLUSIONS

Investigation by the subcommittee into military clubs and post exchanges in the Far East and Europe showed that corruption, criminality, and moral compromise were common to the operations of these nonappropriated fund activities.

The corruption was a two-way street. Military personnel—both uniformed and civilian—stole, received kickbacks and gratuities and otherwise profited dishonestly from their association with clubs and exchanges. But they could not have carried out their improprieties without the encouragement, support, and complicity of vendors, brokers, and salesmen who paid the kickbacks and offered the gifts. Certain of these sales representatives were agents for American companies. Businesses that encouraged corruption, whether by specific policy or by tolerating their agents' questionable practices, must share the blame for some of the corruption that took place.

At issue in the matter of corruption of military personnel is another consideration one step removed from the simple giving and taking of bribes. It can be the moral atmosphere this kind of behavior creates within the American military community. If laws and ethics can be openly violated with impunity in one part of military life—in the operation of NCO clubs, for example—the lawlessness and unethical practices may be imitated elsewhere. This was demonstrated in the Augsburg investigation. One sergeant, wishing to remain in Germany where he enjoyed illicit profits from the club system, was reported to have been able to extend his tour time and again by paying off an assignments clerk back in Washington. The corruption that began in the club system, therefore, extended to the personnel assignments branch of the Department of the Army.

The subcommittee does not wish to imply that the military as a whole is under any general indictment. There is no evidence to support such an implication. However, sufficient evidence was presented to support the conclusion that greater vigilance was in order as was greater attentiveness to duty by persons up and down the chain of command.

Finally, to this subcommittee, corruption, mismanagement, and inefficiency are relevant to the extent that they demonstrate the need for reform in the operations of the Federal Government. When these conditions are found it is the duty of this subcommittee to recommend the appropriate corrective action which may take the form of remedial legislation or other administrative measures. The following findings and conclusions—and the subsequent recommendations in Section 23—are offered in that light.

1. Two years of investigation and hearings by the subcommittee relating to the operations of the military service club system and the Army/Air Force Exchange System, in the Far East and in Europe, disclosed a pattern of corruption and criminality within the systems. Too often, dishonest practices were considered the normal and customary means of operation. Testimony and documentary evidence showed

that the military services failed to properly administer and police the operations of the nonappropriated funds which are used to finance military clubs and PX systems throughout the world.

An example of the kind of corruption that became an everyday practice in sales activities within the U.S. military market was the furnishing of illegal gratuities and favors by brokers and salesmen to military personnel and civilians employed by the armed services. Military regulations prohibit contracting officers, custodians, and persons under their supervision from accepting gratuities of any kind. Yet, some large American corporations ignored the regulations and, in their dealings with nonappropriated fund activities, paid hotel bills, supplied free transportation, and provided gifts and costly entertainment to military and civilian personnel in order to promote sales. These flagrant violations of military regulations contributed to a general decay in ethical standards within the nonappropriated fund procurement area and led to the widespread and more serious offense of paying bribes and kickbacks.

A significant amount of the blame for the spread of such corruption must be shared by the several investigative agencies of the military services which frequently failed to enforce existing regulations, and sometimes did not even make any attempt to do so.

2. While military law enforcement agencies often failed to investigate properly allegations of wrongdoing within the club systems and exchanges, there were many occasions in which criminal investigative teams did seek to carry out their mandate—and tried to uncover corruption in nonappropriated fund activities. For example in Korea, Augsburg, Fort Benning, and Vietnam, CID agents uncovered information that should have led to stepped up investigative effort and ultimately to prosecution. But senior officers in these instances took actions that prevented the CID from doing its work. On several occasions, the barriers were created by the senior military police officer in the Army, the Provost Marshal General, Maj. Gen. Carl Turner.

3. The action taken by the Department of Defense recently which provides for the suspension of vendors who violate its regulations is long overdue. The subcommittee believes that such action will be strengthened if the military sales industry itself will voluntarily take the appropriate steps to police its own activities in dealings with nonappropriated fund procurement personnel.

4. The subcommittee is critical of vendors who give free merchandise or cash promotional allowances in order to promote sales. Such gifts are often covers for kickbacks or invitations to the military buyers involved to steal and pocket the cash. The subcommittee's hearings established that this was a device Sgt. William E. Higdon used to collect kickbacks while he served as a custodian in South Vietnam. For example, the Liggett & Meyers Tobacco Co., Inc., through its broker in Vietnam, Glenn Faulks, paid Sergeant Higdon \$12 per case of cigarettes for "promotional" allowances. Faulks gave Higdon \$7,200 for purchasing 600 cases of L. & M. cigarettes in 1967 and 1968.

Glenn Faulks in order to increase sales, made payoffs to warehouse and depot personnel in Vietnam in order to push Falstaff beer and National Distillers products over other brands. Faulks also authorized

the payment of bribes to key procurement personnel strategically located in liquor funds in the Far East in order to obtain sales figures of competitors that were classified confidential.

5. The Vietnam Regional Exchange was a poorly planned military project. Many of its planners and managers were naive and incompetent when they were not corrupt. For example, the notion that American soldiers in combat zones should be offered such luxury items as diamonds, precious stones, and furs in their exchanges seems ludicrous.

Exchange officials often operated as if they were managing a series of retail outlets in Arlington, Va., or Fort Bliss, Tex. Vietnam was a war zone, subject to all the problems American armies have faced in previous wars, but the lessons of the past were lost on post exchange planners as tons and tons of luxury items were brought into the country. This was a serious mistake because it (1) created managerial, personnel, merchandising and shipping problems that were a time-consuming burden to American authorities charged with the prosecution of the war; (2) provided a virtually unpoliceable pipeline through which luxury goods were placed upon the volatile, inflationary, and inflated Vietnamese economy in the form of black market goods; and (3) tempted businesses to bribe American officials, civilian and military, to promote their products into more commanding selling positions within the exchanges.

6. Col. Jack Ice, the former commanding officer of the Vietnam Regional Exchange, is subject to severe criticism for his role in a \$4,000 transaction with Colonel Yi of the Army of the Republic of Korea. Ice said that Yi sent him \$4,000 in cash from Vietnam and asked him to hold it. Ice said further that Yi later requested the return of the money, and Ice complied. However, Colonel Yi and diamond merchant Jacques Adler said the \$4,000 was a bribe that Yi had paid to Ice for a PX laundry concession. Whatever the true reason for the \$4,000 transaction, Colonel Ice never should have become involved in it. There can be little doubt that it was either a black market currency scheme or it was a bribe.

7. Testimony in the subcommittee's hearings showed that the system which provided entertainment for U.S. troops in Vietnam through open mess systems needed reform at every level. Evidence showed that many club custodians in Vietnam demanded and received kickbacks from booking agents and entertainers. An Army CID survey found that custodians "could easily gross" \$12,000 a month in kickbacks from agents and entertainers. Additionally, some custodians demanded the sexual favors of girls in the shows they booked for the clubs.

As an added inducement, agents offered custodians paid vacations to Hong Kong and other cities in the Orient. Performers themselves underwent considerable abuse. Agents sometimes conspired with custodians to cheat performers of their earnings. Other agents refused to let entertainers hold their own passports, using the passports as leverage in contract negotiations and other matters. Some show people in isolated or war-torn areas were not fed properly, if they were fed at all, and were assigned to primitive and unsanitary quarters.

The subcommittee understands that men at war have not always adhered to many of the conventional civilities associated with live entertainment performed under less violent and stressful circum-

stances. In addition, certain of the abuses documented in the investigation could just as easily have occurred in the United States in any civilian-oriented entertainment booking system. However, American GI's in Vietnam are a captive audience and they deserve the very best entertainment possible.

Too often, the corruption and mismanagement that riddled entertainment booking procedures in Vietnam resulted in inferior shows for the troops. This is the real scandal in the scandalous behavior of certain military personnel in entertainment booking in Vietnam. The subcommittee believes the Armed Services should have devoted more attention and more concern to troop entertainment and should not have allowed abuses to be so common or so blatant.

8. Many American brokers and salesmen representing large American firms were reminiscent of camp followers of former times moving with U.S. troops from Korea to Vietnam to West Germany. They used every corrupting device—gifts, bribes, kickbacks, free housing, entertainment, sex—to persuade PX and club personnel to buy their goods. One of the camp followers was William J. Crum. Using illegal and unethical practices, he became the most powerful and influential salesman in Korea and later in South Vietnam. Although the Army CID and top military officers in Korea were aware of his improper conduct in the late 1950's and early 1960's, he was permitted to move his operations from Korea to Vietnam without hindrance, and in Vietnam he continued to achieve wealth and exercise influence.

An example typical of Crum's methods was his providing a luxurious villa in 1965 to the principal procurement executives of the Army/Air Force Exchange System. Not only did he place them in his debt in this fashion, but he bragged about it to officials of James Beam Distillers and Carling Brewery, whom he represented as a broker in Vietnam.

9. Crum for the past 2 years has refused to make himself available to the subcommittee for interview.

His assertions of innocence made on the Mike Wallace show for CBS which received nationwide coverage are hardly a substitute for his appearance before the subcommittee to answer the serious charges made against him where his statements could be subjected to careful cross examination.

Senator Ribicoff on March 17, 1971, advised counsel for Crum that the subcommittee would go any place in the world at any American Embassy where the witness could be questioned under oath. On June 18, 1971, counsel for Crum again advised the subcommittee that Crum would not make himself available for interrogation, because of "both medical and psychiatric reasons."

10. Mel Peterson, the vice president of James Beam, knew Crum was hosting senior PX officials in his Saigon villa. In one communication from Crum, in fact, Peterson was advised that the cost of renovating the villa for the "PX gang" was \$4,000 or \$5,000. Peterson acted improperly when he encouraged Crum to obtain favored treatment for Jim Beam products from PX personnel living in the villa.

Peterson and the James Beam Co. itself unhesitatingly accepted the profits from the Vietnam sales promoted by William Crum. By the same token, they should be made to bear certain of the responsibility for actions Crum implemented for the sake of their products.

11. Mel Peterson also acted improperly in 1968 when he prevailed upon a longtime friend, Lou Bernard, the civilian buyer for the Far East Locker Fund in Tokya, to stickpile 3,000 cases of whisky, free of storage charges, in expectation of a shortage in Vietnam. Subsequently, Peterson arranged for Bernard's son to receive a college scholarship financed by the Blum-Kovler Foundation that was headed by the president of Jim Beam and the former chairman of the board of the company. The impropriety of this kind of indirect gift is plain. Such practices should be subject to the same prohibitions and the same penalties as the giving of gifts and gratuities directly, as set forth in military regulations.

12. William Crum used promotional allowances given him by Carling Brewery to pay bribes and kickbacks. Although evidence does not establish that Carling officials knew that Crum was misusing the funds they gave him to promote sales of their beer, they were aware of other improper activities of Crum in selling their products. They should have required Crum to supply actual receipts indicating how their promotional funds were spent, but they failed to do so.

Carling Brewery officials also should be made to bear a share of the burden for the illicit actions of their sales agent in Vietnam, William Crum. Moreover, the "know no evil" posture assumed by Carling's former Vietnam sales manager, G. P. (Tommy) Thompson, contributed little to the success of this investigation—nor did it reflect favorably upon the company he represented.

13. Sarl Electronics and William Crum established and maintained a virtual monopoly over competing firms in the selling and leasing to nonappropriated fund activities of slot machines, amusement machines, and other equipment. Crum's success in monopolizing the business is attributable to the assistance and protection he received from Brig. Gen. Earl F. Cole, Deputy Chief of Staff for Personnel and Administration in Vietnam, from senior PX officials, and from other U.S. Government personnel.

14. Cole, who had administrative control over the service club system and the Army CID in Vietnam, was aware of the customs violations and other improper activities of William Crum. In spite of his knowledge of Crum's improprieties, Cole intimidated certain Army CID units and their personnel and deterred them from further investigation of the activities of Crum and his Sarl Electronics.

15. When Earl F. Cole learned late in 1967 that Maj. Clement St. Martin, the officer in charge of clubs at Long Binh, had uncovered the conspiracy between club custodian Sgt. William E. Higdon and vendor William J. Crum, and when Cole learned that St. Martin also had information that implicated Cole, Cole managed to stop St. Martin's investigation and then had St. Martin transferred from Long Binh to Cam Ranh Bay.

16. A number of high-ranking officers in Vietnam were aware as early as January of 1968 that Cole had interceded a number of times on behalf of Sarl Electronics and William Crum. They also were aware of Sergeant Higdon's improper conduct. The silent acquiescence of senior officers in the whitewashing of the entire case enabled General Cole to move on to Europe, where he became head of the Army Air Force Exchange system. The failure of his superiors to act in Vietnam

also enabled Cole to continue his improper activities in Europe, where he favored certain vendors, among them the Tom Brothers, who had been in Vietnam. Evidence in the record shows that the matters relating to Gen. Earl Cole and Sarl Electronics were not pursued in Vietnam because there were high-ranking officers involved and because further investigations might prove embarrassing to the Army.

17. During the period while the subcommittee was investigating the conspiracy which involved General Cole and Sarl Electronics, the Department of the Army continued to cover up and "whitewash" its investigation of Brigadier General Cole. The Army, in fact, prematurely closed its case on General Cole on February 9, 1970. However, when the Army learned that the subcommittee was proceeding with its investigation and had uncovered evidence indicating improprieties in Cole's activities in Europe, the Army swiftly reopened its case on General Cole on March 11, 1970. The evidence in question was in the hands of the Army long before the Cole case was closed in February of 1970, although the CID had not pursued the matter. Brig. Gen. Harley Moore, formerly the Army's top CID officer in Europe, was asked his professional opinion about the premature closing of the Cole case on February 9, 1970. He called the Army's action "abysmally negligent."

The attempt by the Army to cover up the Cole matter was a calculated plan to ease Cole out of the service with the least possible embarrassment to the Army.

18. In September of 1968, General Cole arranged with one of William Crum's associates to provide accommodations for Col. Robert Ivey, the top legal adviser to the U.S. Army in Vietnam, in a suite at the Hilton Hotel in Hong Kong. Most of the bill was paid by one of Crum's firms, Price & Co. Cole was aware at the time he made this arrangement that it was an attempt to compromise Colonel Ivey. Cole knew that all vendors, including the firms Crum was associated with, Price & Co. and Sarl Electronics, would seek renewals late in 1968 of their authorization permits to sell goods to the military clubs. He also knew that Colonel Ivey, as the staff judge advocate, would participate in approving or rejecting the applications.

Earl Cole's conduct in his attempt to compromise a fellow officer in order to benefit William Crum is reprehensible, particularly in light of the fact that a general officer made the compromise attempt.

19. Cole exercised lack of judgment in writing to the exchange headquarters in Dallas to lend his name to an obvious promotional attempt by William Crum, broker for Carling's Black Label beer, to increase its importation allowances. This is a vivid illustration of how Cole helped Crum promote his products. The fact that Cole was working in the pacification program—and had nothing whatsoever to do with clubs or exchanges—compounds his wrongdoing in this matter.

20. The leasing arrangement with slot machines whereby the distributor of the machines kept ownership and continued to extract a percentage of the proceeds should never have been permitted in Vietnam. Brigadier General Cole's efforts to impose and perpetuate this leasing agreement in the clubs on behalf of Sarl Electronics conflicts with his frequent assertion that the welfare and morale of the American GI's were among his highest concerns. If the coin-operated gam-

bling devices were necessary for the morale and welfare of the troops—as Cole believed—then at least all the proceeds from these machines should have been returned to the GI clubs once the machines were paid for. Again, in his position in the pacification program, Cole tried to intercede with the officers at the Saigon port by arranging for the customs clearance of slot machines for Sarl Electronics.

21. In October of 1969 Cole allowed a weekend to go by before reporting to Army authorities that men who called themselves Jeff Bromley and Larry Gordon had offered him a \$50,000 bribe to invoke the 5th amendment before this subcommittee. Any official of the U.S. Government, civilian or military, who is offered a bribe should report it. Cole did not—and for that he must be severely criticized. The most fundamental standards of public service should have called for a different reaction to the bribe offer than the response Cole made; that is, to proceed to his former secretary's apartment in Munich where he spent the weekend.

22. Colonel Cole gave two conflicting explanations as to how William Crum managed to have his name engraved on a silver cigarette case presented as a going-away gift to Gen. William Westmoreland when he left Vietnam. Cole informed Senators that the gift was presented to General Westmoreland as a memento from senior American officials who worked in the pacification program in Vietnam. Cole denied he had anything to do with the fact that Crum's name was also engraved on the cigarette box. Crum, Cole said, added his name on his own without Cole's knowing about it. Cole said he purchased the cigarette case at the International House after the other senior pacification officials each contributed about \$5 toward the cost of it. Further, Cole could not recall discussing the cigarette box with Mr. Crum. But the Army Chief of Staff, General Westmoreland, heard a different explanation from Cole, according to a special Army report on this subject. According to this report, Cole "admitted" to General Westmoreland April 27, 1970, that he had "purchased the box through Mr. Crum." In addition, the Army report states, "It was during this meeting" between Cole and General Westmoreland "that General Westmoreland learned for the first time that the box was not in fact a joint gift from the officers whose names were embossed on it." The subcommittee concludes, therefore, that Cole lied to Senators or to General Westmoreland.

23. Cole denied under oath that he interceded or assisted William Crum and Sarl Electronics in Vietnam or that he authorized the storage of Sarl Electronics supplies at Long Binh which had been fraudulently imported into Vietnam. These denials, made first before the Army CID under oath in October 1969 and again before this subcommittee, are in direct conflict with the preponderance of evidence in this hearing record. The evidence is abundantly clear that Cole did, on numerous occasions, intercede and did actively promote the fortunes of William Crum and Sarl Electronics in Vietnam during the years 1967-68. The record also contains direct conflicts of testimony about Cole's trips to Hong Kong in 1967-68 and his lost weekend of October 10-12, 1969.

A copy of this report, with its findings, is being referred to the Department of Justice for appropriate action.

The committee also finds that Earl F. Cole's conduct falls squarely under article 134 of the Uniform Code of Military Justice in that his

actions in Vietnam and in Europe were prejudicial to good order and discipline of the Armed Forces. The seriousness of his misconduct as detailed in these hearings would have been cognizable by general court-martial.

24. The Army succeeded, until the subcommittee's investigation, in "covering up" two earlier cases involving corrupt activities of a clique of Army sergeants, including the first Sergeant Major of the Army, William O. Wooldridge. The first case was at Augsburg, Germany, and the second was at Fort Benning, Ga.

A small group of noncommissioned officers, including Wooldridge and Sgts. William Higdon, Seymour Lazar, Theodore Bass, William Bagby, and Narvaez Hatcher, while serving in 1963 in positions of trust with the 24th Infantry Division in Augsburg, monopolized and manipulated the club and mess system for their own financial gain. For example, evidence in the hearings showed that the illegal "skimming" operation they used to remove money for themselves from the slot machines within the Division's club system approximated \$300,000 to \$350,000 annually.

25. The Commander of the 24th Infantry Division, Maj. Gen. William A. Cunningham, is subject to criticism for his failure to act responsibly to halt the graft and corruption within the club system when evidence of wrongdoing was brought to his attention by the Division's club officer, Maj. William George.

26. Not until Gen. Edwin L. Rowny assumed command of the 24th Division from General Cunningham in 1965 was there an order for an outside investigation of the club system by the Army CID. The investigation was incomplete. Significantly, when the Army saw fit in July of 1966 to promote Wooldridge to become the first Sergeant Major of the Army—the highest rank for enlisted men—the serious charges involving Wooldridge and his associates which had surfaced in the Augsburg case had not been investigated. They still had not been pursued in May 1967 when the Augsburg case was closed and was downgraded to a classification which did not require the documents relating to it to be filed as a permanent record in the Army's repository at Fort Holabird, Md.

The "coverup" and the reluctance of the Army CID to pursue vigorously the investigation of the Augsburg case were designed to protect the Army from any embarrassment that might flow from a complete and thorough inquiry into Sergeant Major Wooldridge's activities while he served with the 24th Infantry Division.

27. The mishandling of the Augsburg case has further significance because Wooldridge and his associates, excepting Sgt. William E. Higdon, in 1967, became subjects in another Army CID investigation of graft and corruption within the club system at Fort Benning, Ga. This time the Army's top police officer—the Provost Marshal General of the Army, Maj. Gen. Carl Turner—took a number of extraordinary actions designed to protect Sergeant Major Wooldridge from investigation by Turner's own organization, the Army CID.

For example, General Turner directed the deletion of all references to Wooldridge's name in the Fort Benning inquiry. He also refused to grant his men permission to interrogate Wooldridge about his involvement in the Augsburg case. The CID agents at Fort Benning learned about the Augsburg case when one of the CID investigators who worked on the Augsburg matter told a Fort Benning CID investigator

about it. A formal request was then made of General Turner to release the Augsburg file to Fort Benning. Turner refused. Turner's arbitrary action was taken after he was aware that the contents of the Augsburg file indicated a pattern of illegal activity similar to that being disclosed at Fort Benning.

28. Before the Fort Benning case surfaced, General Turner had already acted improperly in connection with his official duties relating to Wooldridge. In April of 1967, U.S. Customs, acting on an informant's information, discovered that Wooldridge was attempting to smuggle liquor into the United States from Vietnam. Turner's reaction was to question the motives of the informant rather than address himself to the merits of the case.

29. The "protection" given by General Turner to Wooldridge and his associates was, in effect, a grant of immunity to them from investigation by the Army CID which Turner headed. The Army's top law enforcement official was grossly negligent in the performance of his official duties.

30. During hearings the subcommittee established that General Turner had used his position as Provost Marshal General for his own financial gain by profiting from the sales of a number of firearms that had been turned over to him by law enforcement agencies for use by the military. When this disclosure by the subcommittee was imminent, General Turner resigned from the position he then held, Chief Marshal of the United States.

31. The favored treatment given by General Turner to Wooldridge, Hatcher, Lazar, and other sergeants was quickly capitalized upon by them when they moved to Vietnam where all but Wooldridge were club system officials. They established a corporation, Maredem, Inc., through which they could sell club supplies to the club systems they controlled. During their first year of operation, Maredem sales were \$1.2 million. Approximately 87 percent of this volume of business came from clubs controlled by Sergeants Higdon and Hatcher and William Bagby, another Augsburg veteran.

32. Sergeants Higdon, Lazar, and Hatcher stole Government equipment to benefit themselves through the Maredem company. On August 26, 1967, Sergeant Lazar bought for the 1st Infantry Division club system a 20-ton walk-in freezer for approximately \$9,000. In January of 1968, Sergeant Hatcher, who had replaced Lazar as custodian of the 1st Infantry Division, shipped the freezer to Sergeant Higdon, the custodian at Long Binh, headquarters of the U.S. Army in Vietnam. On January 22, 1968, Higdon paid his own company, Maredem, \$13,415.86 for the freezer which Maredem had never owned and which was actually the property of the 1st Infantry Division.

33. The failure of the Army to investigate properly and to pursue vigorously the cases of corruption at Augsburg and at Fort Benning enabled Sergeant Major Wooldridge and his clique to move to Vietnam to continue their corrupt activities. The Army CID, in January of 1968, again failed to investigate thoroughly the charges against Brig. Gen. Earl Cole, Sergeant Higdon, and William Crum and his companies.

34. The action taken by the Secretary of Defense to reorganize the Army CID with vertical control from the Washington level of the

agency's worldwide operations in the future will go a long way toward preventing the premature closing of cases and the covering up of investigations. The subcommittee has shown that corruption flourishes and proliferates when those conditions are tolerated.

35. The example of Leo D. Slotnick, Navy custodian on Guam, illustrates how one person, occupying the same position of trust and sensitivity for 20 years without supervision, can grow in power. Slotnick, when he was in the United States in 1969, was showered with gratuities by a vendor, National Distillers. They gave him and members of his family free hotel accommodations, air transportation from the west coast to New York, and a chauffeured limousine upon his arrival in New York. In addition, Slotnick made a practice of asking other vendors for favors.

In the person of Leo D. Slotnick, the subcommittee finds an illustration of everything that is wrong with the manner in which military nonappropriated funds are managed. Subject to no true supervision, no independent audit, no General Accounting Office bookkeeping procedures, no constraints under which Government employees in appropriated fund programs must work, Leo Slotnick became a man answerable to no code of behavior but the dictates of his own conscience. No Federal employee should live in such a sanctuary.

36. The subcommittee's hearings disclosed the serious shortcomings in communication and data exchange which have prevailed among U.S. military investigative agencies such as the Army CID, the Air Force OSI, and Navy Intelligence.

The activities of William Crum illustrate the situation which prevailed. Information about his conduct in Korea in the 1950's, although known to the Army CID in Korea, was not relayed to other investigative agencies of the military services. Consequently, after his activities finally forced him to leave Korea, he was free to move back into the same business, using the same methods, elsewhere in the Far East. In Vietnam in 1965 Crum provided a villa to top Navy PX procurement personnel. Later, during the same year Crum supplied another villa, this time to the top procurement personnel of the Army/Air Force Exchange System.

For nearly two decades, the several investigative agencies of the military services had information that William J. Crum engaged in questionable activities in pursuit of business with the U.S. Armed Forces in the Far East. This subcommittee exposed the trail of improprieties and corruption left by Crum throughout the Far East. The armed services had never taken effective action to control Crum's illicit practices. Rather, he was befriended and protected by general officers. Were it not for this investigation, William Crum might still be selling his wares in Vietnam.

37. The Army, Air Force, Navy, and Marine Corps should have taken steps long before this investigation to coordinate their debarment proceedings and investigative work concerning club and exchange vendors and concessionaires. The reputation for illicit practices which the Service Games organization enjoyed as late as 1962 was sufficient information to prohibit this enterprise from conducting any business in the Vietnam theater of war.

38. For many years since the United States started maintaining large contingents of troops in Europe and the Far East, slot ma-

chine profits have been the greatest single source of revenue for military service clubs abroad. It is equally true that slot machines also have been the greatest single cause of corruption within the club system. Disclosures in the subcommittee's hearings demonstrated the magnitude of the corruption, for example, in details of the slot machine "skimming" operations within the club system of the 24th Infantry Division at Augsburg, Germany.

Sarl Electronics was the Vietnam distributor for the Service Games complex of companies overseen by Martin J. Bromley in the Far East and in Europe since the end of World War II. The Service Games operation, including more than two dozen associated and subsidiary companies, has had since its founding a history of corruption. Charges against the complex and its operators and employees have included many customs violations in many countries, the use of fraudulent military purchase orders, violations of military transport regulations, bribes, illegal gratuities to military and civilian personnel of the armed services, smuggling, and many other irregularities in the slot machine field in Korea, Japan, Okinawa, the Philippines, Germany, Guam, Vietnam, Thailand, and other American military stations.

A Military Assistance Command/Vietnam (MACV) directive removed slot machines from military reservations in Vietnam early in 1971. At this writing however, the Army has shown no inclination to ban slot machines worldwide. After 2 years of hearings and unprecedented embarrassments to the Army, the subcommittee finds the Army's lack of action in this regard an invitation to further corruption. Among the other services, the Air Force is showing better judgment and is phasing out slot machines on air bases abroad and will be rid of them completely in 1972. But the Marine Corps and Navy, like the Army, are continuing to tolerate the machines in foreign installations. Again, the subcommittee finds this most unwise. [On October 13, 1971—before this report was published—the Army announced that slot machines would be removed from all its installations worldwide by July of 1972.]

39. The existence of the currency black market in South Vietnam worked at cross purposes with the American effort in that country to help stabilize the piaster. In an already inflationary atmosphere, the black market in money seriously set back U.S. programs aimed at creating a more normal monetary situation. The currency black market enabled many persons, Americans among them, to profit from the Vietnam war. They undercut the Allied effort at the same time. In addition, seeing Americans openly trading in the currency black market was not a particularly inspiring sight for the Vietnamese, who were frequently admonished about corruption within their Government.

40. The appropriate Federal agencies had ample experience with war-time economies to have, first, anticipated the widespread existence of a currency black market in Vietnam and, second, taken steps, in conjunction with the Government of Vietnam, to prevent the black market from reaching the dimensions it did.

A number of American banks were derelict in their responsibility to their own Government in not taking effective steps 5 and 6 years ago to prevent the use of their facilities in the currency black market in Vietnam. In addition, the Treasury Department and other agencies

of the executive branch were derelict in not urging the banking industry to take the necessary actions to insure that black market transactions in American banks would be kept to a minimum. Simple procedures would have been helpful such as briefings to bankers by Government officials on how the currency black market works and what kinds of transactions to be on the lookout for.

Following the subcommittee's disclosures involving the currency black market in Vietnam, the executive branch established the Interdepartmental Action Task Group, Vietnam (IATG) which was formed by the State, Treasury, and Defense Departments and AID to deal with the illegal currency manipulations affecting South Vietnam. The action in establishing this special task group at the highest level to handle this most difficult and perplexing problem is commendable.

41. The Washington, D.C., law firm of Trammell, Rand, Nathan & Bayles was attorney for a number of persons and firms which were under investigation in the hearings. The subcommittee makes no finding about the propriety of the law firm's multiple representation of these persons and entities.

XXIII. RECOMMENDATIONS

1. The subcommittee recommends that the Department of Defense consolidate all nonappropriated fund activities (NAF), including the clubs and messes, Army and Air Force Exchange System and welfare funds, into one Defense governing body with a board of directors and board secretariat which would provide the Secretary of Defense with an in-house organizational structure to control and audit NAF operations of all Department of Defense components such as the Army, Air Force, Navy, and Marine Corps. The following advantages would come from such a Defense governing body for nonappropriated funds:

(a) It would provide each DOD component with a board representative and thus a voice in its own operations, as well as a voice in overall DOD organized NAF activities.

(b) It would provide one controlling body to oversee the entire NAF structure in lieu of the existing splintered groups.

(c) It would establish organizational control at the highest levels.

(d) There is a need for uniformity in all phases of management—financial, personnel and logistics. This uniformity can be accomplished by providing direction through a single policy group, such as the proposed board.

(e) The four services need a common and centralized approach to such matters as employment, employment benefits, and other operational aspects of nonappropriated fund activities. For example, each service today has its own employment system, and all of them differ widely in rules, regulations and conditions of employment. Board control would bring uniformity in all important areas.

2. The subcommittee recommends for the consideration of the Congress legislation that would create a Department of Defense Inspector General of Assistant Secretary rank who would investigate malfeasance and wrongdoing within all the services. This position would resemble that of Inspector General for Foreign Assistance at the Department of State. The DOD Inspector General would report directly to the Secretary of Defense. In drafting the legislation creating the State Department Inspector General for Foreign Assistance, the Congress noted that "One of the major problems which has always confronted the Secretary of State in connection with the foreign aid program has been that information as to the shortcoming has not penetrated to him until too late for proper preventive and remedial action." The subcommittee believes this point is also applicable to the Department of Defense. It is not intended that the DOD Inspector General have responsibility for carrying out routine audits or other control operations. It is expected that the operating agencies will carry out their own investigation, auditing and evaluating activities. The In-

spector General would have access to the audits, reports and the records of those having operating responsibility rather than perform such services. The IG's staff should include personnel with backgrounds in criminal investigation, accounting, Government service and military affairs.

3. The subcommittee recommends for the consideration of the Congress legislation that would authorize the General Accounting Office to have access to the records and other files of nonappropriated activities just as it has access to the records and files of appropriated fund activities.

4. The subcommittee recommends that the Alcohol, Tobacco and Firearms Division of the Treasury Department conduct a nationwide survey of police departments, sheriff's offices, State and Federal law enforcement agencies to determine how each of these disposes of firearms and other weapons confiscated from criminal suspects and others. At the conclusion of this survey, the Treasury Department would be directed to make its findings available to the Congress, along with recommendations as to how a nationwide and uniform system of disposing of confiscated weapons could be implemented.

5. The subcommittee recommends for the consideration of the Congress legislation that would prohibit any Federal official, military or civilian, from personally collecting or accumulating or transferring confiscated or contraband weapons except when it can be fully documented that the weapons are for the use of a duly accredited museum or Government training center. Documentation would consist of a notarized statement from the commanding officer or director of the museum or center which would specifically state the prospective uses of the weapons and which would contain the additional stipulation that the weapons would not be resold under any circumstances but would be destroyed when their stated uses end.

6. The subcommittee recommends that all contracts entered into by a U.S. military nonappropriated fund activity contain a clause asserting that refusal by the contracting company to subject its records to audit and examination by duly authorized military or congressional investigative units could be grounds for automatic termination of the contract. To achieve this end, the subcommittee recommends that the Department of Defense carry out a study to determine the best and most fair manner in which to draft and insert this clause into non-appropriated fund contracts and to report its findings to the Congress in no less than 6 months.

7. The subcommittee recommends that the Department of Defense conduct a study to determine an effective system whereby the Exchange Service will be able to assure the subcommittee that the assets of the vendors who do business with the Exchange Service will be subject to the service of legal process. This should be done in such a manner that the vendor contractually designates an official, duly authorized by the Department of Defense, as its attorney to receive such service—within the Continental United States if need be—and the designation should be irrevocable during the period that the vendor, or any successor in interest, is eligible to do Exchange business, or during the lifetime of the contract. The result of this study should be reported to the Congress no later than 6 months after the filing of

this report. The Subcommittee also recommends to the Congress that legislation to accomplish this goal be considered, depending upon the outcome of the Pentagon study.

Such a system should be accompanied by a requirement that a vendor make available to the Exchange Service the names and addresses of the officers, major stockholders, and principal employees of the vendor company at the time of making application for permission to do business with the Exchange Service. This information should be kept in a permanent record and be available to Regional Exchanges and to the various investigative agencies of the Federal Government and the Congress, upon request.

8. The subcommittee recommends that the Army reevaluate and review the position of Sergeant Major of the Army. If the Army finds that the position is largely one of public relations and good will, then the occupant of that position should not be allowed to intervene in matters such as the assignment of enlisted personnel. If, on the other hand, it is found that the Sergeant Major of the Army is fulfilling genuine advocacy functions in connection with the rights and needs of enlisted men, then he should be vested with the responsibility and authority of representing enlisted men in well-defined terms that are made known to enlisted men throughout the Army.

9. The subcommittee recommends that the Department of Defense ban all slot machines from all property owned, leased, rented or otherwise controlled by any service of the U.S. Armed Forces. It is further recommended that this order banning slot machines be published immediately and that the effective date be no later than 6 months from the date of issuance or no later than 1 year from the publication of this report. A slot machine is defined as any coin-operated game of chance which pays out money or tokens or items of value.

10. The subcommittee recommends that the Department of Defense survey the live entertainment programs offered by clubs and open mess systems in this country and abroad and evaluate their efficiency and cost and report its findings to the Congress within 1 year. The subcommittee recommends for consideration that a system be worked out whereby certain minimal entertainment costs of the U.S. Armed Forces be line items in the military appropriations budget. This recommendation is in keeping with the opinion expressed by the acting chairman, Senator Ribicoff, that American servicemen should have certain minimal entertainment performed in their clubs and messes at no cost to them directly or to nonappropriated funds generally.

11. The subcommittee recommends that all overseas military post exchanges and PX and other club concessions such as gift shops be prohibited from selling items of no general use or application in the region in which they are sold as determined by NAF organizational body outlined in the first recommendation of this section. For example, furs should not be sold in exchanges or concessions in Southeast Asia. In addition, the subcommittee recommends that overseas exchanges evaluate each of the items they sell on the basis of real needs as well as quality and cost. There was no need in Vietnam for diamonds and precious metals or furs, for instance, but the goods were sold in Vietnam outlets anyway. Quick response to demand should be tempered by good judgment.

12. The subcommittee recommends that legislation be introduced creating an independent commission to evaluate the relative financial benefits to active and retired servicemen and their families from non-appropriated fund activities, particularly exchanges and exchange concessions and commissaries. The commission would evaluate the efficiency of these activities and report its findings to the Congress with recommendations for reform where needed.

13. It is recommended the Army and Air Force Exchange System and the locker funds in the Far East and Europe reevaluate their policy of classifying sales figures, the type and brand name of liquor used in or purchased by open messes or customer preference. It is hoped that by making this data readily available to all vendors or their representatives it would nullify any advantage that one competitor might have over another through the use of bribery and payoffs to obtain such data.

14. The investigation has shown the need for a code of ethics for businesses which deal with Department of Defense personnel involved in nonappropriated fund activities. The subcommittee recommends that the several trade associations representing the firms in this area take the necessary initiative to formulate and implement such a code. It is hoped that this code would reflect the requirements made of DOD personnel as contained in the DOD Directive 5500.7 "Standards of Conduct."

It is further recommended that the Department of Defense undertake appropriate steps to refresh its personnel as to the language and meaning of the above mentioned directive and on a continuing basis make every effort to insure that all personnel are so apprised of its provisions and spirit.

15. The subcommittee recommends that the Internal Revenue Service conduct a study to determine the extent to which businesses are able to give gratuities to Government employees and to write off these contributions as business expenses. This study would be conducted to ascertain the need for improving tax laws, regulations, information requirements, and tax return instructions to require disclosure of, or production of records kept of, contributions and gratuities paid to Federal employees including military personnel by businesses filing tax returns with the IRS. The result of this study should be reported to the Congress no later than 6 months after the issuance of this report.

Senator Karl E. Mundt participated in the hearings and executive sessions on which the above report was prepared on a limited basis only and, therefore, neither approves nor disapproves of it except to authorize its filing as an official report made by the subcommittee.

The members of the Committee on Government Operations except those who are members of the Senate Permanent Subcommittee on Investigations, did not sit in on the hearings and executive sessions on which the above report was prepared. Under these circumstances, they have taken no part in the preparation and submission of the report, except to authorize its filing as a report made by the subcommittee.

