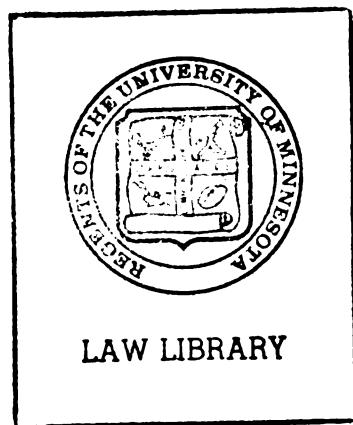

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MacKinnon, J.

UNITED STATES COURT OF APPEALS
FOR THE DISTRICT OF COLUMBIA CIRCUIT

No. 81-2

September Term 1981

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V.O.~~

Division for the Purpose of
Appointing Special Prosecutors
Ethics in Government Act of 1978

Before: Robb, Senior Circuit Judge, Presiding, Lumbard, Senior
Circuit Judge, and Morgan, Senior Circuit Judge

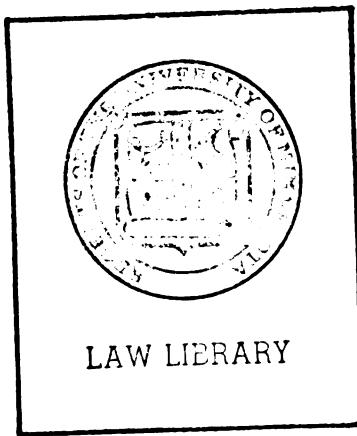
REPORT OF THE SPECIAL PROSECUTOR

Volume 2

June 25, 1982

Leon Silverman
Special Prosecutor

June 25, 1982



US- J1.2/2: D71 and# v.2

Silverman
Report of the special
prosecutor

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NOTICE

This is the edited version of the four-volume, 1025-page Report of the Special Prosecutor, released pursuant to Court Order. All grand jury material and certain informant information--including entire allegations--which, if disclosed, could jeopardize the lives of the informants, has been deleted. None of the conclusions has been modified in substance.

SEP 23 1982

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PART THREE: CONCLUDING MATTERS

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Volume Three

Appendix

Exhibits

a. Frank (Chickie) Moscato

i. Statement to the Special Prosecutor

On February 23, 1982, Frank (Chickie) Moscato ("Frank") was interviewed by agents of the Special Prosecutor. He stated, inter alia, that his family previously owned the Li'l Red Buggy in Jersey City, but sold the restaurant several years earlier to a fellow named [Louis] Russo who was currently operating it under the name, Casa Dante's. Frank added that, after the sale of the Li'l Red Buggy to Russo, he continued to frequent Casa Dante's for approximately six months. He stopped patronizing the restaurant following an argument with the new owner.

Referring to Mr. Donovan, Frank asserted that he had "never met the man." He specifically denied ever having dined with the Secretary. He was unable to state categorically that Mr. Donovan was never in the Li'l Red Buggy or Casa Dante's at any time that he himself might have been. However, Frank was insistent that he had never taken a meal with Mr. Donovan at any time or place.

When lunching or dining at the Li'l Red Buggy and Casa Dante's, Frank said, he had no favorite table. However, he preferred to sit either in the back or the front of the dining room area, in a table against the wall. During his interview with the agents, he refused to identify the persons with whom either he or his brother, Philip, patronized either the Li'l Red Buggy or Casa Dante's.

In the early 1970's, Frank Moscato recalled, the Moscato Brothers Construction Company ("Moscato Brothers") had one small business dealing with SCC. He described SCC as much larger than Moscato Brothers and engaging in different construction work; Moscato Brothers concentrated on houses and other small projects, not heavy construction. On the sole project that Moscato Brothers worked with SCC, the Moscatos dealt with a man named Frank (surname unknown) who, Frank Moscato said, was no longer employed at SCC.

ii. Grand Jury Testimony

Frank (Chickie) Moscato testified before the grand jury. [GRAND JURY MATERIAL DELETED.]

b. Philip (Brother) Moscato

i. Statement to the Bergen Record

The February 8, 1981, edition of The Sunday Record carried a front page article³²⁴ which reflected, inter alia, an interview between the Record reporter and Philip (Brother) Moscato. As it related to Moscato, the article focused on contracting work Moscato Brothers may have performed for SCC; it reported, in pertinent part:

Moscato used to operate several businesses . . . Two of his more active firms in the building trades were City Construction and City Demolition.

Contacted Friday in Florida, Moscato said that he had indeed done subcontracting for the Schiavone company.

324 A copy of the article is annexed as Exhibit 50.

"Yea, I did some work for them," said Moscato. "I don't know which [of my companies] it was, but we done work for them--demolition, hauling."

Asked how much work, he said: "I don't know. It was spread out over a period of years. . . . It was 100% legit." Moscato said he couldn't recall with whom he dealt at SCC: "Whoever the guy was who gave out the subcontracting work."

Asked if he ever met Donovan, Moscato replied: "I doubt it. I knew of him, that he was one of the owners or bosses of the company. That's about it."

Moscato called [Ralph] Picardo a "stool pigeon" who is making up stories.

Exhibit 50 at A19, cols. 2-3.

ii. Grand Jury Testimony

Philip Moscato testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

iii. Subsequent Statement
To the Special Prosecutor

On June 8, 1982, the Special Prosecutor interviewed Philip (Brother) Moscato. Among other things, Moscato stated that he, together with his brother, Frank; his brother-in-law, Charles Cipriano; and Frank Alfieri, owned the Red Buggy Restaurant in Secaucus from the latter part of 1969 until January 1970, when the Red Buggy was destroyed by fire. Some-time prior to the destruction of the Red Buggy, Moscato met Mr. Donovan. He was uncertain whether he met the Secretary at the Red Buggy, but he believed that Mr. Donovan had patronized that restaurant. Moscato was unsure how many times he had spoken with Mr. Donovan; he thought he and the Secretary had spoken more than once, but he declined to extend

"more than once" to "more than twice." Moscato was uncertain whether the Secretary would know or recognize him.

Moscato denied that he had ever eaten a meal with Raymond Donovan in the Red Buggy or in any other restaurant. To the best of Moscato's knowledge, he never saw Mr. Donovan either in the Little Red Buggy or Casa Dante's.

Further, Moscato denied that he ever attended any party or affair of any sort at the Diplomat Hotel in Hallandale, Florida, for Paul Vario, whom Moscato did not know. Moscato also denied having attended any cocktail party at the Diplomat in the company of Jack Napoli, Alphonse (Allie Boy) Persico, Carmine Persico, Hugh McIntosh, John Napoli, John Matera, Thomas Farese and Anthony Induisi.

An avid golfer, Moscato stated that he played at the Doral Country Club on numerous occasions, including several tournaments. However, he did not recall ever having played at Doral with Angelo (Butch) LaGrasta, whom he knew, or Joseph Santora, whom he did not know.

On one occasion, Moscato golfed at Doral with Jack Napoli. He further recalled having played in, and won, a Doral tournament sponsored by Meat Land USA, a company owned by Jack Napoli. Moscato was uncertain who was in his foursome at that tournament, but he was certain that it was not LaGrasta or Santora. Moscato never met Raymond Donovan at the Doral Country Club.

Moscato had eaten in Francesco's Restaurant, Passaic, New Jersey, a number of times, once with Jack Napoli together with Napoli's brothers, Anthony and John Napoli, and a man named Dennis (last name unknown) in approximately 1980. Moscato did not remember ever having seen Jack Napoli at Francesco's other than on that one occasion. Moscato never saw Raymond Donovan at Francesco's.

Moscato denied that he ever held an ownership interest in Sea Inn Restaurant in Hallandale, Florida. He stated that he was for some time the manager of the Sea Inn. He denied ever having seen Mr. Donovan at that restaurant, either alone, or together with Anthony Induisi or Dennis Cinnante.

Anthony (Tony) Gallagher and his daughter, Beatrice, were known to Moscato as owners of Anthony's (or Tony's) Restaurant ("Anthony's") in Hallandale, Florida. Moscato met the Gallaghers at Anthony's a few months prior to Moscato's interview. Moscato also recalled having met Gallagher one time previously, but he was uncertain as to the location or circumstances of the meeting. Moscato stated that he never discussed his Federal grand jury testimony, either before or after his appearances, with either Anthony or Beatrice Gallagher. Moscato further denied ever having spoken to either of the Gallaghers about any notarized statements or affidavits concerning the Special Prosecutor's investigation or any other matter.

At one time, Moscato was planning to go into the meat business in Florida with Jack Napoli. However, Moscato became distrustful of Napoli and never entered into that business relationship.

Moscato denied ever having been a partner of Jack Napoli in a Florida garbage carting business known as All State Carting. Moscato, moreover, denied having heard of that company. However, Moscato stated that on behalf of someone else from Secaucus he had approached Napoli, who had a garbage business for sale. Upon Moscato's discovery that Napoli's trucks were in a state of disrepair and the company in litigation, no deal was ever consummated.

In 1970, doing business as Moscato Brothers with his brother, Frank; his uncle, William Moscato; and his brother-in-law, Charles Cipriano, Moscato was awarded some work from SCC, having submitted the lowest bid. Moscato pointed to an \$825 invoice to SCC dated September 28, 1970, which he believed related to work in the area of the Newark Airport, as reflecting the work that he recalls specifically.

Additionally, Moscato believed that Moscato Brothers had done work on Littletown Road in Boonton, New Jersey, demolishing houses in the early 1970s. However, Moscato was uncertain whether that demolition work, which involved contracts exceeding \$10,000 was done, pursuant to a contract with SCC or a direct contract with the New Jersey Department

of Transportation. Moscato believed that the latter was the party with whom Moscato Brothers had contracted.

Moscato noted that City Construction was owned not by Philip or Frank Moscato but by their cousin, John Lisa, for whom Philip Moscato worked, performing certain tasks including bidding. Philip Moscato submitted a successful City Construction bid to SCC with respect to the demolition of a building adjoining the SCC offices in Secaucus in February 1972. Moscato did not speak with Mr. Donovan in connection with that job, which was the only SCC-related job involving City Construction in which Moscato participated.

iv. Further Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

c. Red Buggy Investigation

i. Francis D. Alfieri, Jr.

A. Statement to the Special Prosecutor

Agents of the Special Prosecutor interviewed Francis D. Alfieri, Jr., on April 29, 1982. Among other things, Alfieri stated that it was in approximately 1968 that he purchased a 10% interest in the Red Buggy Restaurant located on County Road in Secaucus, New Jersey. Frank Moscato and Charles Cipriano owned the remaining 90% interest.³²⁵ Cipriano also served as the restaurant's manager. Alfieri

325 To Alfieri's knowledge, Philip Moscato had no financial interest in the Red Buggy.

believed that the restaurant was open from June or July 1968 until January 1969, when it was destroyed by fire.³²⁶

The restaurant was open from 11:30 a.m. until 2:00 a.m. seven days per week. Although Alfieri did not work at the restaurant, he usually was present on Friday, Saturday and Sunday evenings, to greet friends who patronized the establishment. He also stopped in during the week, if he was in the Secaucus area.

Alfieri first met Raymond Donovan in the mid-to-late 1960s in connection with Alfieri's principal employment as a vice president and salesman of Johnson Dealaman, Inc. ("Johnson Dealaman"), which leases cranes and sells cranes, concrete mixers and concrete plants. For approximately a decade, SCC purchased and leased equipment on a sporadic basis from Johnson Dealaman. Alfieri's business relationship with Mr. Donovan terminated in 1976 or 1977, when Messrs. Donovan and Alfieri had a personal argument. Alfieri recalled seeing Mr. Donovan at the Red Buggy on only one occasion, at which time the Secretary was eating with another SCC employee, engineer Ed Cole.³²⁷

326 Although this period is well under a year in duration, Alfieri simultaneously maintained that the restaurant remained open for approximately one and one-half years and stressed that he was uncertain of the dates he provided.

327 Interviewed by an agent of the Special Prosecutor on May 8, 1982, Edward G. Cole, a former SCC employee, recalled having been in the Red Buggy on one occasion at the same time that Mr. Donovan was present, although the two of them were not in the same party.

When the Red Buggy burned down, Alfieri advised, all of its books and records were destroyed.

B. Grand Jury Testimony

Francis D. Alfieri, Jr. testified before the grand jury. [GRAND JURY MATERIAL DELETED.]

ii. Charles P. Cipriano

A. Statement to the Special Prosecutor

On April 22, 1982, agents of the Special Prosecutor interviewed Charles P. Cipriano. Among other things, Cipriano stated that from approximately July 1970 until January 1971 he was employed as the manager and maitre d' of the Red Buggy Restaurant located on County Road in Secaucus, New Jersey. Cipriano also owned a one-third interest in the Red Buggy; his partners were his brother-in-law, Frank Moscato, and Frank Alfieri. The records relating to the restaurant were destroyed in the fire that consumed the building on January 14 or 15, 1971.

Cipriano never met or saw Raymond Donovan, whose picture was displayed to him. While he was unable to say that Mr. Donovan was never a customer of the Red Buggy,³²⁸ Cipriano had no knowledge of Mr. Donovan's ever having visited the premises.

328 The restaurant area of the Red Buggy seated approximately 60-75 people; another 40 could be accommodated in the bar area; and a large room located in the rear of the restaurant, used for banquets, accommodated an additional 150 people.

After the demise of the Red Buggy, Cipriano left the restaurant business. He did patronize the Li'l Red Buggy and Casa Dante's in Jersey City. However, he never saw Raymond Donovan at either establishment.

B. Grand Jury Testimony

Charles P. Cipriano appeared before the grand jury.

[GRAND JURY MATERIAL DELETED.]

d. Casa Dante's Investigation

i. Patrick J. (Trixie) Ross

A. Statement to the Special Prosecutor

Agents of the Special Prosecutor interviewed Patrick J. (Trixie) Ross on March 1, 1982. Ross stated, among other things, that he was a close friend of Joseph Szapor from approximately 1960 until 1970, when they had a serious falling out resulting in fisticuffs. Ross and Szapor were partners in a truck leasing business for approximately one year, during 1968-1969. Ross also acknowledged that he had been acquainted with both Philip and Frank Moscato for several years.

Ross patronized the Red Buggy, Li'l Red Buggy and Casa Dante's Restaurants. To his knowledge, he never met or saw Raymond Donovan in any of those establishments, or elsewhere. Philip Moscato, the Moscato with whom Ross was the better acquainted, never told Ross that he had ever eaten with Mr. Donovan at either of those restaurants.

B. Grand Jury Testimony

Patrick J. Ross testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

ii. Robert (Lutzy) Luizzi

A. Statement to the
Special Prosecutor

On February 25, 1982, Robert A. (Lutzy) Luizzi was interviewed by agents of the Special Prosecutor. Luizzi, who was then on sick leave from his duties as business agent for Teamsters Local 560, stated, among other things, that, as a regular customer of the Red Buggy in Secaucus, he became acquainted with Philip and Frank Moscato. After the demise of the Red Buggy, Luizzi patronized the Li'l Red Buggy only two or three times. After the restaurant became Casa Dante's, Luizzi returned two or three additional times, last in 1976 or 1977.

Luizzi was able to identify Raymond J. Donovan's photograph from a spread, remarking that he had seen the man in the newspaper a thousand times. However, Luizzi had never met Mr. Donovan or been in his company on any occasion.

B. Grand Jury Testimony

Robert A. Luizzi testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

iii. Louis Russo

On February 23, 1982, agents of the Special Prosecutor interviewed Louis Russo, owner of Casa Dante's Restaurant.³²⁹ Among other things, Russo stated that he opened Casa Dante's on the site of the former Bobby's Restaurant in 1976. He purchased the site from Play Pen Corporation, whose president was Maryann Moscato. Her brothers, Philip and Frank Moscato, effectuated the sale. Russo is the sole owner of Casa Dante's. His primary area of responsibility being in the kitchen, Russo has had little to do with the operations of the restaurant. Those he has left to his nephew, Luigi Iaccarino.

Both Philip and Frank Moscato frequented Casa Dante's for an extended period of time after it opened in 1976. Ultimately, they were confronted by Iaccarino for failure to pay a large bill, and they were no longer permitted in the restaurant after an argument in 1978 or 1979. Mr. Russo did not know who Mr. Donovan was and could not recall ever having heard anything about him. He was unable to identify Mr. Donovan's photograph from a spread.

iv. Anthony Russo

Agents of the Special Prosecutor interviewed Anthony Russo, assistant manager of Casa Dante's, on February

329 Mr. Russo was not summoned to appear before the grand jury. [GRAND JURY MATERIAL DELETED.]

24, 1982.³³⁰ Among other things, Russo confirmed that his father had purchased the restaurant from Play Pen Corporation, of which Maryann Moscato was President. After Casa Dante's opened, the Moscato brothers, with whom Russo was acquainted from the negotiations for the purchase of the premises, continued to frequent Casa Dante's approximately twice a week for about two years. Eventually, they were declared persona non grata for failure to pay a sizeable overdue bill.

Anthony Russo was familiar with Raymond J. Donovan as a political figure, but he stated that he had never seen or met Mr. Donovan nor known him to frequent Casa Dante's.

v. Luigi Iaccarino

On February 23, 1982, Luigi Iaccarino was interviewed by agents of the Special Prosecutor.³³¹ Iaccarino, the manager of Casa Dante's since November 3, 1976, is the nephew of Louis Russo. Iaccarino is familiar with the Moscato brothers from their patronage of Casa Dante's prior to the time that their line of credit was terminated.

Iaccarino had seen Raymond Donovan on television, but he had never met Mr. Donovan. To his knowledge,

330 Anthony Russo was not summoned to appear before the grand jury. [GRAND JURY MATERIAL DELETED.]

331 Luigi Iaccarino was not summoned to appear before the grand jury. [GRAND JURY MATERIAL DELETED.]

Mr. Donovan was never present in Casa Dante's.³³²

vi. Louis Terminiello

Agents of the Special Prosecutor interviewed Louis Terminiello, a waiter at Casa Dante's since 1976, on February 24, 1982.³³³ Terminiello recalled having seen Philip Moscato at Casa Dante's on only one occasion, the name Raymond Donovan meant nothing to him, and he did not identify a photograph of Mr. Donovan from a spread that was shown to him.

vii. Vittorio Squitieri

Vittorio Squitieri, a waiter at the Casa Dante Restaurant since 1976, was interviewed by agents of the Special Prosecutor on February 23, 1982.³³⁴ Squitieri acknowledged that he was acquainted with both Philip and Frank Moscato, who came to the restaurant for dinner once or twice per week until approximately 1978. However, he had never heard of Raymond Donovan; nor did he recognize as familiar a photograph of Mr. Donovan which was contained within one of several spreads shown to him.

332 After reviewing a series of photographic spreads, Iaccarino selected the photograph of Mr. Donovan as depicting someone whom he had seen somewhere. However, he was not certain whether he had seen him at Casa Dante's. Iaccarino volunteered that he did not believe he had seen Mr. Donovan in the restaurant but said he could not be absolutely positive.

333 Louis Terminiello was not summoned to appear before the grand jury but the substance of his interview was reported to the jurors by one of the interviewing agents.

334 Vittorio Squitieri was not summoned to appear before the grand jury but the substance of his interview was reported to the jurors by one of the interviewing agents.

viii. Ralph Torraco

A. Statement to the
Special Prosecutor

On February 24, 1982, at the suggestion of Louis Russo, owner of Casa Dante's, two agents of the Special Prosecutor went to the office of Ralph Torraco, the restaurant corporation's accountant to procure certain Casa Dante's documents. Torraco was, however, vehemently uncooperative and abusive to the agents.

B. Grand Jury Testimony

Ralph Torraco testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

C. Subsequent Development

After obtaining Torraco's Casa Dante-related documents, the Special Prosecutor learned that Torraco was under indictment in the District of New Jersey. It was determined prudent not to seek an order conferring statutory use immunity on Mr. Torraco.

e. Napoli Allegation Investigation

Jack Napoli, in the final version of his allegation, placed Mr. Donovan with Philip (Brother) Moscato at two functions--a benefit golf tournament at the Doral Country Club, Miami in 1979, and shortly thereafter a party celebrating the release from jail of Paul Vario, at the Diplomat Hotel, Hallandale, Florida--and in two restaurants, the Sea Inn and Francesco's. There was no record that either of the alleged functions ever was held, and none of the purported attendees

interviewed by the Special Prosecutor corroborated Napoli in any respect. Moreover, none of the persons identified by Napoli as witnesses to the alleged restaurant meetings--nor any restaurant personnel--confirmed that either meeting occurred.

i. Doral Country Club

Agents of the Special Prosecutor interviewed David Ethridge, Director of Security at Doral, on May 24, 1982. Among other things, Ethridge furnished the agents with documentation concerning all golf tournaments played at Doral in February, March and April 1979. There was no record of any benefit tournament for the Parkinson Disease Foundation in 1979. However, Ethridge advised the agents that Meat Land USA, which the agents knew to be a company which Jack Napoli once owned, did sponsor a golf tournament at Doral on May 31, 1980, the proceeds of which went to the Parkinson's Disease Foundation.

Ethridge also reviewed for the agents the Doral guest list of persons who stayed at the Club during 1979. There was no record of Raymond Donovan having done so.

ii. James Montgomery

On May 24, 1982, an agent of the Special Prosecutor interviewed James Montgomery of Justin Associates, Miami, Florida. Montgomery was responsible for securing sponsorship of the First Annual Golf Tournament for Parkinson's Disease on May 31, 1980, at Doral. Montgomery originally arranged

for Jack Napoli's company, Meat Land USA, to sponsor the tournament.

Montgomery furnished the agent with a list of the players who participated in the tournament. The records reflected that Philip Moscato played in a foursome with Sandy Pagliocco, Carlo Antonino and Carlo Bungalaro. There was no record of Angelo (Butch) LaGrasta, Joseph Santora, Raymond Donovan or Jack Napoli having played. Moreover, Montgomery added, that was the sole tournament ever held for Parkinson's Disease at Doral.

Questioned about the feasibility of a player having left the ninth hole of the course on which the tournament was played in order to go to the bar area, Montgomery said that was not possible during tournament play. The agents observed that the bar was located 450 yards from the ninth hole, close to the 18th green. According to Montgomery, the only way a player could have proceeded to the bar area after the ninth hole would have been if the tournament had utilized a shotgun start whereby certain players had played the back nine holes first. That was not done. Montgomery further noted that there was no reason for a player to have left the course for a drink because free drinks were provided on the golf carts for all players.

Montgomery did not recall anyone by the name of Ray Donovan playing in that tournament.

iii. Joseph Santora

On May 21 and 25, 1982, agents of the Special Prosecutor interviewed Joseph Santora, who stated, inter alia, that he had never golfed at Doral. Santora was certain, moreover, that he had never golfed with either Philip (Brother) Moscato or Jack Napoli. Further, Santora had never golfed with Angelo (Butch) LaGrasta at Doral. Finally, he specifically denied that he had played in the benefit golf tournament at Doral on May 31, 1980, which Meat Land USA sponsored for Parkinson's Disease.

iv. Angelo (Butch) LaGrasta

Agents of the Special Prosecutor interviewed Angelo (Butch) LaGrasta on May 21 and 25, 1982. LaGrasta did not recall ever having played in any benefit golf tournament for Parkinson's Disease held at Doral in 1979 or 1980, specifically including any tournament held on May 31, 1980. LaGrasta was certain that he had never golfed in a foursome with Philip (Brother) Moscato and Joseph Santora, both of whom he was acquainted with. LaGrasta had played the Doral course on only three occasions: once in a tournament sponsored by Bacardi Rum and Eastern Airlines in approximately August 1979 and twice with his wife.

A photospread was shown to LaGrasta, who failed to recognize the photograph of Mr. Donovan. When the picture was singled out to him, LaGrasta said that he had never met the man pictured.

v. Diplomat Hotel

On May 24-25, 1982, agents of the Special Prosecutor interviewed Thomas Romeo, Director of Security, Diplomat Hotel, Hallandale, Florida. Upon review of the records of the Diplomat Catering and Banquet Department, Romeo advised that there was no record of any reserved banquet room or any party during February-March 1979 or April-June 1980 in the name of any of the following: Raymond Donovan, Philip Moscato, Anthony Induisi, Carmine Persico, Alphonse Persico, Paul Vario, Philip Moscato, Hugh MacIntosh, John Matera, Tom Farese or Jack Napoli. Nor was there any record that any of those individuals had been a guest at the Diplomat during either February-March 1979 or April-June 1980.

vi. John A. Napoli, Jr.

A. Statement to the
Special Prosecutor

Agents of the Special Prosecutor interviewed John A. Napoli, Jr., the brother of Jack Napoli, on May 21, 1982. Among other things, John Napoli stated that he never attended any function at the Diplomat Hotel with Anthony (Black) Induisi, whom he described as a close friend. Napoli further denied that he had ever had dinner with any of the following, all of whom he knew: Alphonse Persico, Carmine Persico, John Matera, Hugh MacIntosh or Tom Farese.

B. Grand Jury Testimony (Immunized)

John A. Napoli, Jr., testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

vii. Dennis Cinnante

Agents of the Special Prosecutor interviewed Dennis Cinnante on May 22, 1982. Among other things, Cinnante stated that, while he knew Paul Vario, he had never socialized with Vario and never attended any party for Vario at the Diplomat Hotel. Nor had Cinnante ever dined at the Diplomat. The name Raymond Donovan was unfamiliar to Cinnante. After reviewing a photograph of Mr. Donovan, Cinnante stated that he had never seen Mr. Donovan in the company of Philip (Brother) Moscato, with whom Cinnante was acquainted. [GRAND JURY MATERIAL DELETED.]

viii. Paul Vario

On May 27, 1982, agents of the Special Prosecutor interviewed Paul Vario. Vario stated, among other things, that he had not been in the Diplomat Hotel for approximately 7-8 years. He denied that there had ever been any party in his honor held at the Diplomat, which he disliked so intensely that he declined in the past to accept complimentary Diplomat show tickets offered to him.

The Special Prosecutor's agents independently confirmed that Paul Vario was released from Lewisburg Penitentiary on January 28, 1976, and that Vario remained on parole until February 17, 1980. Vario stated that the day after his release from parole in 1980 he went immediately to New York.

Vario did not know Mr. Donovan, and, shown a photograph, stated he had never been in Mr. Donovan's company. [GRAND JURY MATERIAL DELETED.]

ix. Anthony (Black) Induisi

Agents of the Special Prosecutor interviewed Anthony (Black) Induisi on May 21, 1982. Induisi, inter alia, denied that he had ever attended any party or function at the Diplomat Hotel for Paul Vario or anyone else. Induisi also denied having attended any party staged in honor of Vario's "getting out of jail," although Induisi acknowledged that he knew both Vario and Alphonse (Allie Boy) Persico.

Upon examination of a photograph of Raymond Donovan, Induisi stated that he had never seen Mr. Donovan other than in newspapers. Induisi knew nothing about Mr. Donovan ever having been in the presence of Philip (Brother) Moscato, a friend of Induisi, at the Sea Inn Restaurant or elsewhere.

[GRAND JURY MATERIAL DELETED.]

x. Other Napoli-Alleged Witnesses

The Special Prosecutor's agents ascertained through the FBI that Hugh MacIntosh, Alphonse (Allie Boy) Persico and John Matera are currently fugitives.

xi. Francesco's Restaurant

A. Francis A. Vendola

An agent of the Special Prosecutor interviewed

Francis A. Vendola, President and principal stockholder of Francesco's Restaurant, Passaic, New Jersey, on May 22, 1980. Vendola stated, inter alia, that, to his knowledge, he had never met or seen Raymond Donovan either in Francesco's Restaurant or elsewhere, other than in media photographs. Shown a spread, including a picture of Mr. Donovan, Vendola recognized the Secretary as the individual he had seen in the media. He reiterated, however, that Mr. Donovan had not dined in his restaurant.

While Vendola was acquainted with Philip (Brother) Moscato and Frank (Chickie) Moscato, and while he appeared to recognize Jack Napoli by description although not by name, he did not recall any of them having been in his restaurant with Raymond Donovan.

B. John D. Burkhalter

On May 22, 1982, an agent of the Special Prosecutor interviewed John D. Burkhalter, the manager of Francesco's Restaurant. Among other things, Burkhalter said that he had never met or seen Raymond Donovan, whom he believed never to have been in Francesco's. While Burkhalter had seen photographs of the Secretary in the media, he failed to recognize a photograph of Mr. Donovan when it was included in a spread. When Mr. Donovan's photograph was singled out to him, Burkhalter repeated that he could not identify the man as anyone he had seen in the restaurant or elsewhere.

C. Priscilla Vendola

On May 21, 1982, an agent of the Special Prosecutor interviewed Priscilla Vendola, the wife of Francis and an officer of the corporate owner of the restaurant. Mrs. Vendola stated, among other things, that she was familiar with the investigation of Mr. Donovan, having read about it in the newspapers. She was also acquainted with Mr. Donovan's likeness from newspaper and media photo coverage. However, she was not aware that Mr. Donovan had ever been in Francesco's.

D. Lavonne Burkhalter

Lavonne Burkhalter, the wife of John and a hostess and cashier at Francesco's, was interviewed on May 21, 1982. Among other things, Mrs. Burkhalter stated that she was familiar with Mr. Donovan only to the extent of having read about him in the press. She never met or saw Mr. Donovan in Francesco's Restaurant, to the best of her recollection.

xii. Edward T. Kamienski

Edward T. Kamienski was interviewed by an agent of the Special Prosecutor on May 21, 1982. Kamienski stated, inter alia, that he recalled dining with Jack Napoli, Napoli's daughter and both of their wives at Francesco's Restaurant in the Passaic-Paterson, New Jersey area in approximately 1980. Kamienski stated that Napoli apparently knew the restaurant's owner, who greeted Napoli warmly and stopped by the table on more than one occasion during dinner. The

owner also treated the Napoli party to a bowl of Italian soup and brought them a complimentary drink.

During the course of the dinner, Napoli left the table on a few occasions to make telephone calls, which Kamienski considered normal for Napoli. Napoli remarked at some point that he recognized someone at another table. Kamienski interpreted that as "bad news" since Napoli was frequently concerned about being recognized in public. Kamienski recalled that Napoli paid for the meal, although Kamienski did not know how he paid. The name Raymond Donovan was not mentioned either during or after the meal at Francesco's. Kamienski recognized the name Brother Moscato when it was mentioned to him, but he could not recall ever having met Moscato. Kamienski did not recall meeting anyone as the party left Francesco's.

Shown a spread including Mr. Donovan's photograph, Kamienski failed to identify Mr. Donovan. After the photograph was pointed out to him, Kamienski was still unable to identify it. Kamienski advised that he had never heard Napoli mention Mr. Donovan's name and knew of no association between the two. Kamienski had never seen Mr. Donovan in person.

xiii. Rose Kamienski

Rose (Mrs. Edward) Kamienski was interviewed by an agent of the Special Prosecutor on May 21, 1982. She recalled having dined at Francesco's Restaurant with her husband and Mr. and Mrs. Jack Napoli and their daughter, Kari, in

1980. Mrs. Kamienski recalled that Jack Napoli seemed to be very familiar with the restaurant and appeared to be acquainted with the owner/manager. Francesco's was virtually empty at the time that they arrived, at or after 10:00 p.m. She did not recall having received a complimentary drink that evening. They left the restaurant between 1:00 and 2:00 a.m.; she did not remember encountering anyone as they exited. Shown a photograph of Mr. Donovan, Mrs. Kamienski stated that she had never met the Secretary at Francesco's or anywhere else.

f. Other Acquaintances of the Moscatos

During the course of the grand jury proceedings, eight other acquaintances of the Moscatos testified. [GRAND JURY MATERIAL DELETED.]

i. Stephen Andretta

Stephen Andretta testified before the grand jury.
[GRAND JURY MATERIAL DELETED.]

ii. Thomas Andretta

Thomas Andretta testified before the grand jury.
[GRAND JURY MATERIAL DELETED.]

iii. Gabriel Briguglio

Gabriel Briguglio testified before the grand jury.
[GRAND JURY MATERIAL DELETED.]

iv. Albert Cecchi

Albert Cecchi testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

v. Paul Ciampi

Paul Ciampi testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

vi. Gerard B. Paldino

Gerard B. Paldino testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

vii. Anthony Provenzano

Anthony Provenzano testified before the grand jury. [GRAND JURY MATERIAL DELETED.]

viii. Nunzio Provenzano

Nunzio Provenzano testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

g. Ronald A. Schiavone

i. Statements to the FBI

During Mr. Donovan's confirmation hearings, Ronald A. Schiavone was interviewed several times by FBI agents. During a January 19, 1981, interview, according to the report of interview, Schiavone stated that he

is not familiar with Philip "Brother" Moscato, however, he believes he has read or heard the name previously. To the best of his recollection, SCC has never done business with Moscato. However, Schiavone recalled that during the period SCC had worked on the New Jersey Turnpike or the New Jersey Garden State Parkway, they may have dumped excavation into one of Moscato's dumps. Schiavone stated that this would be at no charge to either SCC or Moscato and that SCC would want to dump fill, and

Moscato would need this for his dump. Schiavone stated that if the aforementioned took place, it would not be reflected in any of SCC's records.

S.P. no. 101401.

On February 9, 1981, Schiavone telephoned one of the FBI agents who had interviewed him on January 19 because, according to the report of interview, he was "distressed and angered at recent newspaper articles," specifically including the February 8, 1981, Bergen Record article.³³⁵ Schiavone further stated

Concerning Philip "Brother" Moscato, he [Schiavone] voluntarily advised the FBI during the investigation that Moscato may have owned and operated a firm called City Construction. Schiavone gave this information to the FBI in order to check on the name, City Construction and [sic: in] SCC's financial records.

S.P. no. 101498.

On the following day, February 10, 1981, Schiavone again telephoned the same FBI agent to advise "that an official of SCC reviewed financial records under the name City Construction and determined that in 1973, SCC paid three invoices totaling \$2,800.00 to City Construction for the rental of a front end loader and a truck."³³⁶

ii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

335 S.P. no. 101498. A copy of the February 8, 1981, Sunday Record is annexed as Exhibit 50.

336 S.P. no. 101500.

h. Joseph A. DiCarolis

i. Statement to the FBI

During the pre-confirmation investigation of Secretary Donovan, Joseph A. DiCarolis was unable to identify Philip "Brother" Moscato as having done business with SCC.³³⁷

ii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

i. 1981 FBI Interviews of Other SCC Personnel

In the course of its 1981 investigation, FBI agents interviewed numerous SCC officers and employees to determine if any of them were familiar with Philip "Brother" Moscato. Among others, SCC Senior Vice President Richard Callaghan, Vice President Robert F. Pedersen, Vice President Albert J. Magrini, Comptroller Gregory Vaseline and employees Kathy I. Alexis and Joseph Scerbo either had never heard of Philip (Brother) Moscato or were unaware of any business done between SCC and Moscato.³³⁸ Only Magrini recalled having met Moscato, many years earlier, "at a restaurant which used to be owned by Moscato."³³⁹

337 S.P. no. 101391 (official report of interview).

338 S.P. nos. 101396, 101419, 101421-101422, 101392-101393, 101342-101343.

339 S.P. no. 101419.

j. FBI-Newark Background Check

At the request of the Special Prosecutor, the Newark office of the FBI (the "Newark office") reviewed its files and those of other governmental authorities in New Jersey for purposes, among others, of assembling background information concerning the Red Buggy Restaurant, the Li'l Red Buggy Restaurant and Casa Dante's. By a report dated February 19, 1982,³⁴⁰ the Newark office advised that its files reflected that, between January 1973 and August 1974, spot checks were conducted in the vicinity of the Li'l Red Buggy Restaurant, 737 Newark Avenue, Jersey City, New Jersey. No vehicles related to Raymond Donovan, SCC or other pertinent individuals were observed. The Newark office further advised that on August 14, 1973, telephone toll records for the Li'l Red Buggy were obtained. A review of those records failed to identify any numbers related to Raymond Donovan, SCC or other pertinent individuals.

The Newark office further reported that, on February 19, 1982, the files of the New Jersey State Alcohol Beverage Control Department (the "Alcohol Beverage Control Department") concerning the Red Buggy Restaurant, the Li'l Red Buggy Restaurant and Casa Dante's were reviewed. Those files reflected that on May 30, 1975, the Red Buggy Restaurant, 290 County Avenue, Secaucus, New Jersey was jointly

340 S.P. nos. 100549-100573.

owned by Francis D. Alfieri, Jr., and Frank Moscato, the same persons who had owned the establishment in 1974. As of June 6, 1977, the Red Buggy was owned solely by Moscato. The renewal application for the 1981-1982 period reflected Frank Moscato's continued sole ownership.

The Alcohol Beverage Control Department files also revealed that on June 14, 1974, the sole owner of the Li'l Red Buggy was Maryann Moscato. On June 10, 1975, the name of the Li'l Red Buggy was changed to Mr. J's, and the owner of the entity was Play Pen, Inc. No Moscato was listed as a shareholder of Play Pen, Inc. However, during July 1976, Maryann Moscato became president of Play Pen, Inc., and the name of the restaurant was changed to Bobby's. Sometime between July 1976 and January 1, 1978, the name of the restaurant became Casa Dante's and the new corporate owner was Casa Dante's Restaurant Corp., whose President was Louis Russo.

k. Raymond J. Donovan

i. Testimony Before the Senate

Testifying before the Senate on January 27, 1981, Mr. Donovan denied any familiarity with "Moscato Contractors," which was the name supplied to the Senate Labor Committee by Ralph Picardo as the Moscato Company doing business with SCC:

THE CHAIRMAN. Picardo stated that in late 1969 or early 1970 Briguglio told him that Moscato Contractors was run by organized crime elements and were subcontractors to Schiavone Construction Co. frequently as a means of assuring labor peace.

Have you heard of Moscato Contractors before these matters were brought up by the FBI?

MR. DONOVAN. I did not.

THE CHAIRMAN. Have you ever done business with Moscato Contractors?

MR. DONOVAN. We have not.

Hearings at 345.

ii. Statement to the FBI

During his December 10, 1981, interview with agents of the FBI, Secretary Donovan was questioned concerning Philip Moscato. According to the official report of interview, "Donovan said he has never met with . . . Phil Moscato . . . at any time."³⁴¹ The detailed notes taken by Mr. Donovan's counsel, Dean Burch, who was also present during that interview, reflect the following question and answer:

Q: Do you know Phil Moscato?

A: No.

S.P. no. 300061.

iii. Statements to the Special Prosecutor

In his second interview with the Special Prosecutor, on May 10, 1982, Secretary Donovan stated that he did not know Philip (Brother) Moscato. Further, the Secretary stated that his answer would remain unchanged even if Moscato had testified that the two of them had met. Mr. Donovan also stated that he had never met Frank (Chickie) Moscato.

³⁴¹ Exhibit 10, annexed, at 3.

Although Ronald Schiavone had told Mr. Donovan that the two of them had eaten together at the Red Buggy Restaurant in Secaucus, Mr. Donovan could not recall the meals. Mr. Donovan added that Schiavone mentioned that Frank Alfieri was a co-owner of the Red Buggy, and Mr. Donovan recalled having been aware that Alfieri had an interest in a restaurant. However, the Secretary could not recall having patronized that establishment. He specifically did not remember ever having been introduced to any Moscato at the Red Buggy. Mr. Donovan said that he had never eaten in the Li'l Red Buggy or Casa Dante's in Jersey City.

iv. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

1. Conclusions

i. The Grand Jury

The grand jury on June 18, 1982, declined to indict Mr. Donovan with respect to his testimony before the grand jury concerning the Moscatos.

ii. The Special Prosecutor

There is not sufficient credible evidence to conclude that the Secretary was untruthful when he testified before the grand jury or before the Senate Labor Committee as to his relationships with Philip and Frank Moscato. There are insufficient grounds for prosecution relating to that testimony.

2. Alleged Relationship with Salvatore (Sally Bugs) Briguglio

a. Evidence Concerning Picardo Allegations

i. Albert Cecchi

A. Statement to the FBI

On January 22, 1981, Albert Cecchi was interviewed by an FBI agent in connection with the Bureau's pre-confirmation investigation of Mr. Donovan. As set forth in the report of interview:³⁴²

Cecchi advised that he had a trucking firm called O.K. Trucking Company, which operated from

342 A copy of which is annexed as Exhibit 51.

the early 1950s, until approximately 1969, when the company went bankrupt. Cecchi advised that the offices for O.K. Trucking were located in Secaucus, New Jersey and later in Clifton, New Jersey. Cecchi stated that he knew Ron Schivone [sic] in the 1950s, when Schivone was starting up his construction company and Cecchi would help out by doing small jobs for Schivone or lending him equipment.

Cecchi stated that any invoices or billing between O.K. Trucking and Schivone Construction, would have been in the late 1950s, and would have involved a dollar amount no greater than \$1,200 total. Cecchi advised that he had no business dealings with Schivone Construction during the 1960s, that he recalls and knows of no billing to or payments from Schivone during this period of time.

Cecchi stated that Ralph Picardo came to work for O.K. Trucking some time in the mid 1960s, and that Picardo worked as a Terminal Manager at O.K. Trucking for approximately one and one half to two years. He stated that he let Picardo go perhaps in 1967, because Picardo was stealing from O.K. Trucking and was not doing the work that he was being paid for. Cecchi stated that Picardo was a liar as well as a thief and that Cecchi got to the point where he could not believe much of what Picardo said.

Cecchi stated that he knew of Sal Briguglio of Teamsters Local 560, Jersey City, New Jersey, during a time when that local was attempting to have O.K. Trucking become a union shop. Cecchi advised that trucks from O.K. Trucking would occasionally do gypsy work for Maislin Trucking, but that Briguglio, representing Local 560, made him stop because the drivers were non-union. Cecchi stated that while operating O.K. Trucking he used the name, Al Cohen, but that he was never a bagman for Briguglio nor did he ever pay Briguglio or anyone from 560 any money.

Cecchi advised that he has never heard of XYZ Leasing, and does not know an individual by the name of Donovan. Cecchi stated that he thought the allegation that Schivone Construction was paying money for labor peace was unfounded because the contracts that Schivone had did not really require labor peace. He stated that if a union that was working on a project with Schivone were to threaten

a strike if they did not have more men on the job, Schivone would have been happy to put people on the job because the more people in it, bigger profits for Schivone. Cecchi also advised that if there was a strike which would have delayed the completion date, he would simply obtain a set back in the contracted completion date for the job being worked on.

Cecchi stated that any and all records of O.K. Trucking have been destroyed, and that the bookkeeper who worked for the firm was named Rose last name not recalled, whose present location is not known to him.

Exhibit 51 at 1-2.

B. Statement to the
Bergen Record

The February 9, 1981, edition of The Record carried an article³⁴³ which reflected a contemporaneous interview with Cecchi in which the reporter confronted Cecchi with the Picardo allegations.

In an interview Cecchi vehemently denied being connected to organized crime. "They never got five cents from me," he said. "That's why I always was shoved out. In the trucking business and everything else."

He gave a distinctly different picture than Picardo described to the FBI of their days together at O.K. Trucking.

* * *

Cecchi ... said that he was the sole owner of O.K. Trucking and that he hired Picardo, who had been working in upstate New York, to solicit new business. But after a year and a half, he says, he got fed up with Picardo and forced him to leave.

"He had an apartment there on Boulevard East or someplace like that," Cecchi said. "And he had a

343 A copy of which is annexed as Exhibit 52.

wife in Secaucus. So I asked him, 'How can you afford the apartment? You're only making so much a week from me.' When he told me about the apartment, it kind of shook me. Beware of the witch. Because, at one time, I never had shortages ... but this kid, he had to be stealing."

Little Ralphie at 5-foot-3, was one of the few men that 5-foot-5 Cecchi could look down on, but Ralphie had big aspirations.

"This kid wanted to be a tough guy in the worst way," Cecchi said. "He used to take a gun out and shoot it in the air. You want to know the God's gospel truth, I actually forced this kid to quit. I said, 'Now you got to work and everything else.'"

Cecchi said his encounter with Briguglio came before he started O.K. Trucking, with another company he operated. He was doing some work for Maislin Transport, a major hauler, and Briguglio wanted only Teamsters on the site.

"I had a few trucks going in there picking up freight. In my own trucking business, when the trucks got empty, I'd make them go into Maislin and pick up extra freight. That was extra revenue," Cecchi said.

"Briguglio and another guy tried to corral me, and I just never went with the tide."

Cecchi said he doesn't remember who suggested that Faugno was a "wise guy" (the mobsters' term for another mobster) who might be able to solve his problem with Briguglio.

"Some fella introduced me [to Faugno] and maybe he could help me. He took my name and address and everything else. That was the end of it," Cecchi said. The FBI report to the Senate committee said that Cecchi claimed he was not familiar with the name Armand Faugno.

Cecchi feels that his ouster from Maislin proves he wasn't a front man for Briguglio: "They threw me out of there. Look, if I had anything to do with them, wouldn't I still be there?"

* * *

In 1976, Cecchi pleaded guilty to 10 counts of an 85-count federal indictment that accused him of illegally copying hit albums by Elton John, Stevie Wonder, Frank Sinatra, Diana Ross, and other singers. In addition to a one-year prison term, he was fined \$4,500. The government destroyed his equipment and 14,000 illegal tapes.

But Cecchi said that the real insult, in his view, came after he was sentenced to prison. "I found out later that they had O.C. on my card, for organized crime."

Exhibit 52 at A1-A2.

C. Statement to the
Special Prosecutor

Agents of the Special Prosecutor interviewed Albert Cecchi, in the presence of his counsel, on April 15, 1982. Among other things, Cecchi stated that he operated O.K. Trucking Company of Secaucus, New Jersey, from approximately the early 1950s until the 1960s, when the company went into bankruptcy. O.K. Trucking's principal offices were located in Secaucus on Paterson Plank Road, near SCC's offices. When SCC was a fledgling company, Cecchi lent it forklifts and other equipment in the hope that, if that SCC developed, it would be a source of business for O.K. However, no major work ever materialized. O.K.'s total billings to SCC approximated only \$1,000 for the entire decade immediately preceding O.K.'s insolvency.³⁴⁴

344 O.K. Trucking had no written contractual agreements with SCC. At SCC's periodic request, it spotted trailers for SCC at various construction sites throughout New Jersey.

While Cecchi did meet Ronald Schiavone prior to the demise of O.K. Trucking, he never met Raymond Donovan. Nor did he ever see Raymond Donovan at SCC. Shown the SCC spreads, the only photograph he selected was that of Jerry Liguori.

Cecchi denied that Ralph Picardo had an ownership interest in O.K. Trucking with Cecchi. He met Picardo in the early 1960s and was impressed with Picardo who he felt was well educated. Somewhere in the latter 1960s Cecchi hired Picardo who was then, Cecchi believed, employed at B & R as a soliciting agent. Cecchi later fired Picardo whom he considered to be a "junkie" and a troublemaker. Cecchi further believed that Picardo had stolen money and equipment from O.K. Trucking at various times during his employment.

Salvatore Briguglio was known to Cecchi as a business agent for Teamsters Local 560 in Jersey City. Cecchi described his relationship with Local 560 as adversarial, noting that at one point Local 560 attempted to interrupt O.K.'s business because Cecchi employed non-union workers. Cecchi denied that he was ever a bagman for Briguglio or that he ever gave Briguglio, or any other Local 560 representative, any money. On the contrary, he said, Local 560 was attempting to put Cecchi out of business and, he claimed, eventually succeeded in doing so.

He said that none of the records for O.K. or any of the other companies that Cecchi controlled during the 1960s currently exist.

Finally, Cecchi had never heard of XYZ and knew no one associated with that enterprise. Nor had he heard of Precast Cement or of any relationship between O.K. and precast concrete firms.

D. Grand Jury Testimony

Albert Cecchi testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

ii. Michael A. Gretchin

A. Statements to the FBI

During the pre-confirmation FBI investigation, Michael A. Gretchin was interviewed on a number of occasions. On January 16, 1981, according to the report of interview:³⁴⁵

Gretchin worked as a truck driver and personal driver for Ralph Picardo, part time during 1968 and 1969, and full time during 1970 through 1973. Picardo, when meeting individuals would give his employment as a teamster union public relations man but actually was a go-between for the company's and union officials Sal and Gabe Briguglio and Tony Provenzano.

Picardo would often call Gretchin and tell him he had a new trucking company and he wanted him to drive for him. Company names such as O.K. Trucking, XYZ Trucking, Coastal Trucking and Taylor Trucking were all familiar names to him but Gretchin stated they were all ghost companies.

Every Friday during the years he drove for Picardo, he would drive Picardo to certain places to make meets with individuals. During these meetings Gretchin would sometimes but on rare occasions meet these individuals; wait in the car and never see them; or eat and drink in the restaurant or bar where the meeting was taking place and merely see these individuals across the room. Usually after

345 S.P. nos. 101322-101326.

these meetings, Picardo had an envelope and on some occasions would hand the envelope to Gretchin to hold for him. From the size of the envelopes Gretchin was certain there was cash and not checks in the envelopes. Later in the evening after the meeting, he would take Picardo to the Teamster union hall with a bag, presumably containing money. Gretchin did not know for certain where this money went after arriving at the union hall.

Gretchin remembers the following meeting places: 1) an unknown restaurant at Journal Square on Sip Avenue, Jersey City, New Jersey; 2) an unknown restaurant on Lincoln Highway, now 446 at Sip Avenue, Jersey City, New Jersey; 3) The Chateau [Renaissance] Restaurant, Route Number One, Tunly [sic] Avenue, North Bergen, New Jersey; 4) Freehold Raceway in New Jersey; 5) at Liberty Bell Raceway in Pennsylvania; 6) an unknown diner in Secaucus, New Jersey just up the street from Picardo's home; 7) an unknown restaurant on County Road in Secaucus, New Jersey, which he believes was near Schavoney [sic] Construction; 8) an unknown leasing company in Secaucus, New Jersey; 9) the Old Maislin Company Terminal in Secaucus which housed a number of small businesses; 10) a large unknown overseas container company in Secaucus, New Jersey.

The television pictures of Donovan were slightly familiar to Gretchin and he remembers hearing Picardo mention Donovan's name during the time he worked for Picardo but he could not put together why he remembered the name. He also remembered Picardo mentioning the Schavoney Construction Company and stating "You don't fool around with the Schavoney Company, you leave them alone."

He could not verify if he ever met Donovan when with Picardo but could have met him without remembering.

He stated he remembered also driving Picardo on several evening trips to meet unknown individuals at the Restaurant on County Road in Secaucus, which he thought may be near the Schavoney Construction Company. These were the only evening meetings. Gretchin again stated that he could not say in all honesty that Picardo had ever [met] with Donovan. Gretchin said that for bookkeeping purposes he was paid for driving Picardo by being a ghost driver for loads that were not shipped. He was paid by cash or check and remembered that several of the

checks which were drawn on Coastal Trucking bounced. He believes his wife may still have some of these checks at their home. . . . The ghost loads were mostly on Coastal Trucking and ghost loads regarding precast items for the Long Island Expressway were not specifically recalled by Gretchin.

* * *

Gretchin stated he was cooperating to the utmost in this matter but it has been too many years for him and he cannot remember if he or Picardo had met Donovan.

S.P. nos. 101323-101326.

On January 21, 1981, Gretchin was recontacted for the specific purpose of determining whether he recalled Ralph Picardo having mentioned the names Ray, Donovan, or Raymond Donovan. According to the report of interview,³⁴⁶ Gretchin stated that

he does recall Picardo mentioning the name Ray on a number of occasions. He also recalls on at least one occasion Picardo mentioning the name Donovan. He cannot place in context when or why Picardo mentioned the names Ray or Donovan; however, he states that he distinctly remembers Picardo mentioning Donovan for the reason that almost all the other names Picardo would discuss were those of Italian extraction, and thus a name of Irish extraction was unusual and stuck in Gretchin's mind. Gretchin was not able to amplify further on this point.

S.P. nos. 101350-101351.

B. Statement to the
Special Prosecutor

Agents of the Special Prosecutor interviewed Michael A. Gretchin on April 1, 1982. Among other things, Gretchin stated that he first met Ralph Picardo in approximately 1965 or 1966 while working at B & R in Jersey City.

346 S.P. nos. 101350-101351.

When they first met, Picardo was working another job during the day and hauling night loads for B & R in the evenings. In approximately 1968 or 1969, Picardo started a "flim-flam" trucking company called Coastal Truck Lines. When B & R folded in late 1968 or early 1969, Picardo asked Gretchin to come to work at Coastal. Gretchin accepted. Initially, Gretchin drove trucks for Coastal; later he was employed as a utility maintenance man and dispatcher.

From 1968 to 1973, Gretchin served as a personal driver for Picardo. On virtually every Friday, he drove Picardo to various spots in Secaucus and Jersey City, including a bar on Sip Avenue, a couple of restaurants at Journal Square and National Auto, all in Jersey City, among others. In the morning, Picardo started out without cash but, after making a few stops, Picardo had a substantial wad.

Gretchin did not know where on Paterson Plank Road SCC was located. However, he recalled dropping Picardo in a residential area in Secaucus and observing Picardo proceed to a corner, brownish-colored building with a storefront. It in no way resembled a construction company. Upon his return, Picardo said very little about what he had done in the building.³⁴⁷

347 Gretchin stated that he would remember the building if he saw it again. He was asked by the interviewing agent to drive to Paterson Plank Road, Secaucus and look at SCC's offices, prior to his grand jury appearance.

After Picardo had made his collections, Gretchin drove him to the union hall between 11 and 11:30 a.m., where the money was dropped off. Picardo always put the money in a brown paper bag which he referred to as the "tuna fish."

On a few occasions, Picardo used the name, Ray, in connection with trailers. Gretchin could not connect the name with any one person and did not recall Picardo mentioning a surname. Nor could he recall the name Ray Donovan, although he acknowledged that it might have been used by Picardo. Gretchin remembered Picardo mentioning, in connection with Ray: "We may be getting a few trailers from them over the weekend."

Occasionally, Picardo mentioned the name, Schiavone. Gretchin could not, however, recall the context in which the name arose. He remembered one incident in which Picardo told the "kids" (certain younger employees) "to leave Schiavone [Construction Company] alone." Because the "kids" were at that time stealing tires from various companies' vehicles, Gretchin understood Picardo to be saying that SCC vehicles were off limits to them.

Salvatore Briguglio was an organized crime figure known to Gretchin. Picardo told Gretchin that it was Briguglio who sponsored Picardo as a "made member" of La Cosa Nostra. Whenever Picardo ran into difficulties, he went to Briguglio.

Viewing a spread displayed by the interviewing agents, Gretchin selected the photograph of Raymond Donovan

as one that was familiar to him--depicting a man whom Gretchin may have met. He further stated that he had seen Mr. Donovan on television during the preceding year and noticed that Mr. Donovan walked in a manner which stuck out to Gretchin. He stated that his walk, as well as Mr. Donovan's looks, resembled those of an individual who had come to Picardo's business office trailer between 1968 and 1970. Gretchin described the man as a white male, 5'8"-5'9" in height, late 30's in age, and well dressed in a suit and topcoat. Someone was waiting outside the trailer in a car for this man. Picardo was absent from the trailer during this man's visit. Upon his return after the man had left, Picardo asked someone--possibly Steven Hrobuchak--if Ray had been there.

Shown a second spread, Gretchin selected a photograph of Joseph DiCarolis as that of a person whom Picardo had met in a dark bar, possibly the Chateau Renaissance. Gretchin was unable to furnish any additional information. He recognized no one from the photospread which included Ronald Schiavone's photograph.

C. Grand Jury Testimony

Michael A. Gretchin testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

iii. Gerard B. Paldino

A. Statement to the FBI

On January 18, 1981, Gerard B. Paldino was interviewed by agents of the FBI in connection with the pre-confirmation

investigation of Secretary Donovan. As reflected in the report of interview,³⁴⁸ Paldino

confirmed he worked as [a] part time driver for Ralph Picardo since 1965 and full time 1972-75.

Paldino advised that Picardo had many unrecalled ghost companies . . . indicating several were merely post office boxes. He was paid either [sic] [by] cash or checks drawn on Coastal Trucking which he recalled as always having problems cashing.

Paldino unable to honestly recall driving Picardo to Schavoney [sic] Construction Company, Secaucus, NJ, or verify Picardo ever met Donovan. He explained he recalls Picardo having contracts with Carrier Air Conditioning noting these accounted for a majority, if not all trips to Secaucus, NJ. He further explained he did not recall Donovan's name or Picardo mentioning any contracts with anyone at Schavoney Construction Co.

Paldino advised Picardo knew everyone in the Secaucus, NJ, area and always seemed to be "sticking them with phoney [sic] invoices", most on Coastal Trucking. He recalled phoney invoices for concrete slabs used for curbs on the Long Island Expressway and for construction of a building at Lake Success, New York.

Paldino recalled driving Picardo to the Teamster union hall regularly to "deliver the tuna bag", but was reluctant to elaborate on source and disposition of monies presumably contained therein. Paldino [was] also reluctant to discuss Picardo as a go between for Sal and Gabe Briguglio and Tony Provenzano and legitimate companies explaining he had been through too much in this regard.

S.P. nos. 102227-102228.

B. Statement to the
Special Prosecutor

Gerard B. Paldino declined to provide information to the Special Prosecutor except before the grand jury.

348 S.P. nos. 102227-102228.

C. Grand Jury Testimony

Gerard B. Paldino testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

iv. Robert D. Moren

A. Statement to the FBI

In connection with the FBI's pre-confirmation investigation of Mr. Donovan, Robert D. Moren was interviewed. As set forth in the letterhead memorandum dated January 23, 1981, to the Senate Labor Committee, Moren

was interviewed and advised he occasionally drove Ralph Picardo on errands in approximately 1970. He advised he was unaware of any illicit activity on the part of Picardo or his associates. He stated that Schiavone Construction Company and Raymond J. Donovan are unknown to him.

Hearings at 243.

B. First Statement to the Special Prosecutor

An agent of the Special Prosecutor interviewed Robert D. Moren on April 1, 1982. Moren stated, among other things, that he worked for Ralph Picardo's Cargo Leasing Company ("Cargo Leasing") for approximately one year beginning in late 1969. Initially Moren worked as a mechanic; he later became a driver. Moren was never close to Picardo and never socialized with him outside the office.

While he was employed by Picardo, Moren occasionally drove Picardo to various locations in Union City, Jersey City, and surrounding areas. To his knowledge, he did not

drive Picardo to SCC's offices. Prior to his interview by an FBI agent in connection with Donovan's confirmation, the names, Schiavone Construction Company and Raymond J. Donovan, were unfamiliar to Moren. Moren did not know where SCC was located in Secaucus and, to his knowledge, had never been to that company. The only locations to which he drove Picardo in Secaucus were Picardo's home on Paterson Plank Road and to one other, unknown residence. Moren did not recall ever having driven Picardo to a business located on Paterson Plank Road.

C. Grand Jury Testimony

Robert D. Moren testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

D. Second Statement to the Special Prosecutor

Following his grand jury appearance, Robert D. Moren spoke by telephone with a member of the Special Prosecutor's staff in order to provide more accurate dates concerning his employment at Cargo Leasing. Following a review of his records, Moren said that he did no work for Cargo Leasing in 1969. He dated the start of his employment to April or May 1970. Moren remained at Cargo Leasing through the end of December 1970 or the first two weeks of January 1971.

v. Steven Hrobuchak

A. Statement to the Special Prosecutor

On April 22, 1982, Steven Hrobuchak was interviewed by agents of the Special Prosecutor. Hrobuchak stated, inter

alia, that he first met Ralph Picardo in 1969. Later that year he and Picardo jointly assumed control of B & R of Frankfort, New York. Under their joint stewardship, B & R hauled for Precast Concrete to various locations, including Hunter College in the Bronx and a New York Telephone Company facility on Long Island. Picardo handled all the billing, according to Hrobuchak, and as a result managed to take substantial amounts of money that Hrobuchak considered to be his.

Picardo often mentioned to Hrobuchak that he was a labor negotiator and "go-between" who collected payoffs to insure various companies' labor peace with Teamsters Local 560. Picardo told Hrobuchak that he made a great deal of money in that role. Picardo also asserted that he was closely associated with Tony Provenzano.

Hrobuchak's relationship with Picardo became increasingly strained. Eventually, Hrobuchak severed his contacts with Picardo and moved his own trucking operation out of B & R's premises.

B. Grand Jury Testimony

Steven Hrobuchak testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

vi. Thomas Jefferies

Thomas Jefferies, who was acquitted on murder charges for which he was tried as a co-defendant of Ralph

Picardo,³⁴⁹ testified before the grand jury on May 6, 1982.

[GRAND JURY MATERIAL DELETED.]

vii. Thomas J. Whelan

On May 15, 1982, former Jersey City, New Jersey, Mayor Thomas J. Whelan advised the Special Prosecutor, by telephone, that he never met or had any dealings with Secretary Donovan. [GRAND JURY MATERIAL DELETED.]

viii. John V. Kenny

The other Jersey City, New Jersey, mayor identified by Ralph Picardo, John V. Kenny, died on June 2, 1975.³⁵⁰

ix. Cosmo Balio

A. Statement to the FBI

On January 20, 1981, agents of the FBI interviewed Cosmo Balio in conjunction with the pre-confirmation investigation of Mr. Donovan. According to the teletype report of interview,³⁵¹ Balio

advised he was the former owner of B & R Transport headquartered in Frankfort, New York, and having a terminal at 1810 Tonnelle Avenue, [North Bergen,] New Jersey. Balio advised B & R operated at North Bergen, New Jersey, from approximately 1960 through 1972, with the exception of approximately three months in early 1969 when it was closed down because of Federal liens against the firm.

349 Picardo so informed the Special Prosecutor on March 9, 1982.

350 New York Times, June 3, 1975, at 37, col. 1.

351 S.P. nos. 101523-101528.

Ralph Piccardo [sic] was affiliated with B & R Trucking Company between 1966 and 1968 as a salesman. During this period of time, Piccardo was attempting to buy out and take over B & R Trucking company with an individual by the name of Steve Robichek (phonetic). Their dealings in this matter were with Cosmo Balio's father, Anthony Balio. Anthony Balio, during 1967-1968, let Piccardo and Robichek (phonetic) have operating authority of B & R Trucking Company while Anthony Balio received approximately \$3,000.00 a week from Piccardo.

Cosmo Balio indicated during this period of time, he, Cosmo Balio, worked off and on for B & R Trucking and another outfit called Beane Trucking.

During this period of time also, Mike Gretchin was a driver for Piccardo and also acted as terminal manager for B & R Trucking. Gretchin was close to Piccardo and would be in the best position of anyone at B & R Trucking to verify or dispute any allegations that may exist of "special arrangements" between Piccardo and Raymond J. Donovan or Schavoney [sic] construction.

Balio was aware of Schavoney Construction and stated B & R did haul six or seven loads for Schavoney Construction. He stated B & R hauled for Schavoney Construction because of Piccardo's influence with the company. He advised that these hauls were in an area called the free zone. He recalled hauling some machinery for Schavoney but had no recollection of hauling any material for the Long Island Expressway. Balio was also unaware of any illegal acts perpetrated on the part of Piccardo to get business from Schavoney Construction or to promise labor peace.

S.P. nos. 101526-101527.

B. Statement to the
Special Prosecutor

Cosmo Balio was interviewed by an agent of the Special Prosecutor on April 1, 1982. Among other things, he stated that he assumed ownership of B & R on about April 1,

1969, due to the illness of his father, Anthony Balio. Balio first became acquainted with Picardo in approximately 1966-1967 when Picardo was driving on a part-time basis for another trucking concern. In approximately 1967 or 1968, Picardo, Steven Hrobuchak and "Old Man Richards" of Richards Transport attempted to purchase B & R from Balio's father. Balio disclaimed any knowledge of the deal arranged between them and his father. He did not recall having told the FBI in 1981 that his father was paid approximately \$3,000 a week by Picardo during the negotiations. However, Balio stated that if he had so informed the FBI then it must have been true.

Also in 1967, Picardo began working for B & R as a salesman. Balio recalled that Picardo brought business to B & R from, among others, SCC. Balio was unable to recall the name of Picardo's contact at SCC. He added, however, that, to the best of his recollection, he had never met or dealt with Raymond Donovan. Balio could not recall Picardo ever mentioning the name Ray or Raymond Donovan.

B & R had no dealings with anyone at Teamsters Local 560.

C. Grand Jury Testimony

Cosmo Balio testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

x. Anthony Balio

A. Statement to the FBI

On January 20, 1981, Anthony Balio (the "younger Anthony" or "younger Balio") was interviewed by the FBI in connection with the pre-confirmation investigation of Mr. Donovan. According to the teletype report of interview³⁵² Anthony Balio

advised he currently owns B & R Trucking Company, Frankfort, New York. He stated that his grandfather, Anthony Balio, and his father, Cosmo Balio, owned and operated B & R Trucking . . . during the 1960's. He advised that he also worked at the terminal, was eighteen years old at the time, and could not provide any information concerning Raymond J. Donovan or Schiavoney [sic] Construction Company. He stated that his grandfather, Anthony Balio, is deceased and his father, Cosmo Balio is currently retired. . . .

S.P. no. 101525.

B. Statement to the Special Prosecutor

Anthony Balio was interviewed by an agent of the Special Prosecutor on April 1, 1982. Among other things, he stated that B & R was originally owned by his grandfather, Anthony Balio, who in 1966 maintained a trucking terminal located at 1810 Tonnelle Avenue, Jersey City, New Jersey. At that time, Cosmo Balio, the younger Anthony's father, assisted the elder Balio in the operation of the company.

In approximately 1968-1969, the younger Anthony was working for his grandfather as a driver, making three to four

352 Id.

runs a week from B & R's main terminal in upstate New York to the Jersey City location. During those years, he met Ralph Picardo, who with Steven Hrobuchak was at that time attempting to acquire control over B & R. The younger Anthony was at that time extremely upset with the way he perceived Picardo to be exerting pressure on his grandfather and his father. Confronting Picardo, he was told that Picardo was a person to be reckoned with, that Picardo had big people behind him.

The Picardo group did assume operational control of B & R, even though the younger Balio believed that his family still owned the business. Further, he was unaware of any contract that B & R might have had with SCC. However, he did recall Picardo receiving work from a "Donovan." Balio believed that this work entailed a "pier move" and B & R furnished trucks and drivers to Donovan. However, the younger Balio never saw any billings for those services.

Anthony Balio had no direct knowledge of Picardo's association with Teamsters Local 560, although he had heard that Picardo had influence with that union. He also stated that, while he had no firsthand knowledge that Picardo received kickbacks for "labor peace," but he stated that Picardo gathered large amounts of cash on Fridays.

C. Grand Jury Testimony

Anthony Balio testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

xi. Constance Banziger

A. Statement to the FBI

On January 16, 1981, Constance Banziger, then SCC executive secretary, was interviewed by agents of the FBI. According to the report of interview, 353 Constance Banziger stated that

she started working at Schiavone Construction Company in February, 1964. Banziger said that at that time, Raymond J. Donovan, Vice President of Schiavone Construction Company, had his office in the room where secretary Kathryn Alexis now works.

* * *

Banziger said that prior to being the office that it is now, the area Donovan presently occupies, along with the office of Joseph A. DiCarolis, Senior Vice President of Schiavone Construction Company, consisted of two smaller offices that were rented out to various customers. The area that comprises Ronald Schiavone's office, President of Schiavone Construction Company, Banziger advised, was once a garage.

Banziger said that when some tenants left the rented offices in 1967, the company began the construction that eventually culminated in the present offices.

To the best of her recollection, Banziger advised Donovan moved in to his present office in mid-1968

* * *

Banziger said no one ever used the outside door to gain access to Donovan's office. All visitors, Banziger stated, came through her areas and entered through the interior door, Banziger advised there

353 A copy of which is annexed as Exhibit 53.

was a sign on the outside of the exterior door that read "Do Not Enter" or "This is Not an Entrance." Banziger said she would have known if anyone ever entered through that door, and she stated most definitely that no one ever had.

Exhibit 53 at 1-2.

B. Statement to the Special Prosecutor

The Special Prosecutor interviewed Constance Banziger on March 16, 1982. She said, among other things, that she worked for SCC from February 3, 1964, until February 1982. When she commenced work at the company, she was the only secretary in the office. In 1965 two other women were hired; by 1967 yet another two were working at SCC.

Through 1967, SCC's offices were all located in a single building, a two-family structure. In 1964, construction work was being done on the upper level; business was conducted on the first floor.

The front entrance to SCC's offices has remained unchanged since 1965-1967. With respect to the reception area immediately inside the front door, while it is currently L-shaped with a partition, two windows and a receptionist and switchboard, there was in 1965-1967, no partition. Instead there was a sofa and wrought iron rail at Ms. Banziger's desk, and a partition behind her. There was also a solid wall to the right upon entry and an opening above the partition behind her although, standing in the reception area, one could see neither a staircase nor mezzanine.

During 1965 to 1967, Mr. Donovan's office was to the left of the entrance, beside Ronald Schiavone's office. There was an exterior fire door to Mr. Donovan's office, but it was very rarely used. Moreover, there were no steps leading to it from the outside.

To her knowledge, the only other Ray working at SCC in the 1960s was Ray Scerbo. Approximately ten years younger than Mr. Donovan, Scerbo was short, dark, chubby and balding. He did not, and does not, wear glasses.

Shown a photograph of Ralph Picardo, Banziger stated that he did not look at all familiar.

xii. Morris J. Levin

A. Statement to the FBI

Morris J. Levin, Corporate Secretary and Counsel of SCC, was interviewed by agents of the FBI on January 16, 1981. According to the report of interview,³⁵⁴ Levin stated that he

first joined SCC in March, 1967, as an Aid to the Management, and became Corporate Secretary in 1972. He became an officer of the company in 1979.

The only other Ray employed by the company besides Ray Donovan, of which he is aware is a mechanic named Ray, who bore no physical resemblance to Ray Donovan, being shorter and balder.

Levin was unable to identify the following names as having done business with the company:

354 A copy of which is annexed as Exhibit 54.

Ralph Picardo, Al Checci [Cecchi] Sal Briguglio, Philip "Brother" Moscato, William Musto, "O.K." Trucking "XYZ Leasing". He stated that the name Moscato was familiar to him from having read of him in the newspapers, and he is aware that Musto is the Mayor of Union City; however, as he recalls the only municipal job handled by the company was in Jersey City in the period 1974 to 1975.

Levin was unable to identify a photograph of Ralph Picardo displayed to him in a set of six photographs, and was unable to identify a photograph of Sal Briguglio displayed in the same manner.

Levin noted that his company is sometimes confused with a scrap dealer company by the name of Schiavone-Bonomo, located in Jersey City, New Jersey, which is said to be one of the biggest scrap dealers on the east coast. He said that this confusion has occurred in the form of his company having received mail intended for that company, perhaps two or three times a year, and in the form of legal process having been served on his company once or twice in the past, which actually was meant for the other company. He added that he is aware that the Internal Revenue Service (IRS) has also made inquiry with his company concerning certain checks, when they really were concerned with the other company.

Levin has no personal knowledge concerning allegations that Raymond Donovan made payments to anyone in return for "labor peace".

Exhibit 54 at 1-2.

B. Grand Jury Testimony

On May 20, 1982, Morris J. Levin testified before the grand jury. [GRAND JURY MATERIAL DELETED.]

xiii. Other Investigation

A. 1981 FBI Investigation

1. Review of SCC Books and Records

Among other matters investigated by the FBI in the

course of the pre-confirmation investigation concerning
Mr. Donovan,

the FBI utilized 26 special agents, including 3 accountants, one of whom was a CPA, in reviewing the records of the principal Schiavone enterprises, these being Schiavone Construction Co., Schiavone Equipment and Schiavone Buckley, a joint venture formed in May 1967. Records examined included 20 disbursement journals, 90,000 canceled checks and an equal number of invoices for the period 1965-1970. Records were available to cover all periods in question, and where gaps appeared, documents from one source filled in the period missing from another source. No records were located related to the transactions alleged by Mr. Picardo, and the prospect of them being in any missing records is considered extremely remote.

Hearings at 255-278 (Mullen).

Schiavone Equipment Company checks for the period January 1965 to December 1970, initially missing, were located and reviewed with the same result (id. at 289, 292).

2. O.K. Trucking Documentation

The Special Prosecutor secured from the Newark office of the FBI the documentation which the Bureau had gathered in its review of SCC's files relating to O.K. Trucking. This documentation included:

- a. 13 invoices from O.K. & O.J. Trucking Company, 410 Mountain Avenue, Springfield, New Jersey, dated variously in September 1969;
- b. 6 invoices to SCC from O.K. Trucking, 410 Mountain Avenue, Springfield, New Jersey, dated in August-September 1969 and August 1970;
- c. A document entitled "Partial Payment Affidavit" executed "for the purpose of inducing Schiavone Construction Co., Inc., to make a current partial payment" by J. O'Connell of O.K. Trucking on October 10, 1969; and

- d. 1 Schiavone Construction Company check,
1 Schiavone/Buckley check and one Schiavone-Buckley check voucher relating to payments by SCC to O.K. Trucking.

3. John O'Connell

On January 20, 1981, an FBI agent interviewed John O'Connell with respect to his operation of a concern known as O.K. Trucking. As set forth in the report of interview:³⁵⁵

O'Connell stated that he operated OK Trucking, 410 Mountain Avenue, Springfield, New Jersey, between 1967 and late 1970 or early 1971 when he declared the company in bankruptcy. He said that he had dump trucks and a front end loader.

O'Connell said that he did business with Schiavone Construction Company while operating OK Trucking. He said that shortly before going out of business he rented his front end loader to Schiavone Construction Company for a job in Kearny, New Jersey. O'Connell did not recollect any other business dealings with Schiavone Construction Company but said it may have been possible that he rented them some dump trucks.

O'Connell did not recall whom he dealt with at Schiavone Construction Company. He said that he is not familiar with Raymond J. Donovan and to the best of his recollection O'Connell has never had any business association with Donovan.

Upon questioning, O'Connell denied any knowledge of the following individuals or businesses:

Ralph Picardo
Al Cecchi
Sal Briguglio
Armond [sic] Faugno
Joe LeMagna
XYZ Leasing
Joe's Tavern

355 A copy of which is annexed as Exhibit 55.

O'Connell advised that he could not explain two checks paid to his company, OK Trucking, by Schiavone Construction Company on October 8, 1969, for \$1,575 and December 21, 1970, for \$442.50. He said one check was probably rental for the front end loader but he could not say which check or recall specifically for what purpose the second check was paid. As previously stated, the second check could have been for the rental of dump trucks.

Exhibit 55 at 1-2.

4. Additional Interviews of
SCC Personnel; Diagrams
And Photographs of Offices

Other investigation conducted by the FBI in 1981 included interviews of numerous officers and employees of SCC. Ronald Schiavone, Joseph DiCarolis, Richard Callaghan, Albert Magrini, Vito (Al) Paradise, Robert Pedersen, Greg Vasil, Kathryn Alexis and Joseph Scerbo, were all unable to identify Salvatore Briguglio or Ralph Picardo as having done any business with SCC.³⁵⁶ Further, FBI personnel prepared diagrams and took photographs of SCC's offices.³⁵⁷

B. Additional Investigation
By the Special Prosecutor

1. Review of additional
SSC Books and Records

Because records of certain SCC subsidiaries were not analyzed by the FBI in the course of the 1981 pre-confirmation investigation, the Special Prosecutor undertook

356 S.P. nos. 101420, 101390, 101396, 101419, 101417, 101421, 101393, 101392 and 101342, respectively.

357 S.P. nos. 101570-101574 (comprising two diagrams and 16 photographs).

to obtain and review the unanalyzed documentation for the period 1965 through 1967. The subsidiaries whose records had not previously been analyzed were Fiddler's Elbow Golf and Country Club, Inc. ("Fiddler's Elbow"), Reynwood Inc., Schiavone Building Co., Schiavone Engineering Co., and Schiavone Steel Structures, Inc.

In order to determine whether any of those SCC companies made payments to O.K., XYZ, XY or B & R, the following records were reviewed:

- a. Somerset Trust Co. account in the name of Fiddler's Elbow Golf and Country Club, Inc., for the period June 1965 through December 1967;
- b. First National Bank of North Bergen account in the name of Reynwood Inc. for the period May 1967 through December 1967;
- c. First National Bank of North Bergen account in the name of Schiavone Building Company for the period October 1965 through December 1967;
- d. First National Bank of North Bergen account in the name of Schiavone Engineering Company for the period October 1965 through December 1967; and
- e. First National Bank of North Bergen account in the name of Schiavone Steel Structure, Inc. for the period October 1965 through December 1967.

The Special Prosecutor's review of those records reflected that no checks were issued by any of the foregoing SCC subsidiaries to O.K., XYZ, XY or B & R.

2. Teamsters Subpoenae

In view of Picardo's alleged relationship with various members of Teamsters Local 560, the Special Prosecutor undertook to determine the nature of any business relationships

between SCC and Local 560. The Special Prosecutor subpoenaed from Teamsters Locals 560, 408, 84 and 97--New Jersey locals--all collective bargaining contracts each of them had with SCC. Only Local 408 had entered into collective bargaining agreements with SCC; 358 Local 560 had not.³⁵⁹

b. Napoli Allegation

Christopher (Chrissy Tic) Furnari was interviewed on June 15, 1982. Among other things, Furnari denied knowing Jack Napoli or ever having seen or met Raymond Donovan; he specifically denied having met Mr. Donovan at any racetrack.

[GRAND JURY MATERIAL DELETED.]

c. General Allegations

i. Frederick S. Furino

A. Statement to the FBI

On January 22, 1981, an FBI agent interviewed Frederick S. Furino in connection with the pre-confirmation investigation of Secretary Donovan. As set forth in the

358 See S.P. nos. 467000-467285. It should be noted that those collective bargaining agreements had been negotiated on an industry-wide basis by the Associated General Contractors of New Jersey ("AGC") and Teamsters Locals 408, 469 and 560. Representatives of both Local 560 and SCC participated in those negotiations, and SCC was bound by the results of those negotiations.

359 Affidavit of Teamsters Local 560 Recording Secretary J.W. Dildine, dated May 19, 1982. S.P. no. 468003. See also Section VI.B.8.a.ii., infra. [GRAND JURY MATERIAL DELETED.]

report of interview: 360

Furino [was] advised he was being contacted in order that he might be interviewed regarding his possible knowledge and/or involvement, along with Salvatore Briguglio, in a scheme whereby "payoffs" for "labor peace" were received from Raymond Donovan on behalf of the Schiavone Construction Company (SCC) of Secaucus, New Jersey.

Furino advised that he grew up with Briguglio on Jefferson Street in Hoboken, New Jersey, and he was always close with Salvatore Briguglio until Briguglio's execution style slaying during March, 1978. During the period 1963 through 1965, Furino served as a Vice President for International Brotherhood of Teamsters (IBT) Local 84 of Fort Lee, New Jersey. Furino decreased his visibility and left the position of Vice President at IBT Local 84 during 1965, following his arrest and conviction for violation of the theft from an interstate shipment statute. It was during this same time period when Ralph Picardo and Al Checci [Cecchi] began their involvement with Briguglio in various trucking operations. Furino stayed clear of Armand Faugno as he, Furino, felt that Faugno was not the type of individual whom he should be associated with.

Furino advised that he himself, and to his knowledge, Briguglio, were never involved in a scheme whereby "payoffs" for "labor peace" were received from Ray Donovan on behalf of SCC. Furino advised that he was unaware of any involvement by either Picardo or Checci in the receipt of "payoffs" from Donovan.

Furino advised that he would be willing to submit to a polygraph examination with respect to the above questions.

Exhibit 56.

B. First Statement to the Special Prosecutor

Agents of the Special Prosecutor interviewed

360 A copy of which is annexed as Exhibit 56.

Frederick S. Furino on April 8, 1982. Among other things, Furino stated that he had never made any pickups for Salvatore Briguglio of cash, envelopes or anything else from Raymond Donovan or any other person. Furino denied that he had ever met Raymond Donovan about whom, Furino said, he knew nothing other than what he had read in the press. While Furino acknowledged that he was aware of the existence of SCC, having seen SCC trucks on the road, he did not know where in Secaucus, New Jersey, SCC was located.

Salvatore Briguglio never mentioned any Ray Donovan to Furino. Nor was Furino ever introduced to a Ray Donovan by Briguglio. Further Furino did not have any knowledge of Secretary Donovan, or anyone else at SCC, having made illicit payoffs. He also disclaimed knowledge of any scheme in which SCC was overbilled on certain heavy equipment to generate cash for payoffs to Briguglio or anyone else. Furino knew nothing about any bid-rigging by SCC.

Furino did once know Jeannie as a patron of a restaurant located next door to Local 85's union offices in Union City, New Jersey. Furino thought that Briguglio had never dated Jeannie. He had no knowledge as to any individual, other than Jeannie's husband, with whom Jeannie had a relationship. He knew of no relationship with Mr. Donovan. According to Furino, he had no knowledge of Jeannie taking trips with Briguglio, Mr. Donovan or anyone else.

Specifically questioned whether he had ever performed any errands, or picked up any money from anyone, for Salvatore Briguglio while the latter was in jail, Furino said he had not. He added that he had no contact with Salvatore Briguglio while Briguglio was imprisoned. Furino also stated that he had not made any pickups for Briguglio at any time.

C. First Grand Jury Appearance

Frederick S. Furino testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

D. Polygraph Examination

On April 27, 1982, Frederick S. Furino volunteered to take a polygraph examination concerning his knowledge of and relating to Mr. Donovan. As set forth in the Polygraph Examination Report,³⁶¹ it was the opinion of the examiner

that the responses recorded following each question dealing with Furino's having known Raymond Donovan personally are indicative of deception, and that Furino has not been truthful in describing his relationship with Raymond Donovan.

Exhibit 57, 5th page.³⁶²

361 A redacted version of which is set forth as Exhibit 57.

362 Prior to the polygraph examination, the examiner had asked Furino "to comment on what he meant when he said he 'knew' someone. Furino then replied for him to 'know' someone, he would have had to meet them in person, have spoken with them, and have been aware of their name. . . . Furino [further said] that to him, if he ever knew someone, it could not be [a]ffected by the passage of time." Exhibit 57, 4th page.

E. Second Statement to
the Special Prosecutor

Re-interviewed on May 5, 1982, Furino persisted in his denial that he ever met or knew Raymond Donovan.

F. Second Grand Jury Appearance

[GRAND JURY MATERIAL DELETED.]

G. Subsequent Development

The Special Prosecutor was advised by the FBI that, on approximately June 3, 1981, Frederick S. Furino disappeared. On Friday, June 11, 1982, his body was found in the trunk of an automobile in Manhattan, an apparent homicide victim. On Saturday, June 12, 1982, the Special Prosecutor requested the FBI to undertake an investigation to determine whether Furino's apparent murder constituted an obstruction of justice or any other Federal criminal violation relating in any fashion to the Special Prosecutor's investigation. On the same date, the Executive Assistant Director of the Bureau informed the Special Prosecutor that such an investigation would immediately be commenced. The Special Prosecutor instructed that, should he become functus officio prior to the conclusion of that investigation, the Bureau should report the results directly to the Attorney General for whatever further action might be is warranted in the circumstances.

ii. Paul Ciampi

A. Statement to the
Special Prosecutor

On April 14, 1982, Paul Ciampi, business agent and

trustee of Teamsters Local 560, spoke briefly with an agent of the Special Prosecutor at the time he was subpoenaed to appear before the grand jury. Mr. Ciampi volunteered that he had been closely associated with Salvatore Briguglio. Ciampi added that he knew of no association between Briguglio and Raymond Donovan. Moreover, Ciampi said that he did not know Mr. Donovan.

B. Grand Jury Testimony

Paul Ciampi testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

iii. Clifford B. Finkle, Jr.

A. Statement to the
Special Prosecutor

On April 13, 1982, Clifford B. Finkle, Jr., was interviewed by agents of the Special Prosecutor. Finkle, the president of Passaic Terminal & Transportation Company and Transport Leasing, among others, stated that he knew Salvatore Briguglio as a former Teamsters Local 560 official. Briguglio and Finkle had both been trustees of the Local 560 pension fund. However, Finkle never socialized with Briguglio, never had a drink or coffee with him and came into contact with Briguglio only at the Local 560 union hall. Finkle never saw Raymond Donovan in the presence of Salvatore Briguglio.

B. Grand Jury Testimony

Clifford B. Finkle, Jr., testified before the grand jury. [GRAND JURY MATERIAL DELETED.]

iv. Irving Maidman

On April 14, 1982, Robert Maidman, the son of

Irving Maidman, informed an agent of the Special Prosecutor that his father died in October 1979.

v. Joseph Meringola

A. Statement to the
Special Prosecutor

Joseph Meringola declined to be interviewed by agents of the Special Prosecutor. He was subpoenaed to appear before the grand jury on April 20, 1982.

B. Grand Jury Testimony

Joseph Meringola appeared before the grand jury.

[GRAND JURY MATERIAL DELETED.]

vi. [Three Witness Statements and One
Grand Jury Appearance Deleted.]

vii. Frank J. LaGuardia

A. Statement to the
Special Prosecutor

On April 14, 1982, agents of the Special Prosecutor interviewed Frank LaGuardia, a trucker at East Coast Transfer. LaGuardia stated, among other things, that he had never seen or heard of Raymond Donovan. Shown a photograph, LaGuardia did not recognize Mr. Donovan. LaGuardia acknowledged that, as a Local 560 member, he knew Salvatore Briguglio, with whom LaGuardia recalled having had drinks on occasion. However, LaGuardia had not seen Briguglio since approximately 1970.

B. Grand Jury Testimony (Immunized)

Frank J. LaGuardia testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

viii. Mildred Briguglio

Agents of the Special Prosecutor interviewed Mildred Briguglio, the widow of Salvatore Briguglio, on April 12, 1982. Mrs. Briguglio stated, among other things, that she and her late husband had moved to 709 Wearimus Road, Washington Township, New Jersey, in January 1976. While the home was under construction Mrs. Briguglio had come only infrequently --perhaps once or twice--to the site. Her husband made all the arrangements for the construction; the house was built to specification on a previously vacant lot by a contractor named John Trobiano.

She said that the name, Schiavone Construction Company, was known to Mrs. Briguglio only from the newspapers. Her husband never referred to SCC in her presence.

Mrs. Briguglio did not remember ever having met Raymond Donovan, although she acknowledged that it might have happened at some large function. Mrs. Briguglio was never in the company of Mr. Donovan, to the best of her recollection. She was certain that Raymond Donovan had never come into her house because her husband never brought business acquaintances home. Further, Mrs. Briguglio did not recall his ever having mentioned the name Raymond Donovan in any context.

Shown a photograph of Mr. Donovan, Mrs. Briguglio identified it based upon newspaper pictures she had seen. She was unable to say whether she had ever seen the Secretary in person. She could not, moreover, identify any of the other SCC officers reflected in two other spreads.

Mrs. Briguglio recalled having gone to the Chateau Renaissance with her husband, but she did not recall having met anyone at that restaurant. She also recalled having gone to Archer's Restaurant with her husband and other couples on a number of occasions, but never with Raymond Donovan. It was her recollection that her husband always paid in cash for meals and did not use credit cards.

ix. Joan Torino

A. Statement to the FBI

On February 2, 1981, FBI agents interviewed Joan Torino in connection with the pre-confirmation investigation of Secretary Donovan. As set forth in the report of interview,³⁶³ Torino stated that,

prior to his death, she was associated with Sal Briguglio for a number of years, having grown up with Briguglio as children in the Jersey City, New Jersey area. Torino became personally involved with Briguglio during approximately 1966 and maintained a close personal relationship with Briguglio until his death during March, 1978.

Torino advised that she did accompany Briguglio on a number of occasions when they took personal vacations together, however, they did so on their own, and not in the company of any other individuals. Torino does not recognize the name of Raymond J. Donovan or SCC. Torino viewed two newspaper photographs of Donovan, one of which appeared in the "Daily News" on Wednesday, January 28, 1981. Subsequent to her review of these photographs, Torino was unable to recognize the individual depicted in the photographs as Raymond J. Donovan. Torino indicated that she, in the company of Briguglio, took several vacations to the

363 A copy of which is annexed as Exhibit 58.

Hallandale/Miami, Florida area, as well as one vacation to the San Francisco, California area. Torino recalled she and Briguglio traveled on several occasions to the Jersey Shore, specifically traveling to the Seaside Heights area on one occasion. Torino never traveled to Las Vegas, Nevada in the company of Sal Briguglio. Torino advised that she would need to think about the events for a period of time before she could possibly recall the specific hotels in which she and Briguglio stayed while on vacation together.

Torino advised she in the past has frequented the Ichi Ban Lounge, owned by Bobby Santamenna [sic], however, Sal Briguglio did not particularly care for the Ichi Ban. Torino was only able to recall one occasion when Briguglio was present at the Ichi Ban. Torino has known Bobby Santamenna for a considerable period of time on a personal basis, as they met originally when they were in a wedding together a number of years ago. Torino generally met Briguglio at the Chateau Renaissance [sic] Restaurant where they partook of dinner and drinks frequently. Torino stated that she has always made it a point to not question Briguglio regarding his activities, and it was for this reason that she felt she was able to retain her relationship with Briguglio for the period of time that she did. During occasions when she met Briguglio at the Chateau Renaissance, Briguglio would meet with various other people at tables while she waited alone at a table where he would join her later for dinner or drinks. Torino was unable to recall having ever observed Briguglio meet with Donovan at the Chateau Renaissance. Torino could recall having accompanied Briguglio to dinner on one occasion at the Archer's Restaurant in Fort Lee, New Jersey, however, to the best of Torino's recollection, she never accompanied Briguglio to dinner at Sid Allens Restaurant. Torino characterized Briguglio as a light eater, who in general preferred to have a ham sandwich rather than a formal dinner.

Exhibit 58 at 2-3.

B. Statement to the
Special Prosecutor

On March 30, 1982, agents of the Special Prosecutor interviewed Joan Torino in the presence of her counsel.

Torino stated, inter alia, that she first heard of Mr. Donovan during her interview with FBI agents in February 1981. She added that she did not read the newspapers and, consequently, had not subsequently read about Mr. Donovan. She volunteered that she had never heard the name of Raymond Donovan or of Schiavone Construction Company mentioned by anyone, including Salvatore Briguglio. Nor had she ever met Mr. Donovan or been in his presence.

Torino never ate at Sid Allen's Restaurant with Briguglio. She visited Archer's Restaurant and the Ichi Ban with him on only one occasion each. They visited the Chateau Renaissance more frequently.

C. Grand Jury Testimony

Joan Torino testified before the grand jury. [GRAND JURY MATERIAL DELETED.]

x. Jean (Jeannie the Rebel) Aiello

In addition to inquiring of several witnesses before the grand jury³⁶⁴ concerning their knowledge of Jean (Jeannie the Rebel) Aiello and any relationship between that woman and Mr. Donovan, agents of the Special Prosecutor's staff traced many other leads to determine if any acquaintances of Aiello associated her with Mr. Donovan. [GRAND JURY MATERIAL DELETED.]

364 See, e.g., Sections VI.B.2.c.i.B. and VI.B.2.c.x.C.,
supra. [GRAND JURY MATERIAL DELETED.]

A. Pat Aiello

On April 7, 1982, agents of the Special Prosecutor interviewed Jean Aiello's former husband, Pat (Jumbo) Aiello. Pat Aiello stated, among other things, that he was married to Jeannie from April 18, 1961, until November of the same year. After their divorce, Aiello continued to see Jeannie and, from time to time, to speak to her. Aiello knew of no relationship between Jeannie and Mr. Donovan.

Aiello advised that his ex-wife disappeared in approximately 1968 or 1969, at a time that she was dating a man whom Aiello described as a "heist guy" named Jack [Hoyt], who disappeared simultaneously. Shortly after Jeannie's disappearance, Aiello received an anonymous telephone call telling him not to bother to look for his ex-wife because he was never going to see her again. Jeannie, he said, has not been seen since. Aiello heard that she had been shot and was buried somewhere near the Jersey shore. He considered this to be rank speculation.

Before her disappearance, Jeannie consorted with what Aiello described as the "whole clique" from Teamsters Local 560. He described Jeannie as a night person who liked to go out with smart money people. Salvatore Briguglio was one of those whom she dated. To his knowledge, she never dated anyone from SCC. Shown a series of spreads, Aiello was unable to identify Mr. Donovan or any of the SCC officers depicted therein.

B. Concetta Pascale

An agent of the Special Prosecutor interviewed Concetta (Etta) Pascale on April 13, 1982. Pascale said, among other things, that she and Jeannie Aiello were good friends and together frequented many establishments in the Union City, New Jersey area. They often had drinks with Salvatore Briguglio, Frederick Furino and other Teamsters. Moreover, she and Jeannie lived together, on a sporadic basis, for a total of perhaps a year spread out over many years. To Pascale's knowledge, Jeannie never dated Salvatore Briguglio, who had a long-time girlfriend, Joan Torino. Pascale provided the names of several others whom Jeannie, to her knowledge, dated. However, Pascale had never met nor heard of Raymond Donovan. Moreover, although she had seen Schiavone Construction Company trucks on Paterson Plank Road in Secaucus, Pascale had never met anyone associated with that company. Jeannie never spoke to her of a Raymond Donovan nor had Jeannie ever dated anyone by that name.

Shown a spread including Mr. Donovan's photograph, Pascale failed to recognize anyone familiar to her.

C. Lilian M. Stuber

Agents of the Special Prosecutor interviewed Lilian Mastellone Stuber on April 8, 1982. Stuber said, among other things, that she first Jean Aiello in approximately 1959. To Stuber's knowledge, Jeannie dated "a lot of people" and frequented several bars in the Union City area.

Stuber was familiar with Mr. Donovan, having read about him in the newspapers, but she had never met or seen him personally. She added that she had not, as she recalled, ever seen a photograph of Mr. Donovan. She never heard that Jeannie dated Mr. Donovan or anyone else from SCC. She described Jeannie as a callgirl or party girl who primarily dated Teamsters, bookmakers and gamblers.

Shown a photospread including Mr. Donovan's picture and those of other SCC principals, Stuber was unable to identify any of the persons depicted.

D. Dominick (Sonny) Martella

An agent of the Special Prosecutor interviewed Dominick (Sonny) Martella on April 16, 1982. Martella said, among other things, that he had first met Jean Aiello in approximately 1959-1960. Martella dated Jeannie on a "steady" basis from 1960 to 1963, during which time they shared three apartments in the Union City area. Jeannie dated no one else during that period, to Martella's knowledge.

Jeannie never mentioned to Martella that she had ever dated Raymond Donovan or anyone else from SCC. Nor had Martella heard from any other source that Jeannie had done so. Martella himself had never met Mr. Donovan and was aware of him only through newspaper and television accounts. Martella accurately identified a photograph of Mr. Donovan from the photospread based upon media photographs of the Secretary.

xi. Gabriel Briguglio

[GRAND JURY MATERIAL DELETED.]

xii. Thomas Andretta

[GRAND JURY MATERIAL DELETED.]

xiii. Stephen Andretta

[GRAND JURY MATERIAL DELETED.]

xiv. Anthony Provenzano

[GRAND JURY MATERIAL DELETED.]

xv. Nunzio Provenzano

[GRAND JURY MATERIAL DELETED.]

xvi. Robert A. Luizzi

[GRAND JURY MATERIAL DELETED.]

xvii. Sydney Glanzberg

On May 16, 1982, an agent of the Special Prosecutor interviewed Sydney Glanzberg who, prior to his retirement, was a principal in a number of New Jersey trucking companies. Among other things, Glanzberg stated that he was acquainted with Anthony Provenzano, Salvatore Briguglio, Gabriel Briguglio and Frederick Furino. He added that he most likely knew, or would recognize, Stephen and Thomas Andretta.

Glanzberg was familiar with the name, Schiavone Construction Company, but he was not acquainted with any of the principals of the company, including Raymond Donovan. Glanzberg did not know Mr. Donovan until he became a focus of news media publicity. Glanzberg did not recall ever having seen Mr. Donovan with any officers or members of Teamsters

Local 560. Glanzberg did not believe that he had ever seen Mr. Donovan with Salvatore Briguglio and said he could not conceive that Mr. Donovan had associated with Briguglio.

A photograph of Jean (Jeannie the Rebel) Aiello was unfamiliar to Glanzberg. Glanzberg was unaware, he said, of any female companions of Salvatore Briguglio, who, he said, was not usually in the company of women. [GRAND JURY MATERIAL DELETED.]

xviii. Ronald A. Schiavone

[GRAND JURY MATERIAL DELETED.]

xix. Chateau Renaissance

The Special Prosecutor also pursued a variety of leads to attempt to discover whether there was any evidence to support the allegation that Mr. Donovan had been in the company of Salvatore Briguglio at the Chateau Renaissance. As reflected below, none of the numerous persons interviewed recalled ever having seen Mr. Donovan in the Chateau Renaissance, much less in the company of Salvatore Briguglio.

A. Lawrence P. Miccia

On April 8, 1982, agents of the Special Prosecutor interviewed Lawrence P. Miccia, President of Local 4, Hotel, Restaurant Employees' and Bartenders' Union, Hoboken, New Jersey. Having conducted a review of Local 4's records at their prior request, Miccia provided the names of six current Local 4 members who were or had been employed at the Chateau Renaissance:

Beverly Baksa, Simone Boccardo, Phylis Diamentis, Anna Heba, Sam Scarneccchia and Dominick Zatti.

B. Janice M. Andre

Janice Mende Andre, who was employed at the Chateau Renaissance Restaurant from approximately 1963 until the early 1970s, was interviewed in the office of her counsel by agents of the Special Prosecutor on April 12, 1982. Andre worked initially as a waitress and hostess in the main dining room, then called the Supper Club, and later as a waitress in the Cork Lounge and Restaurant, which is the present Chateau Renaissance Restaurant. Andre's regular shift was from 6:00 p.m. until 3:00 a.m.

Salvatore Briguglio was a regular patron of the Chateau Renaissance. He was seldom alone. However, displayed spreads including a photograph of Mr. Donovan, Andre failed to recognize him as anyone she had ever observed in the Chateau Renaissance.

C. Andrew Astipalatis

Former Chateau Renaissance bartender Andrew Astipalatis was interviewed by agents of the Special Prosecutor on April 14, 1982. Shown a spread including Mr. Donovan's photograph, he recognized the Secretary as "some politician," although he could not identify him by name. Moreover, Astipalatis had never seen that man at the Chateau Renaissance or anywhere else other than in newspaper photographs.

Astipalatis did recall Salvatore Briguglio as an occasional patron of the Chateau Renaissance bar.

D. Beverly Baksa

On April 14, 1982, agents of the Special Prosecutor interviewed Beverly Baksa, a part-time waitress at the Chateau Renaissance from 1966 to 1977. Ms. Baksa worked mornings and evenings in the Chateau Renaissance Coffee Shop.

Upon review of the spread including Mr. Donovan's photograph, she failed to identify the Secretary as anyone who was familiar to her. The photo of Secretary Donovan was specifically pointed out to her and she did not recall ever seeing him in the Chateau Renaissance.

E. Simone Boccardo

Agents of the Special Prosecutor interviewed Simone Boccardo, a waitress at the Chateau Renaissance since approximately 1962, on April 7 and April 8, 1982. Boccardo stated, inter alia, that she worked the day shift, from 10:00 a.m. to 6:00 p.m. at the Chateau Renaissance during the latter 1960s. She recalled that Salvatore Briguglio was a regular patron and that he met with Ralph Picardo and Anthony Provenzano, among others. She also recalled Briguglio's girlfriend, named Joan, with whom he frequented the Chateau Renaissance.

Boccardo did not know anyone named Raymond Donovan and did not associate the name with any customer of the Chateau Renaissance. She was shown two spreads each of which included a photograph of Raymond Donovan. She failed to recognize

in the spreads anyone she had ever seen at Chateau Renaissance.

F. Anne Butler

Anne Butler, Desk Clerk of the Chateau Renaissance Motor Inn since the early 1960s, was interviewed by agents of the Special Prosecutor on April 7 and 8, 1982. Butler informed the Agents, among other things, that the Chateau Renaissance had only one main entrance to the restaurant bar area since some time in the 1960s. Previously, there were several entrances for the motel and the bar/restaurant. However, the lavatory facilities and public telephones were located just off the motel lobby so that customers of the bar and restaurant, even in the 1960s, ordinarily passed before her in the lobby.

In the late 1960s, Salvatore Briguglio was a regular customer of the Chateau Renaissance. She was also aware that Anthony Provenzano was a regular, and Armand Faugno an occasional patron of the restaurant. Moreover, she was aware that Ralph Picardo, Stephen Andretta and Thomas Andretta were also frequent patrons of the Chateau Renaissance at various times.

Shown two spreads, each of which included a photograph of Raymond Donovan, Butler recognized Mr. Donovan from media news coverage. However, she was certain that Mr. Donovan had never been a frequent patron at the Chateau Renaissance. She was equally certain that she would have been

aware had Mr. Donovan been to the Chateau Renaissance on more than a few occasions. She remarked that, when the publicity concerning Mr. Donovan first surfaced, she paid close attention since the names of so many past Chateau Renaissance patrons figured prominently. However, she did not recognize Mr. Donovan as anyone whom she had ever seen at the Chateau Renaissance.

G. John Ciniello

On April 14, 1982, agents of the Special Prosecutor interviewed John (Shoes) Ciniello, a bartender who worked the 7:00 p.m. to 3:00 a.m. shift at Chateau Renaissance during the late 1960s. Ciniello stated, inter alia, that Teamsters Local 560 members were regular Chateau Renaissance customers both for dinner and at the bar. Ciniello advised that he personally knew Salvatore Briguglio, among numerous other Local 560 members. Ciniello was further aware that Briguglio frequently patronized the restaurant in the company of Joan Torino. He also remembered Jeannie the Rebel as a patron of the bar.

Ciniello was unfamiliar with SCC and did not recognize the name of Mr. Donovan as a Chateau Renaissance customer. Nor did Ciniello recognize a photograph of Raymond Donovan exhibited to him in a spread. Even when the photograph was specifically pointed out to him, Ciniello repeated that he did not know Mr. Donovan. He was, moreover, certain

that he would have known Mr. Donovan had Mr. Donovan been a regular Chateau Renaissance customer.

H. Phyllis Diamantis

Former Chateau Renaissance waitress Phyllis

Diamantis was interviewed by agents of the Special Prosecutor on April 13, 1982. After serving as a banquet waitress in the Renaissance Room in 1966 or 1967, Diamantis worked on a sporadic basis until the 1972-1976 period when she became the regular coffee shop waitress. On rare occasions she substituted as a waitress in the cocktail lounge.

Diamantis knew Salvatore Briguglio as a former customer at the Chateau Renaissance. Occasionally she saw him in the coffee shop. The names of numerous other Local 560 members were also familiar to her. However, Diamantis never heard of Schiavone Construction Company, Raymond Donovan, or other SCC officers whose names were put to her. When the spread including Mr. Donovan's picture was shown to her, she failed to recognize it.

I. Aldo Fernandez

Aldo Fernandez, Comptroller of the Chateau Renaissance Motor Inn and Restaurant for approximately 20 years, was interviewed by agents of the Special Prosecutor on April 7, 1982. Fernandez said, among other things, that he knew Salvatore Briguglio personally and that Briguglio patronized the bar and restaurant on a daily basis, including Saturdays.

He was also familiar with several other Local 560 members who patronized the Chateau Renaissance.

From various media accounts and photographs, Fernandez was familiar with Raymond Donovan. Fernandez accurately identified Mr. Donovan when shown a spread including the Secretary's picture. While Fernandez was unable categorically to assert that Donovan had never been in the Chateau Renaissance, Fernandez did not recognize Mr. Donovan as a customer when he first saw the Secretary's photograph in the newspapers. Mr. Donovan was surely not a regular customer of the Chateau Renaissance bar, Fernandez said, or Fernandez would have known him and recognized his pictures.

J. Anna Heba

On April 13, 1982, agents of the Special Prosecutor interviewed Anna Heba, a Chateau Renaissance waitress from 1961 to 1975 who worked the 6:00 p.m. shift. Asked to select from a spread of photographs which included Mr. Donovan's picture those reflecting anyone familiar to her, Heba did not choose Mr. Donovan. When Mr. Donovan's picture was specifically pointed out to her, she asserted that he did not look familiar to her. Salvatore Briguglio, however, was known to Heba to be a regular customer of the Chateau Renaissance.

K. Louis Pascal

On April 15, 1982, Louis Pascal, who served as Assistant General Manager of the Chateau Renaissance from 1965 through 1969, was interviewed by an agent of the Special

Prosecutor. Pascal had viewed photographs of Raymond Donovan in newspapers and on television, and Pascal was certain that he had never met or seen Donovan at the Chateau Renaissance. Pascal never met any employee of SCC at the Chateau Renaissance, and he was unable to state that any SCC employees ever patronized the restaurant.

Pascal was acquainted with many Teamsters Local 560 members and observed them in the bar and restaurant portion of the Chateau Renaissance. These specifically included Salvatore Briguglio among others. Jean (Jeannie the Rebel) Aiello was unknown to him.

L. Ray Rodgers

Ray Rodgers, who was the General Manager in charge of the banquet area at the Chateau Renaissance from 1970 through 1976, was interviewed by agents of the Special Prosecutor on April 14, 1982. During his employment at the Chateau Renaissance, Rodgers was familiar with Salvatore Briguglio and numerous others associated with Teamsters Local 560. He was, however, unable to identify, from a spread including Mr. Donovan's photograph, any patron of the Chateau Renaissance.

M. Anthony Scarneccia

On April 13, 1982, Anthony (Sammy) Scarneccia was interviewed by agents of the Special Prosecutor. Scarneccia, who worked the 7:00 p.m. to 3:00 a.m. shift at the Chateau Renaissance bar from 1963 until 1976, was familiar with many

Teamsters Local 560 members, including Salvatore Briguglio. But Scarneccia had never heard of Schiavone Construction Company nor was he familiar with the name Raymond Donovan. He also failed to select Mr. Donovan's photograph from a spread displayed to him.

N. Dominick Zatti

On April 13, 1982, agents of the Special Prosecutor interviewed Dominick Zatti, a part-time bartender who worked the 7:00 p.m. to 3:00 a.m. shift at the Chateau Renaissance from approximately 1963 to 1976. Zatti identified Mr. Donovan's photograph from a spread, recognizing the Secretary from newspaper photographs. He never saw Mr. Donovan at the Chateau Renaissance.

From a separate spread, Zatti recognized Salvatore Briguglio, whom he had seen at the Chateau Renaissance four or five times.

xx. Sid Allen's Restaurant

With respect to an allegation that Mr. Donovan ate at Sid Allen's Restaurant in Englewood Cliffs, New Jersey, with Briguglio on one or two occasions in 1969, agents of the Special Prosecutor conducted various interviews of persons who might be in a position to corroborate this allegation. No evidence was uncovered to corroborate the claim that Mr. Donovan had eaten at Sid Allen's with Briguglio.

A. Sidney Allen

On April 30, 1982, Sidney Allen, owner of Sid

Allen's Restaurant until 1978, was interviewed by an agent of the Special Prosecutor. Among other things, Allen stated that, in 1969, as the sole owner and manager of Sid Allen's, he worked from 8:00 a.m. to 2:00 a.m., with a 3-1/2 - 4 hour break during the mid-afternoon. Allen stated that he did not know Raymond Donovan, never having seen Mr. Donovan either in person or on television. When the Secretary's name was first mentioned during the interview, Allen thought that the agent was referring to a former candidate for political office in New Jersey who withdrew because of a controversy or scandal of some sort. Allen could not recall where he had heard or read about Mr. Donovan. Moreover, while Allen had seen SCC trucks, he did not associate Mr. Donovan with the company.

Salvatore Briguglio was introduced to Allen in the restaurant around 1972 or 1973. Thereafter, Briguglio came to the restaurant approximately ten times between 1973 and 1978. Allen was uncertain whether Briguglio came into the restaurant prior to the time they were introduced in 1973. While Briguglio ordinarily came to the restaurant either with Anthony Provenzano, who had introduced Allen to Briguglio, or with a female whom Allen believed to be Briguglio's wife, Allen recalled that Briguglio visited the restaurant with a different man on one occasion. Allen was unable to identify the man and could describe him only as "ordinary looking."

Because Allen had sold the restaurant by the time

of the interview, he was unaware what records, if any, had been retained by the new owners. He was doubtful, however, that any from the 1960s survived. Shown a spread of photographs including a photograph of Mr. Donovan, Allen was unable to identify the Secretary as a customer of Sid Allen's Restaurant. When Mr. Donovan's photograph was singled out for him, Mr. Allen was still unable to identify Mr. Donovan as a Sid Allen Restaurant customer.

B. Joseph Hockenberger

An agent of the Special Prosecutor interviewed Joseph Hockenberger, the owner of Ronnie's Run (formerly, Sid Allen's) Restaurant, on April 30, 1982. Among other things, Hockenberger advised that he acquired Sid Allen's Restaurant in May 1978 and promptly renamed it Ronnie's Run. Hockenberger, having recently bought out his partners, was the sole owner of Ronnie's Run at the time of his interview.

Hockenberger did not know Raymond Donovan nor anyone else associated with SCC. He searched the current records of all house accounts and could locate none for either Mr. Donovan or the company. Hockenberger believed that all records from Sid Allen's, which antedated the mid-1970s, were destroyed last year in order to provide space for new records.

The Special Prosecutor's agent was provided with access to a circular card index and file drawer which Hockenberger believed contained the names and addresses of all individuals

and companies who had house accounts during the time that Sid Allen's was in operation. A search of those records by the Special Prosecutor's agent and an accompanying FBI agent failed to reveal a record of any account either for Raymond J. Donovan or SCC.

C. Franco P. Ariotti

On May 5, 1982, Franco P. Ariotti was interviewed by agents of the Special Prosecutor. From 1964 until 1976, Ariotti served as maître d' at Sid Allen's. During those years, he worked approximately 18 hours per day, with the exception of a two month hospitalization in 1972.

Six days a week Ariotti worked from 10:30 a.m. until 3:00 p.m. and from 5:00 p.m. until 2:00 a.m. On weekends, his hours were slightly longer. Only on Tuesdays did he not work.

The name Salvatore Briguglio was not familiar to Ariotti. However, shown a photograph, Ariotti recognized the man as a customer known to him only as Sal.

The name Raymond Donovan was unfamiliar to Ariotti. Shown a spread of photographs including one of Mr. Donovan, Ariotti did not initially recognize the Secretary's picture. When it was singled out for special attention, Ariotti realized that he had seen the Secretary in the press. Ariotti was certain, however, that he had never seen Mr. Donovan at Sid Allen's Restaurant. He added that, if a customer came in on a regular basis for lunch, he would probably recognize him, but, if someone visited the premises only once or twice

a month, he deemed it unlikely that he would remember them.

D. Vincent A. Cervelierri

Vincent A. Cervelierri, a bartender at Sid Allen's Restaurant from 1966 to 1978, was interviewed by an agent of the Special Prosecutor on May 5, 1982. From 1971 to 1978, Mr. Cervelierri stated, he was the head bartender at Sid Allen's. His hours were from 12 noon to 1:30 a.m. during the week, and until 2:00 p.m. to 3:00 a.m. on weekends. Among his duties was serving drinks to those customers who sat at the bar. In addition to the barstools, there were approximately ten tables in the cocktail lounge area which, according to Cervelierri, was usually dimly lit. Moreover, his eyesight, according to Cervelierri, was poor.

Although he had heard and read about Raymond Donovan, Cervelierri thought that he had never met Mr. Donovan. He was unable to identify a photograph of Mr. Donovan as anyone he had met or seen at Sid Allen's or anywhere else. Even when Mr. Donovan's photograph was pointed out to him, he could not recognize the Secretary as ever having visited Sid Allen's. Cervelierri added that he had never met anyone else from SCC at Sid Allen's. Cervelierri was familiar with Salvatore Briguglio, both from Sid Allen's and from various other bars in the Union City area. He recalled that Briguglio patronized Sid Allen's bar a half dozen or more times. Briguglio ordinarily came for lunch and sat in the cocktail lounge area.

E. Flavio Zen

Flavio Zen was interviewed by an agent of the Special Prosecutor on May 5, 1982. Zen stated, among other things, that he was employed as a captain of waiters at Sid Allen's Restaurant from May 1968 until approximately May 1970. His hours were routinely 5:00 p.m. until 1 to 1:30 a.m. Ordinarily, he did not work Tuesdays.

The name Raymond Donovan was unfamiliar to Zen, who said that he did not read newspapers. Zen had neither read nor heard of Raymond Donovan or anyone else associated with SCC. Shown a spread of photographs, Zen was unable to identify Mr. Donovan as a customer of Sid Allen's during the time Zen was employed there. When Mr. Donovan's photograph was pointed out to him, Zen reiterated that he had never seen nor met the man depicted at Sid Allen's Restaurant or elsewhere. Zen was unable to identify a photograph of Salvatore Briguglio which was shown to him.

xxi. Robert J. Santomenna:
Ichi Ban

A. Statement to the
Special Prosecutor

On April 20, 1982, an agent of the Special Prosecutor interviewed Robert J. Santomenna, formerly the owner of the Ichi Ban Bar in Union City, New Jersey. Santomenna stated, among other things, that he owned the Ichi Ban from 1954 until 1975. He operated it under the Ichi Ban name from 1958

until 1974; during the last year that he owned it, Santomenna leased the bar to a third party to operate it.

The Ichi Ban Bar, by Santomenna's description, was a neighborhood "gin mill," with twenty bar stools and four small tables. The bar was ordinarily open from 8:00 p.m. to 3:00 a.m. seven days per week. During the time he owned the bar, Santomenna was the only full-time employee. He hired a bartender or waitress on a temporary basis when there was a lot of business, but Santomenna could not recall the names of any of those employees.

The customers of the Ichi Ban, during the 1954-1974 period that Santomenna operated it, were mostly neighborhood fellows and their friends, together with individuals with whom Santomenna had grown up. While Santomenna had read about, and seen pictures of, Raymond Donovan in the media, he had never met Mr. Donovan. To his knowledge, Mr. Donovan was never in the Ichi Ban Bar. He was certain that Mr. Donovan was never a steady customer of the bar or he would have remembered him.

Santomenna had heard of the Schiavone Construction Company, but he could not recall ever having met anyone from SCC. He did not remember that any SCC employee or officer frequented the Ichi Ban, although he allowed that it was possible due to the proximity to the bar of the company's

Secaucus headquarters. Moreover, Santomenna was aware that he occasionally had customers associated with SCC.

For most of his life, Santomenna knew Salvatore Briguglio. Briguglio began patronizing the Ichi Ban shortly after it first opened. Briguglio usually came to the Ichi Ban with three or four men whose names Santomenna could not remember. In earlier years, Briguglio, and his friends came to the bar looking for female companions. Later, Briguglio brought Joan Torino to the Ichi Ban.

No one, including Briguglio or Mr. Donovan, ever used any of the apartments located above the Ichi Ban to entertain female acquaintances, Santomenna insisted. Further, Santomenna never arranged a date for either Briguglio or Mr. Donovan. Santomenna repeated that he did not know, and never met, Raymond Donovan.

Jean (Jeannie the Rebel) Aiello was known to Santomenna as a neighborhood woman. He was unaware that she associated with Briguglio or any other member of Teamsters Local 560.

Santomenna volunteered to submit to a polygraph examination with respect to any possible relationship between himself and Mr. Donovan.

B. Polygraph Examination

On April 28, 1982, Robert J. Santomenna volunteered to submit to a polygraph examination conducted by an FBI examiner. According to the official Polygraph Examination

Report 365 Santomenna responded negatively to each of the following questions:

- Do you remember ever meeting Raymond Donovan?
- Are you lying when you say you cannot remember ever having met Raymond Donovan?
- Are you lying when you say you cannot remember ever meeting Raymond Donovan in the Ichi Ban Bar?

Exhibit 59 at 3rd and 4th pages.

It was the opinion of the examiner that "Santomenna was being essentially truthful when stating that he could not remember ever having met Raymond Donovan in person or in the Ichi Ban Bar." Id. at 4th page.

xxii. Thomas Trobiano: Briguglio Home

On April 7, 1982, agents of the Special Prosecutor interviewed Thomas Trobiano, the contractor who constructed Salvatore Briguglio's home in Washington Township, New Jersey.

Among other things, Trobiano stated that he began building homes in Washington Township, New Jersey, in late 1973 or early 1974 on seven lots which he acquired for that purpose. He commenced work on Salvatore Briguglio's house in March 1975. At that time, he had no buyer for the house and had not yet met Briguglio. It was not until the house was approximately 70% completed that he first did meet Briguglio.

365 A copy of which is annexed as Exhibit 59.

Trobiano was not certain exactly how his first meeting with Briguglio came about. He believed, however, that Thomas Principe advised Trobiano that he knew someone who was looking for a house. Briguglio subsequently approached Trobiano and began questioning him concerning the home.

Briguglio visited the house approximately ten to twelve times before, in late August or early September 1975, when he made the commitment to buy it. At that time, the house was approximately 90% completed. Construction was complete by late September or early October 1975. Only after Briguglio decided to purchase the house did he give Trobiano any specifications in connection with finishing it.

Trobiano used subcontractors to do all carpentry, roofing, plumbing, electrical work, excavation work, and the like. All materials were furnished either by Trobiano or the subcontractors. At no time did Briguglio furnish any. Trobiano never saw an SCC truck at that location, and he was not aware that SCC provided any building materials for Briguglio's home.

To the best of Trobiano's recollection, Briguglio's wife came to the site only once before the house was completed. She arrived with another woman.

xxiii. Crane Overpayment Allegation

The Special Prosecutor secured from SCC records of all contracts for the purchase of cranes from the early 1960s

through the mid-1970s. Agents of the Special Prosecutor set about to determine whether the prices for cranes reflected therein were excessive for the equipment involved. However, the agents were confronted with the difficulty that the cranes purchased were not new, but used, models. Moreover, Robert DeFillippis of DeFillippis Crane Company informed them that trade newspaper listings of the sales prices of cranes reflected spreads of tens of thousands of dollars on similar pieces of equipment due to the numerous variables involved, including age and condition.

The agents learned the identity of an acknowledged expert in the field competent to assess the reasonableness of the prices that SCC paid for the cranes, given adequate information. The expert quoted a \$1,000 per day price for his services. In view of the absence of corroboration for Ricardo's allegation, and the expense involved in investigating this aspect of it, the Special Prosecutor determined not to retain the expert or to pursue the issue of the reasonableness of the prices paid by SCC for cranes in the 1960s and early 1970s.

xxiv. Other Investigation

On March 25, 1982, an agent of the Special Prosecutor reviewed the files of the Newark office of the FBI relating to Salvatore Briguglio. Among other things, the Newark office files reflected that on March 21, 1978, the morning after Salvatore Briguglio was murdered in the Little Italy section of Manhattan, Federal warrants were issued for the search of

Briguglio's residence and his desk at Teamsters Local 560. All of the materials seized from the residence and office of Briguglio, when the search warrants were executed on March 21, 1978, was reviewed by one of the Special Prosecutor's agents. None of those materials, including five personal address and telephone directories of Briguglio, contained any reference to a Raymond J. Donovan, any "Ray" identifiable as Mr. Donovan, or SCC.

Included within the seized materials were various records relating to materials used in the construction of Briguglio's home in Washington Township, New Jersey. None of those documents reflected any reference to Mr. Donovan or SCC.

d. Response of Secretary Donovan

i. Testimony Before the Senate

Confronted by the Senate Labor Committee with Picardo's various allegations that he had a relationship, and a series of unlawful dealings, with Salvatore Briguglio, the then Secretary-designate denied each allegation in turn. Concerning the charge that he and SCC made direct cash payoffs to Salvatore Briguglio, Mr. Donovan's denial was categorical:

THE CHAIRMAN. Have you ever made or witnessed or had knowledge of direct cash payments by SCC made to one Salvatore Briguglio during the early 1970's.

MR. DONOVAN. Absolutely not.

THE CHAIRMAN. Are you aware of any payments by SCC to Salvatore Briguglio made by Ronald Schiavone?

MR. DONOVAN. Absolutely not.

* * *

THE CHAIRMAN. Well, Picardo claims that in late 1969 or 1970 he was told by Briguglio that Schiavone Construction Co. was making direct cash payoffs to him, meaning to Briguglio, and that he was receiving them from "Ray, the boss at Schiavone."

You don't even know who Briguglio is other than what you have read in the papers--

MR. DONOVAN. That's correct, and I am never referred to as the "boss" from Schiavone. Mr. Schiavone is the boss from Schiavone.

THE CHAIRMAN. When was the first time you ever heard of Mr. Briguglio?

MR. DONOVAN. When I read this FBI report.

Hearings at 344-345. See also Senate Report at 18.

In response to Picardo's charge that, at Briguglio's request, Picardo picked up illegal payoffs from "Ray," an SCC executive, the Secretary's testimony before the Senate Labor Committee was equally firm. To begin with, Mr. Donovan denied ever having met Ralph Picardo. Hearings at 309; Senate Report at 12-13. He further testified, in response to Senator Hatch's questions:

THE CHAIRMAN. Mr. Picardo claims at first that he came to your company fifteen or twenty times, but in the final FBI report he says about ten or eleven times, and that he got checks in envelopes from a man named "Ray" on the premises. He also said that he went "upstairs" to get to your office. Is that really possible, or was that possible at that time?

MR. DONOVAN. Senator, I have never had an office but what was on the ground floor. I have only had--

THE CHAIRMAN. In other words, between 1965 and 1970, your office was on the ground floor?

MR. DONOVAN. That's correct.

THE CHAIRMAN. Could you go through the front way to get to the second floor or up the stairs?

MR. DONOVAN. In order to get to the second floor of that building, which was an apartment, a family-type of apartment, you couldn't get upstairs through the interior of our offices. It was semidetached. You had to go up concrete stairs into a garden area, make a left and go up three more concrete stairs to this apartment.

During the years he said this existed, that was the only route to the upstairs.

THE CHAIRMAN. Would that have been on the front or the back of the building, or on the side of the building?

MR. DONOVAN. The total rear of the building.

THE CHAIRMAN. The total rear of the building. So if he went upstairs to pick up checks from anybody, it wouldn't have been through the front of the building but up some concrete steps into the garden, and then up the back steps in order to get into the second floor; is that correct?

MR. DONOVAN. That's correct.

THE CHAIRMAN. But at all times in question your office was on the first floor; isn't that right?

MR. DONOVAN. That's correct.

THE CHAIRMAN. Back in those days, between really 1965 and 1966, he indicated that you wore different glasses then, that they were plastic glasses rather than steel-rimmed glasses that you're wearing now. Is that correct?

MR. DONOVAN. That is not correct.

THE CHAIRMAN. Did you wear glasses during those years?

MR. DONOVAN. I did not.

Hearings at 339-340. See also Senate Report at 12-13.

With respect to the allegation that Mr. Donovan dined with Salvatore Briguglio at Sid Allen's Restaurant, the Secretary's denial was equally unequivocal:

THE CHAIRMAN. Mr. Donovan, the FBI report says that an unnamed source claims that in late 1969 he saw Briguglio, who is now dead, and you at Sid Allen's Restaurant in Englewood Cliffs, N.J. The source commented that Briguglio was "thick" with Mr. Donovan.

What do you have to say about that?

MR. DONOVAN. I don't know the man--

THE CHAIRMAN. When you say you don't know the man, do you mean Briguglio?

MR. DONOVAN. That's right.

THE CHAIRMAN. Have you ever met him?

MR. DONOVAN. I have never met the man.

THE CHAIRMAN. Have you ever done any business with him?

MR. DONOVAN. We have not.

THE CHAIRMAN. And you personally don't recall ever shaking his hand?

MR. DONOVAN. I can assure you that I haven't.

THE CHAIRMAN. Have you ever been in Sid Allen's Restaurant?

MR. DONOVAN. I have, on one occasion, again for lunch. I can't pin down the year. But it's an acceptable restaurant with acceptable food. I have been there once, maybe twice for lunch.

THE CHAIRMAN. But you were not there with Mr. Briguglio?

MR. DONOVAN. For certain.

Hearings at 338.

Finally, with respect to Picardo's claim that Mr. Donovan dined at Archer's Restaurant in 1971 or 1972 with Salvatore Briguglio and Tommy Eboli, Mr. Donovan testified as follows:

THE CHAIRMAN. Have you ever met with a man named Salva[t]ore Briguglio?

MR. DONOVAN. I have not.

THE CHAIRMAN. Have you ever had dinner or supper with him at Archer's Restaurant in Ft. Lee, N.J.?

MR. DONOVAN. Certainly not.

THE CHAIRMAN. Have you ever eaten in Archer's Restaurant in Ft. Lee, N.J.?

MR. DONOVAN. Yes, I did.

THE CHAIRMAN. Could you describe that, and with whom you ate and what time of day it was?

MR. DONOVAN. I had lunch there with two of my partners. I don't recall the date. I have been there once in my life. I recalled it specifically because I saw Phil Rizzuto in the restaurant.

Hearings at 309; Senate Report at 18.

ii. Statement to the FBI

In the course of his December 10, 1981, interview with agents of the FBI and others, Secretary Donovan stated, according to the report of interview, that "he ha[d] never met with Sal Briguglio . . . at anytime."³⁶⁶ As set forth in

366 Exhibit 10, annexed, at 3.

the notes of that interview taken by Mr. Donovan's counsel, the question and answer were:

Q: Do you know Phil [sic: Sal] Briguglio?

A: No.

S.P. no. 300061.

iii. Statement to the
Special Prosecutor

During his May 10, 1982, interview with the Special Prosecutor, Mr. Donovan stated that he had never met, known or eaten with Salvatore Briguglio. He recounted one visit to Archer's Restaurant at which he had seen Phil Rizzuto, but he was unable to recall the date of that luncheon. Mr. Donovan remarked that he did not keep appointment books or calendars of any kind.

Mr. Donovan acknowledged that he had been to Sid Allen's Restaurant on two or three occasions but never with Salvatore Briguglio. He also was familiar with the Chateau Renaissance and had patronized the establishment when it first opened. However, he had never eaten there with Salvatore Briguglio.

Mr. Donovan denied that he ever gave any money to Ralph Picardo for ultimate delivery to Briguglio, nor, he added, had he ever given money to anyone else, including Gabriel Briguglio, for delivery to Salvatore Briguglio.

To Mr. Donovan's knowledge, SCC never supplied any building materials for Salvatore Briguglio's home.

Further, Briguglio never furnished to SCC any bid information relating to upcoming bids to be submitted to government agencies. Mr. Donovan characterized the bid-rigging suggestion as the "most ridiculous allegation intellectually" because, in his experience, it was impossible to know any competitor's bid on government work. As Mr. Donovan described the bidding process, bidders commonly withheld their prices until the last ten minutes preceding the closing of bids, specifically in order to prevent leakage of that information. No one ever sees the bids until they are publicly opened. In an anecdotal aside, Mr. Donovan advised that, in planning SCC's bid for the 63rd Street job, the emphasis on security was such that the principals of SCC did not even consult their own bonding company about the bid and did not disclose to anyone the fact that they were going to bid until after the last call for bids on the morning that the bids had to be submitted. Not even subcontractors were contacted in connection with the preparation of that bid.

Mr. Donovan denied that SCC had ever overpaid for cranes in order to generate funds to make illicit payments to Salvatore Briguglio. Mr. Donovan further denied that he knew any woman named Jean (Jeannie the Rebel) Aiello. He further denied having known or met any of several persons who anonymous informants asserted knew of Mr. Donovan's relationship with Briguglio but who themselves denied any personal knowledge of

such a relationship.³⁶⁷ Mr. Donovan denied that he had ever met, or even heard of, Steven Hrobuchak, Anthony Balio or Cosmo Balio. Nor was he familiar with B & R.

iv. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

v. Subsequent Information

In response to the Special Prosecutor's request for further information and documentation concerning Mr. Donovan's use of glasses in the 1960s and 1970s, Mr. Donovan's counsel advised as follows by letter dated May 26, 1982:³⁶⁸

During the period that Raymond Donovan attended Notre Dame Seminary in New Orleans, September 1950 through January 1952, he purchased from a New Orleans drug store a pair of off-the-shelf reading glasses which were full sized with dark brown tortoise rims. During that period, Mr. Donovan was advised that it was not a good idea to become dependent on reading glasses and, to the best of his recollection, he did not use those glasses after departing Notre Dame Seminary. He did, however, have them in his possession in a drawer in his home. Neither he, his family nor his business associates recall that he wore glasses of any sort during the 1960's.

In 1971 or 1972, Mr. Donovan purchased from Dr. Weber's Optometrists in Maplewood, New Jersey, prescription reading glasses, which were of the half-moon type with black steel frames. Weber's does not keep prescription records longer than five years, and we are unable to verify this date or the type of glasses other than by recollection.

367 These included Joan Torino, Joseph Meringola, Clifford Finkle and Sidney Glanzberg.

368 A copy of which is annexed as Exhibit 73.

Mr. Donovan used the half-moon reading glasses until 1976, at which time he purchased from The Ultimate Spectacle a set of prescription reading glasses. In 1978 Mr. Donovan obtained from The Ultimate Spectacle bifocals with metal frames, of the type he presently wears.

Exhibit 73 at 1-2.

e. Conclusions

i. Grand Jury

The grand jury on June 18, 1982, declined to indict Mr. Donovan with respect to his testimony before the grand jury, concerning Salvatore Briguglio.

ii. The Special Prosecutor

There is not sufficient credible evidence to conclude that the Secretary was untruthful when he testified before the grand jury or before the Senate Labor Committee as to his relationship with Salvatore Briguglio. There are insufficient grounds for a prosecution of the Secretary concerning the Briguglio allegation.

3. Alleged Relationship with
Armand (Cokey) Faugno

None of the people identified by Picardo as being in a position to corroborate his allegation that SCC made illegal payoffs through Precast Concrete to Armand (Cokey) Faugno did so. There was no evidence of any such ghost loading scheme as Picardo described.

a. Michael Gretchin

i. Statements to the FBI

Michael A. Gretchin, a former truck driver for

Picardo, during his interview with agents of the FBI on January 16, 1981, remarked that he could not recall any "ghost loads regarding precast items for the Long Island Expressway."³⁶⁹ However, reinterviewed three days later, following an intervening FBI interview of Picardo, Gretchin stated,³⁷⁰ among other things, that:

He had worked for B & R Trucking, Frankfort, New York, from 1950 to 1968 or 1969. Gretchin stated from time to time in the mid 1960s, he would visit with Ralph Picardo, but did not work for him until 1969.

Gretchin stated that he . . . recalled the Precast Concrete items for the Long Island Expressway. Gretchin stated that it was common knowledge in New Jersey in the trucking business that ghost loads were being billed for the Long Island Expressway. Gretchin stated that he, himself, could not furnish any details regarding the ghost loads and that he never saw any paper work or any pay-offs regarding the ghost loads. . . . He stated there was [sic] also ghost loads for the Hunter College contract and, in fact, he did recall that Picardo had held up the delivery of the cornerstone on this project because he was not being paid.

Gretchin stated that although he could not furnish any specific details regarding Ghost loads or payments regarding these loads or Raymond Donovan[,] he believed another person might be able to furnish that information. He stated this person was a Steve [Hrobuchak]. Steve was working for Picardo in his Jersey City office and was handling the billing during the Long Island Expressway project and also did the routing of all loads. Steve also had his own tractors and some trailers that he and his nephews, Danny and Sammy [Hrobuchak], were operating for Picardo.

369 S.P. no. 101326.

370 According to the teletype report of interview, S.P. nos. 101366-101339.

* * *

Gretchin stated that the name Arm[a]nd Faugno was not recalled by him in anyway.

S.P. nos. 101336-101339.

ii. Statement to the
Special Prosecutor

During his April 1, 1982, interview with the Special Prosecutor, Michael A. Gretchin stated that, during his early association with Picardo, in approximately late 1968 or early 1969, Picardo's Coastal Truck Lines delivered Precast Concrete Company products to, inter alia, Hunter College in the Bronx and the New York Telephone Company facility in Huntington, Long Island. Because certain loads were delivered at night when no one was present on the job site, it was not uncommon for Picardo to give Gretchin three or four documents to be taken to the site to be signed by the job foremen who rarely, if ever, physically checked to determine that the items had been delivered. The foremen were content to sign for deliveries as long as the workers' progress was not interrupted by a delay in receipt of product. Gretchin had no personal knowledge of any instances of items that were signed for not actually being delivered. He did note the possibility that certain deliveries might not have been made.

Gretchin could not recall that Coastal made any deliveries to SCC. He knew nothing about alleged repeated trips to the same construction sites with the same, undischarged truckload of material or any "ghost loads." He confirmed that

Picardo handled all of the billing.

During 1968-1969, Gretchin recalled, Picardo told him that SCC was working on the Long Island Expressway. Picardo added that SCC had many trailers and that Picardo therefore wanted to obtain more tractors to be able to lease them to SCC. Picardo and Gretchin traveled either to Charlotte, North Carolina, or Gastonia, South [sic] Carolina, to purchase tractors from the White Motor Trucking Company for lease to SCC.

Armand Faugno was, according to Gretchin, the "main guy" in Jersey City. Gretchin remembered one instance in which Picardo went to Faugno, who hit him in the face. When Picardo had problems, he went to Faugno for help just as he went to Briguglio.

iii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

b. Gerard B. Paldino

i. Statement to the FBI

In the course of his January 18, 1981 interview with agents of the FBI, Gerard B. Paldino stated, according to the report of interview, that "[h]e recalled phoney [sic] invoices for concrete slabs used for curbs on the Long Island Expressway and for construction of a building at Lake Success, New York."³⁷¹

371 457 S.P. no. 102228.

As noted above,³⁷² Paldino did not recall Picardo ever having mentioned any contract with anyone at SCC nor did he recall Mr. Donovan's name.

ii. Statement to the
Special Prosecutor

Gerard B. Paldino declined to provide any information to the Special Prosecutor outside the grand jury.

iii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

c. Robert D. Moren

i. Statement to the
Special Prosecutor

In his April 1, 1982 statement to an agent of the Special Prosecutor, Moren said, among other things, that he was unaware of any illegal activity on the part of Picardo or anyone else associated with Cargo Leasing during his one year at that Picardo company.

ii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

d. Steven Hrobuchak

i. Statement to the
Special Prosecutor

During his April 22, 1982, interview with agents of the Special Prosecutor, Steven Hrobuchak mentioned that he

372 See Section VI.B.2.a.iii.A., supra.

vaguely recalled deliveries by B & R, then jointly owned by Hrobuchak and Ralph Picardo, to the Long Island Expressway. Hrobuchak, however, was uncertain whether those deliveries were made to SCC. Picardo handled all the billing, Hrobuchak added.

Picardo was involved in many "shady deals," including what Hrobuchak believed to be some sort of illicit dealing with the shop foremen at Precast Concrete. Hrobuchak had no firsthand knowledge of any "ghost loads" involving Precast Concrete, but he asserted that Picardo was manipulating the tractors so that Hrobuchak rarely knew where they were located --especially on weekends, when Hrobuchak was at home in Scranton, Pennsylvania.

ii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

e. Steven Hrobuchak, Jr.

On April 22, 1982, Steven Hrobuchak, Jr., ("Hrobuchak Jr."), who was employed as truck driver for B & R during the summer of 1979, was interviewed by agents of the Special Prosecutor. Among other things, Hrobuchak Jr. stated that he vaguely recalled having hauled highway dividers to a job site on the Long Island Expressway near Greenpoint Avenue on one or two occasions.³⁷³ He knew nothing about "ghost

373 The Greenpoint Avenue exit of the Long Island Expressway is the first exit on the Queens side of the Midtown Tunnel.

"loads" or the delivery of the same load to a job site on numerous occasions. The name, Schiavone Construction Company, meant nothing to him.

f. Cosmo Balio

During his interview of April 1, 1982, Cosmo Balio stated, among other things, that after Ralph Picardo commenced working for B & R as a salesman, Picardo obtained a contract with SCC to haul six or seven loads of pre-fabricated concrete from SCC's yard in Secaucus to a project involving bridge construction on the Long Island Expressway. To the best of Balio's recollection, B & R did no business with Precast Concrete. Balio had no knowledge of any "ghost loads" or any other illegal activity engaged in by Ralph Picardo.

With respect to the loads of pre-fabricated concrete that Balio believed were hauled from SCC's Secaucus yard, Balio said that the billing to SCC was done from the B & R office in Utica, New York. Balio remembered that SCC was slow in paying and, for that reason, he called the company and was told that it was short of funds at the time. Balio did not believe that records concerning the extent of B & R's dealings with SCC were still available. He repeated that he "never did anything illegal with Schiavone."

g. Thomas Jefferies

[GRAND JURY MATERIAL DELETED.]

h. Clyde Chamberlain

On January 20, 1981, during the FBI's pre-confirmation

investigation of Mr. Donovan, Clyde Chamberlain was interviewed. As set forth in the report of interview,³⁷⁴ Chamberlain stated, among other things, that

as an independent "gypsy" driver, he came to know Ralph Piccardo [sic] through one Anthony Balio who was the owner of B & R Trucking Company. . . . He stated he did some hauling for Piccardo in 1963 or 1964, in the New Jersey area but had no recollection of making any hauls for Schavoney [sic] Construction Company. He stated he does know of Schavoney Construction Company inasmuch as it was a large, well-known firm in the New Jersey area. He was not knowledgeable of an individual by the name of Raymond J. Donovan nor could he recall Piccardo ever mentioning that name or any special "deals" Piccardo may have had with Donovan or Schavoney Construction Company.

Chamberlain had no recollection of hauling any construction material to include prefab concrete for the construction of the Long Island Expressway.

S.P. nos. 101523-101524.

i. John Saunders

On March 19, 1982, an agent of the Special Prosecutor interviewed John Saunders, President of Slattery Associates, Inc. ("Slattery"). Among other things, Slattery had been involved in three construction projects on the Long Island Expressway and Brooklyn-Queens Expressway, none of them in a joint venture with SCC. The first project consisted of highway construction at the interchange of the Brooklyn-Queens Expressway ("BQE") and the Long Island Expressway in approximately 1976. At about the same time, Slattery was doing work on the

374 S.P. nos. 101523-101529.

LIE from the BQE interchange to the 58th Street exit. The only other relevant project that Slattery performed was in approximately 1975 when it rebuilt the overhead viaduct on the Brooklyn side of the Kosciuzko Bridge (a segment of the BQE). Saunders never heard that SCC had done any work on the Long Island Expressway or the Brooklyn Queens Expressway. Most of the work on the LIE, Saunders stated, was completed in the early 1960s, at a time, he believed, that SCC might not yet have existed.

With respect to any construction work performed on the Queens side approachway to the Queens Midtown Tunnel, Saunders stated that that stretch of highway was in existence even prior to completion of the LIE. He deemed it very unlikely that SCC did any work on that roadway. He was unable to recall any road construction performed by SCC in the borough of Queens.

j. Ronald A. Schiavone

In response to a request from the staff of the Special Prosecutor concerning various construction projects undertaken by SCC, Ronald A. Schiavone, through his counsel, furnished an affidavit to the Special Prosecutor dated March 15, 1982.³⁷⁵ The March 15 affidavit recited, in part:

2. During the years 1968 and 1969, neither Schiavone Construction Co. nor any of its subsidiaries

375 461 A copy of this affidavit (the "March 15 affidavit") is annexed as Exhibit 60.

or joint ventures did any landfill construction for the New York-New Jersey Port Authority which subsequently became Newark Airport property, and the same is true for the years 1971 and 1972.

3. During the years 1968 and 1969, neither Schiavone Construction Co. nor any of its subsidiaries or joint ventures did any work on the Long Island Expressway or within the immediate vicinity of the easterly end of the Queens Midtown Tunnel in New York City.

Exhibit 60 at ¶ 2-3.

Upon review of the foregoing, the Special Prosecutor put further questions to Schiavone's counsel, specifically including whether there had been any SCC construction, landfill or otherwise, in the vicinity of the Newark Airport during the years 1968-1969 and 1971-1972. Further, SCC counsel was asked to determine what construction work SCC had performed in the area of the Meadowlands sports complex at any time between 1973 and 1975.

On March 22, 1982, counsel for SCC provided the following information:

1. With respect to the Meadowlands, SCC never worked directly with the Sports Authority inside the Meadowlands complex. However, SCC did have three projects constructing access roads to the Meadowlands:

- a. June 1975-May 1976: New Jersey Turnpike job SC104;
- b. January 1975-October 1976: New Jersey Turnpike job SC103; and
- c. June 1975-October 1976 New Jersey Department of Transportation: Route 20, Section 5B (westside access to the Meadowlands Arena).

2. With respect to Newark Airport vicinity, SCC completed the following three projects:

- a. June 1966-September 1967 Port Authority: pier construction at Port Elizabeth;
 - b. May 1967-November 1971 New Jersey Department of Transportation: Route 78, North of the Newark Airport (contract through Buckley-Schiavone Joint Venture); and
 - c. January 1972-April 1975 Port Authority: Newark Airport runway paving.
- k. Joseph A. DiCarolis

[GRAND JURY MATERIAL DELETED.]

1. Louise Faugno

Louise Faugno was interviewed by agents of the Special Prosecutor on April 8, 1982. Among other things, Mrs. Faugno stated that she knew nothing about the business dealings of her late husband, Armand Faugno, who she understood died some time in 1972. Armand Faugno had been affiliated with Teamsters Local 560 in Union City, New Jersey.

Mr. and Mrs. Faugno had both lunched and dined at Archer's Restaurant in Fort Lee, New Jersey, on a number of occasions. However, she had never eaten there with, nor had she there met, anyone named Raymond Donovan. Shown a photospread including Mr. Donovan's picture, she identified the Secretary, having seen his photograph in newspaper accounts of the ongoing investigation. However, Mr. Donovan was no one whom she knew or of whom she had any direct knowledge. Moreover, she said that she had no knowledge of Schiavone Construction Company.

m. Raymond J. Donovan

i. Testimony Before the Senate

In response to Picardo's allegation that SCC, including Mr. Donovan, made illegal payoffs to Armand Faugno through a ghost loading/phantom invoice scheme, Mr. Donovan's testimony was as follows:

THE CHAIRMAN. Picardo stated that in 1968 he was part owner of Taylor Trucking Co. and that Taylor hauled precast concrete slabs to a Schiavone Construction Co. site for Precast Concrete. I believe he called this the Long Island Expressway, and for the construction of the building at Lake Success.

Do you know of anything concerning that, or do you have any comments to make about that?

MR. DONOVAN. Schiavone Construction Co. has never worked on the Long Island Expressway, nor at Lake Success.

* * *

THE CHAIRMAN. Have you ever heard of or dealt with a company named Precast Concrete?

MR. DONOVAN. That is a generic term. Precast. There are many companies with the name Precast Concrete. If you were specific, I would try to recall the exact company you are speaking of.

THE CHAIRMAN. You say you have done business with some companies who may have that generic name in it?

MR. DONOVAN. That is correct.

THE CHAIRMAN. Now, the FBI indicated that a review of your records from the period of 1965 to 1970 revealed that you did \$4,001 worth of business with a company named Precast Concrete and it was for the purchases of precast concrete electrical junction boxes and precast manholes; is that correct?

MR. DONOVAN. That is correct.

THE CHAIRMAN. Do you know of any case where you took deliveries of precast concrete on a repetitive basis without getting the actual deliveries?

MR. DONOVAN. It never happened.

* * *

THE CHAIRMAN. I take it you have done other construction jobs [i.e., other than those alleged by Picardo] on highways where you have had to have precast concrete slabs; is that correct?

MR. DONOVAN. Yes; but not during those years. As I testified earlier, we bought precast concrete electrical junction boxes and some drainage.

THE CHAIRMAN. I see.

* * *

MR. DONOVAN. ... [The] precast concrete median barrier was used never in our industry during those years. We used it for the first time in New Jersey in 197, 1972. Never in New York.

THE CHAIRMAN. Even if it had been used, you would have bid on these jobs, wouldn't you?

MR. DONOVAN. Yes, sir.

THE CHAIRMAN. I take it the bid would delineate the exact number of concrete slabs to fill the median barrier on any given job, isn't that right?

MR. DONOVAN. Yes. If I could just take 1 minute to explain, these projects, when they bid median barrier, Senators, it is bid on a a lineal-foot basis, and you're paid by the owner on a lineal-foot basis of median barrier installed. It is very simple for anyone to check what an owner pays a contractor per lineal foot at the end of his contract, and they will come up with a number. All they have to do is check the books of the company, see how many lineal feet were bought were bought and paid for by the manufacturer.

Those two numbers--with the possible exception of certain breakage in transit, or being handled by the men--should be identical. And in our cases, that is identical.

* * *

YOU'RE ONLY PAID FOR THE AMOUNT OF LINEAL FEET
YOU PUT ON THE HIGHWAY.

THE CHAIRMAN. In other words, he's either going to have his lineal feet there or you're going to have something to answer for, is that right?

MR. DONOVAN. Not nothing to answer for. They just won't pay you beyond the lineal foot that they measure in place when you have completed the contract.

THE CHAIRMAN. So Mr. Picardo's suggestions that they brought in "ghost" loads of lineal feet of precast concrete really doesn't stand up very well, does it in the construction business?

MR. DONOVAN. It's ridiculous on the face of it.

THE CHAIRMAN. And you have never heard of Taylor Trucking to begin with?

MR. DONOVAN. That's correct.

THE CHAIRMAN. And do you recall ever having done business with Taylor Trucking?

MR. DONOVAN. We know that we have not done business with them, if they exist.

THE CHAIRMAN. Well, Mr. Picardo said that Taylor would often haul the same slab to the Schiavone Construction Co. site as often as 20 times and receive payment on each occasion; is that the way it's done?

MR. DONOVAN. He's lying.

THE CHAIRMAN. OK.

He said he would be paid directly by Precast, as would Faugno, who was selling "labor peace" to Precast. The money to make these payments was obtained from the overpayments by Schiavone Construction Co. to Precast for goods not received.

What do you have to say about that?

MR. DONOVAN. They never worked for us, so this is all theoretical. But obviously, there were no overpayments, and with the scenario

I just painted, the lineal footage is paid for by the owner and--It's just a total figment of his imagination.

Even a person who was immortal [sic] and wanted to do something like that, they certainly wouldn't do it with that item, I can assure you.

Hearings at 342, 310-311, 343-344. See also Senate Report at 15: "[A]t the hearing on January 27, Donovan categorically denied having known Picardo, Briguglio, Faugno or Cecchi . . . and denied that he or Schiavone Construction Company has ever made payoffs to obtain 'labor peace.'"

ii. Statement to the Special Prosecutor

During his May 10, 1982, interview with the Special Prosecutor, Mr. Donovan denied that he ever met or knew Armand Faugno or Tommy Eboli.

iii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

n. Conclusions

i. The Grand Jury

The grand jury on June 18, 1982, declined to indict Mr. Donovan with respect to his testimony before the grand jury concerning the Faugno allegations.

ii. The Special Prosecutor

There is not sufficient credible evidence to conclude that the Secretary was untruthful when he testified before the grand jury or before the Senate Labor Committee as to his relationship with Armand Faugno. There are insufficient

grounds for a prosecution of the Secretary concerning the Faugno allegations.

4. Alleged Relationship with Ralph Picardo³⁷⁶

During the course of the investigation, there were occasional suggestions of a possible relationship between Mr. Donovan and Ralph Picardo. Accordingly, the Special Prosecutor followed a series of leads to determine whether such a relationship existed, contrary to Mr. Donovan's testimony before the Senate³⁷⁷ and Picardo's statements to the Special Prosecutor. The evidence did not warrant the conclusion that any such relationship existed.

a. Anthony Balio

i. Statement to the Special Prosecutor

In the course of his April 1, 1982, statement to an agent of the Special Prosecutor, Anthony Balio identified a photograph of Mr. Donovan. The younger Balio said that he had seen Mr. Donovan in the bar area of the Chateau Renaissance with Steven Hrobuchak, a Mr. Richards of Richards Trucking of Scranton, Pennsylvania, a man named J.R., Ralph Picardo and Picardo's blonde girlfriend, in 1968 or 1969. The reason

376 In addition to the matters set forth in this section, see also the evidence bearing upon any alleged relationship between Mr. Donovan and Ralph Picardo set forth in Sections VI.B.2.a.ii-v., supra.

377 See Hearings at 309 (asked whether he knew, or had met, a man named Ralph Picardo, Mr. Donovan replied: "I certainly have not.").

that Anthony Balio recalled Mr. Donovan's likeness vividly, he said, was that Mr. Donovan so resembled Steven Hrobuchak that Balio asked Hrobuchak if Mr. Donovan were his brother. Hrobuchak, after responding negatively, identified the man as Ray and as "Juice." Balio described Mr. Donovan as approximately 6' 1" in height, with dark hair, then aged 35-40, slender, very reserved and well dressed. Mr. Donovan was not wearing glasses at the Chateau Renaissance that evening.

ii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

iii. Subsequent Developments

On June 11, 1982, members of the Special Prosecutor's staff spoke with counsel for Anthony Balio to determine whether the younger Balio adhered to his statements of April 1, 1982, or whether he wished to modify any of those statements. On June 16, 1982, counsel for the younger Balio advised that Balio recalled having been in the Chateau Renaissance with Picardo, J.R., - "Juice" and possibly another man. Balio also recalled that one of those present--other than Picardo or J.R.--strongly resembled Steven Hrobuchak. Balio said tht he asked either Picardo or J.R., but not Hrobuchak, if that other person was Hrobuchak's brother, and the answer was, "Yes." Looking at Donovan's picture on April 1, 1982, Balio said that Mr. Donovan (who was identified to him by the Special Prosecutor's agent) could have been present at the Chateau Renaissance. But Balio denied having told the agent that the Secretary was in fact present.

b. Steven Hrobuchak

i. Statement to the
Special Prosecutor

Steven Hrobuchak was shown a spread including Mr. Donovan's photograph when he was interviewed by agents of the Special Prosecutor on April 22, 1982. Evidently without realizing that it was the Secretary whom he was identifying, Hrobuchak selected a photograph of Mr. Donovan. He said that he had met the photographed man through association with Ralph Picardo. Hrobuchak believed that he had seen the man in Picardo's presence either at the Chateau Renaissance or Picardo's office trailer on Tonnelle Avenue in North Bergen, New Jersey.

Possibly--Hrobuchak's recollection was not firm--this individual had been the man whom Hrobuchak remembered was once driven to Picardo's trailer, entered the trailer and asked for Picardo, then departed promptly upon being informed that Picardo was out of the office. Almost immediately following his departure, Picardo appeared at the trailer and, when informed of the visit, asked what the man wanted. It appeared to Hrobuchak that Picardo knew the man. While Hrobuchak was uncertain of this particular identification, he stated that he was certain that he had seen Mr. Donovan in the company of Picardo, although he could not recall the specific time.

Hrobuchak and Ralph Picardo went to meetings at the Chateau Renaissance on approximately three or four occasions. Hrobuchak did not remember specifically, but acknowledged the possibility that he had met Anthony Balio at the Chateau

Renaissance. He did recall meeting a man named J.R. as well as Jack Richards, former owner of Richards Trucking, at the Chateau Renaissance from time to time. Hrobuchak admitted that he might have, but could not clearly recall having, met Mr. Donovan at the Chateau Renaissance in a meeting with Picardo.

Re-contacted on June 9 and 14, 1982, by an agent of the Special Prosecutor, Hrobuchak stated that, while he had no relative named Ray who was associated with him while he was involved with B & R, Hrobuchak has a nephew named Billy Juse who was then working with him. During 1969-1970, Juse was working with Hrobuchak and may well have frequented the Chateau Renaissance with Hrobuchak. Hrobuchak further stated that there is a strong family resemblance between himself and his nephew.

ii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

c. Thomas Jefferies

[GRAND JURY MATERIAL DELETED.]

d. J.R.

On June 8, 1982, Ralph Picardo advised an agent of the Special Prosecutor that the individual known to him as J.R. was Anthony Tranucci. Picardo added that Tranucci was not in any position to furnish any information relating to Raymond Donovan. Attempts to locate Tranucci were unsuccessful.

e. Jack Richards

Agents of the Special Prosecutor learned from Steven Hrobuchak that Jack Richards is deceased.

f. Frederick S. Furino

[GRAND JURY MATERIAL DELETED.]

g. Paul Ciampi

[GRAND JURY MATERIAL DELETED.]

h. Albert Cecchi

[GRAND JURY MATERIAL DELETED.]

i. Clifford B. Finkle, Jr.

[GRAND JURY MATERIAL DELETED.]

j. Frank La Guardia (Immunized)

[GRAND JURY MATERIAL DELETED.]

k. Anthony Provenzano

[GRAND JURY MATERIAL DELETED.]

l. Nunzio Provenzano

[GRAND JURY MATERIAL DELETED.]

m. Gabriel Briguglio

[GRAND JURY MATERIAL DELETED.]

n. Stephen Andretta

[GRAND JURY MATERIAL DELETED.]

o. Thomas Andretta

[GRAND JURY MATERIAL DELETED.]

p. Ralph Picardo

On June 7 and 8, 1982, Ralph Picardo was telephonically re-contacted by an agent of the Special Prosecutor.

Picardo, who on March 9, 1982, said he told the Special Prosecutor of all occasions on which he had seen Mr. Donovan, added several on June 7-8. He stated, among other things, that he recalled being in the company of Secretary Donovan, or seeing the Secretary, approximately eight to ten times during the late 1960s and early 1970s. He stated that he met Mr. Donovan on at least two or three occasions at the Chateau Renaissance, under instruction from Briguglio, directly or through Al Cecchi, to go see "Ray" at that establishment. Picardo was unable to provide any specifics concerning those meetings other than to say that they related to Precast Concrete dealings. Picardo could not recall whether Donovan paid him any money during those meetings. He stated that Michael Gretchin or Anthony Balio might be able to corroborate the meetings with Mr. Donovan at the Chateau Renaissance.

Picardo further stated that he recalled that Secretary Donovan visited him twice at the B & R trailer on Tonnelle Avenue in North Bergen, New Jersey. On the first occasion, Picardo said, he was not present when Mr. Donovan stopped at the trailer. Michael Gretchin subsequently told Picardo that someone who had been chauffeured to the trailer was looking for him.

On the second occasion, Picardo recalled that Mr. Donovan visited with Picardo at the trailer concerning business. Picardo was again unable to furnish the particulars of this meeting as a result, he said, of the lapse of time. He

stated that it was possible that the individual who chauffeured Mr. Donovan to the trailer was Donald Cook or (first name unknown) Jerkovic, both of whom were employed as drivers by SCC at that time. Picardo speculated that Steven Hrobuchak might have seen Mr. Donovan in the trailer on the second occasion.

q. SCC Payroll Records

In response to a request from the Special Prosecutor, SCC undertook a search of its payroll records to determine whether there was any employee of any SCC-related entity during the years 1965 through 1975 by the name of either Donald Cook or Jerkovic. On June 9, 1982, counsel for SCC advised that that review reflected no such employee of any SCC-related entity during that time period.

r. Raymond J. Donovan

i. Testimony Before the Senate

Appearing before the Senate Labor Committee, Secretary Donovan categorically denied that he had ever met Ralph Picardo.³⁷⁸

ii. Statement to the
Special Prosecutor

On May 10, 1982, Secretary Donovan stated that he never met Ralph Picardo. In response to a question he said that, even if he were told that others would testify that he did know Picardo, his answer would remain unequivocally the same.

378 Hearings at 309; Senate Report at 181.

iii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

s. Conclusions

i. Grand Jury

The grand jury on June 18, 1982, declined to indict Mr. Donovan with respect to his testimony before the grand jury concerning Ralph Picardo.

ii. Special Prosecutor

There is not sufficient credible evidence to conclude that the Secretary was untruthful when he testified before the grand jury or before the Senate Labor Committee as to his relationship with Ralph Picardo. There are insufficient grounds for prosecution relating to that testimony.

5. Alleged Relationship with William Musto

a. 1981 FBI Investigation

The January 23, 1981, letterhead memorandum concerning Mr. Donovan submitted by the FBI to the Senate Labor Committee reflected the Bureau's review of its outstanding files concerning William V. Musto³⁷⁹ and any possible relationship between Musto and Mr. Donovan:

Records of the Newark Division of the FBI indicate William V. Musto, State Senator of the State of New Jersey, is a subject of a current FBI investigation under the Racketeer Influenced and Corrupt

379 See note 270, supra, concerning Senator Musto's recent conviction.

Organization Statute. State Senator Musto is also the current Mayor of Union City, New Jersey, and Chairman of the New Jersey State Judiciary Committee. This investigation is predicated upon allegations that State Senator Musto and others accepted monies to influence them in their official capacities as public officials in Union City, New Jersey, to purchase a privately financed building in Union City for use by Union City. The investigation further involves allegations that State Senator Musto and other public officials accepted monies from an Orlando construction company for additions and alterations to two Union City high schools. A cooperating witness in this investigation advised that, to his best recollection, he may have met Ray Donovan of SCC on one occasion, but he did not implicate Mr. Donovan in any criminal activities nor did he associate Mr. Donovan with William V. Musto. This investigation is an ongoing investigation and it will not be completed in the near future.

Hearings at 241. The Senate Report further noted that "[T]he FBI found that Schiavone [Construction Co.] has done no work at Union City and does not seek municipal contracts." Senate Report at 19.

b. Madeline (Lynne) Zorse

An agent of the Special Prosecutor interviewed Madeline (Lynne) Zorse, the widow of Charles Zorse, on May 27, 1982. Among other things, Mrs. Zorse stated that her late husband had been involved in loansharking and other illegal activities which she did not condone. Mrs. Zorse further stated that she never met or saw Raymond Donovan's name. Further, Mrs. Zorse did not know, and never heard of William Musto, the Mayor of Union City, New Jersey. She was aware of no relationship between Musto and her late husband, who had never mentioned Musto's name to her.

c. William V. Musto

[GRAND JURY MATERIAL DELETED.]

d. Raymond J. Donovan

i. Testimony Before the Senate

Before the Senate Labor Committee, Secretary Donovan testified that he had no knowledge of any efforts made by SCC to influence William Musto in exchange for preferential treatment in receiving public construction contracts.³⁸⁰ The Secretary's further testimony included:

THE CHAIRMAN. Have you ever met William V. Musto?

MR. DONOVAN. I may have. He's a political figure in New Jersey. He's the mayor of Union City. If I did, it was once at a political rally, but I could not swear that I even met him then.

THE CHAIRMAN. But you have no friendship or particular interest in Mr. Musto?

MR. DONOVAN. I do not.

THE CHAIRMAN. Part of that allegation that Picardo gave was that Mr. Musto would help you to get work in municipality contracts.

MR. DONOVAN. We do not do municipality work and we never worked for the City of Union City, and he's the mayor of that town, if that's the allegation.

THE CHAIRMAN. Have you bid on municipality contracts?

MR. DONOVAN. Pardon me, Senator?

THE CHAIRMAN. Have you bid on municipality contracts?

MR. DONOVAN. Yes, we have. We're not too competitive in that area. We are more competitive where

380 Hearings at 338.

heavy equipment and larger projects are involved.
Hearings at 339. See also Senate Report at 19.

ii. Statement to the
Special Prosecutor

During his May 10, 1982, interview with the Special Prosecutor, Secretary Donovan stated that he might have met William Musto in Musto's role as a New Jersey State Senator or Mayor of Union City, but he had no specific recollection. Mr. Donovan was unable to state with certainty whether he had met Musto, and he doubted that Musto would recall having met him.

iii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

e. Conclusions

i. Grand Jury

The grand jury on June 18, 1982, declined to indict Mr. Donovan with respect to his testimony before the grand jury concerning William Musto.

ii. The Special Prosecutor

There is not sufficient credible evidence to conclude that the Secretary was untruthful when he testified before the grand jury or before the Senate Labor Committee as to his relationship with William Musto. There are insufficient grounds for prosecution relating to that testimony.

6. Other Napoli-Alleged Relationships

The Special Prosecutor pursued not only Giacomo (Jack) Napoli's allegations that Mr. Donovan knew Philip Moscato and

Salvatore Brigulio but also Napoli's numerous other claims that Mr. Donovan was associated with persons whom Napoli described as organized crime figures. There was no corroborative evidence that any such relationship ever existed.

a. The Jacob Zax, Et Al., Link

i. Jacob Zax

Jacob (Jakey) Zax died on December 6, 1981.³⁸¹

ii. Joseph A. (Bayonne Joe) Zicarelli

Agents of the Special Prosecutor interviewed Joseph A. (Bayonne Joe) Zicarelli on May 24 and 28, 1982. Zicarelli stated, inter alia, that he did not know Raymond J. Donovan, although he had seen photographs and news stories concerning the Secretary. Zicarelli denied having grown up with Mr. Donovan and noted that he had not been in Bayonne, New Jersey, in 40 years. Zicarelli was also unfamiliar with SCC. Finally, Zicarelli stated that he had not heard of any trucking concern named Frigid Express and that he never had any ownership interest in any such company with Raymond Donovan or John DiGilio.

iii. John DiGilio

An agent of the Special Prosecutor served a grand jury subpoena on John DiGilio on June 2, 1982. On the same

³⁸¹ A certified copy of Zax's death certificate was obtained for the Special Prosecutor by the FBI's New York office.

date, DiGilio's counsel informed the Special Prosecutor that his client was hospitalized due to mental illness and would vigorously contest any attempt to compel his testimony in view of DiGilio's lack of competency. After ascertaining that since July 1, 1976, DiGilio's wife has been DiGilio's appointed guardian, due to his alleged incompetency,³⁸² and after certain other investigations, the Special Prosecutor determined to cease efforts to compel DiGilio's testimony.

iv. Nicholas Furina (Immunized)

On June 3, 1982, Nicholas Furina appeared before the grand jury. However, Furina declined to testify, asserting his Fifth Amendment right against self-incrimination. Upon application of the Special Prosecutor, the United States District Court for the Eastern District of New York issued an order, pursuant to 18 U.S.C. § 6002, compelling Furina to testify thereby conferring use immunity with respect to such testimony. Furina testified thereafter. [GRAND JURY MATERIAL DELETED.]

v. John DeFilippo

The Special Prosecutor was unable to identify or locate any John DeFilippo, whose name appears only in the transcript of Jack Napoli's grand jury testimony and which may be a stenographic misconstruction of DiGilio on SanFilippo.

382 Letters of Guardianship (Bergen County, New Jersey, Surrogate's Court) issued June 18, 1976, in effect as of January 13, 1982.

vi. Wanda Kamienski

An agent of the Special Prosecutor interviewed Wanda Kamienski, the mother-in-law of Jack Napoli, on June 2, 1982. Among other things, Mrs. Kamienski stated that Jack Napoli never attended any of the many church benefit card parties which she had organized. Mrs. Kamienski did not specifically recall any such function at the Top Hat in 1975. In any case, she was certain that she had never seen Mr. Donovan in person, although she had often seen his photograph in the media.

vii. Frigid Express, Inc.

The corporate records of Frigid Express, Inc., 383 were obtained from the New Jersey Secretary of State by the Newark office of the FBI at the Special Prosecutor's request on May 27, 1982. Those records did not reflect that Mr. Donovan had at any time been associated with that corporation.

b. The Joseph Paterno Meeting

i. Joseph Paterno

On May 22, 1982, agents of the Special Prosecutor interviewed Joseph Paterno. Among other things, Paterno stated that he had resided in Florida for the preceding eight years and that he had not returned to New Jersey for several years. Paterno denied that he had ever been in the Clam Broth House in Hoboken, New Jersey. Paterno, upon a review of a photo spread, failed to recognize a photograph of Mr. Donovan. When

the photograph was identified for Paterno, he stated unequivocally that he did not know the Secretary. Paterno further denied knowing Jack Napoli.

ii. Joseph SanFilippo

A. Statement to the Special Prosecutor

Agents of the Special Prosecutor interviewed Joseph SanFilippo on May 21, 1982. SanFilippo stated, among other things, that he had never been in the Clam Broth House Restaurant and that, indeed, he had not visited the State of New Jersey in more than a decade.

B. Grand Jury Testimony

Joseph SanFilippo testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

iii. Clam Broth House Personnel

A. Jorge O. Pelaez, Sr.

An agent of the Special Prosecutor interviewed Jorge O. Pelaez, Sr., Manager of the Clam Broth House, on May 27, 1982. Pelaez stated, among other things, that in 1975 his personal working hours at the restaurant were from approximately 5:00 p.m. until closing, which varied from 10:30 p.m. to 12:30 a.m. As manager of the restaurant, Pelaez oversaw operations, arranged for group affairs, and considered himself to be in a position to know most of the regular customers.

Pelaez did not recall having seen any photographs of Mr. Donovan in the press, although he acknowledged having read about the pending investigation. Shown a spread of

photographs, including Mr. Donovan's, Pelaez recognized no one whom he had seen in the Clam Broth House or elsewhere. When Mr. Donovan's photograph was singled out for him, Pelaez was unable to identify the Secretary as one of his customers. Moreover, the names, Joseph Paterno, Jack Napoli and Joseph SanFilippo, were unfamiliar to Pelaez.

B. Robert Guzman

On May 27, 1982, an agent of the Special Prosecutor interviewed Robert Guzman, a bartender at the Clam Broth House since 1973-1974. Guzman stated, inter alia, that his customary hours at the Clam Broth House in the mid-1970s were from 5:00 p.m. until closing on Thursday through Saturday and 12:00 to 5:00 P.M. on Sunday afternoons. Guzman was not aware that Raymond Donovan was the Secretary of Labor or that there was any pending investigation concerning Mr. Donovan. Shown a photospread which included a photograph of Mr. Donovan, Guzman recognized no one whom he had ever met or seen previously. When the Secretary's picture was called to his attention, Guzman remained unable to identify Mr. Donovan either as a customer of the Clam Broth House or as anyone whom he had ever met or seen. Finally, Guzman advised that the names, Joseph Paterno, Jack Napoli and Joseph SanFilippo were unfamiliar to him.

C. Jorge O. Palaez, Jr.

An agent of the Special Prosecutor interviewed Jorge O. Palaez, Jr. ("Palaez Jr."), General Manager and Food and Beverage Director of the Clam Broth House, on May 27,

1982. Among other things, Palaez Jr. stated that, while his work hours varied, he was ordinarily working during the luncheon and dinner hours every day other than Sunday in 1975; however, he acknowledged that his duties frequently took him away from the restaurant floor.

Palaez Jr. had not seen any photographs of Mr. Donovan in the press nor had he observed the Secretary on television. Shown a spread of photographs, he was unable to identify the Secretary as anyone he had ever seen. Palaez Jr. further advised that the names Joseph Paterno, Jack Napoli and Joseph SanFilippo were unfamiliar to him. Finally, Palaez Jr. searched the Clam Broth House records of all house accounts and was unable to locate any record of such an account in the name of Raymond Donovan, SCC, Jack Napoli, Joseph Paterno or Joseph SanFilippo.

D. Florence Wines

Florence Wines, Personnel Manager and Hostess of the Clam Broth House, was interviewed by an agent of the Special Prosecutor on May 27, 1982. Wines advised that, aside from her days off (Monday and Tuesday), she worked through the dinner hours every day of the week in 1975. Her duties included greeting customers who entered the Marlin Lounge, which she described as the nicest area of the Clam Broth House.

An avid reader, Wines was aware of the investigation of Secretary Donovan. Based upon photographs of Mr. Donovan that she had seen in newspapers, and from observing Mr. Donovan

on television, she stated unhesitatingly that she had never seen him in the Clam Broth House. Further, the names, Joseph Paterno, Jack Napoli and Joseph SanFilippo were unfamiliar to her.

E. Arturo Pelaez

Arturo Pelaez ("Arturo"), owner of Clam Broth House, Inc., was interviewed by an agent of the Special Prosecutor on June 2, 1982. Among other things, Arturo stated that he purchased the restaurant in September 1975 and had worked seven days per week since that time.

Arturo stated that he was aware of the investigation of Mr. Donovan and had followed media accounts; he had not, however, seen Mr. Donovan's photograph in the press or on television. Shown a photospread, Arturo was unable to identify the Secretary. When Mr. Donovan's photograph was singled out for him, Arturo could not identify Mr. Donovan as anyone whom he had ever met in the Clam Broth House or elsewhere. The names, Joseph Paterno, Jack Napoli and Joseph SanFilippo, were also unfamiliar to him.

F. Ruben Azambulia

A former bartender at the Clam Broth House, Ruben Azambulia was interviewed by an agent of the Special Prosecutor on June 2, 1982. Azambulia stated, inter alia, that he was employed as a Clam Broth House bartender every weekday and certain Sundays for approximately 9-1/2 years between 1970 and 1980. Azambulia had many times seen photographs of Mr. Donovan in the press and on television. He did not recall

ever having seen Mr. Donovan in the Clam Broth House. He was also unacquainted with the names, Joseph Paterno, Jack Napoli and Joseph SanFilippo.

G. John D'Amico

On May 27, 1982, John (Blackie) D'Amico, a bartender at the Clam Broth House for 47 years, was interviewed by an agent of the Special Prosecutor. Among other things, D'Amico stated that his regular working hours [in 1975] were Thursday through Sunday from 5:00 p.m. until closing. Although D'Amico had heard of Secretary Donovan and seen him on television, he was unable to select Mr. Donovan's photograph from a spread. When Mr. Donovan's photograph was pointed out to D'Amico, he did not recognize Mr. Donovan as anyone whom D'Amico had ever met or seen. The names Joseph Paterno, Jack Napoli and Joseph SanFilippo were unfamiliar to D'Amico.

H. Arturo E. Olavarria

On May 27, 1982, an agent of the Special Prosecutor interviewed Arturo E. Olavarria, a bartender at the Clam Broth House since 1975 and a busboy/kitchen helper previously. Among other things, Olavarria stated that his work hours had changed frequently over the years and he was unable to specify what they may have been in 1975.

Olavarria had read articles about Mr. Donovan and seen the Secretary's photograph in the press. He believed that he might also have seen Mr. Donovan on television. Shown a photospread, he correctly selected the Secretary's photograph.

Olavarria could not recall ever having seen Mr. Donovan in the Clam Broth House. Moreover, he knew no one named Joseph Paterno, Jack Napoli or Joseph SanFilippo.

c. Raymond J. Donovan

i. Statement to the Special Prosecutor

In his May 28, 1982, interview with the Special Prosecutor, Secretary Donovan denied knowing or ever having met Jakey Zax (J. T. Sachs), Joseph Zicarelli, John DiGilio, Nicholas Furina, John SanFilippo or Joseph Paterno. The Secretary did not recall having been in the Top Hat, a Bayonne, New Jersey, supper club, except for one occasion in the 1950s. Specifically, he did not remember attending any church benefit card party in 1975 held in that establishment.

Further, aside from having eaten in the Clam Broth House with his wife once or twice, the Secretary had not visited that Hoboken restaurant. He had never lunched there nor had he ever been there with Joseph Paterno. Finally, the Secretary never heard of, much less owned any interest in, a trucking concern known as Frigid Express.

ii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

d. Conclusions

i. The Grand Jury

The grand jury on June 18 and 22, 1982, declined to indict Mr. Donovan with respect to his testimony before the

grand jury concerning the Napoli allegations of organized crime associations and connections.

ii. The Special Prosecutor

There is not sufficient credible evidence to conclude that the Secretary was untruthful when he testified before the grand jury or before the Senate Labor Committee as to the Napoli allegations of organized crime associations and connections.³⁸⁴ There are insufficient grounds for prosecution relating to that testimony.

7. The Kelly Conversations

a. The Adonis/Mazziotta Conversation

i. Transcript of Conversation

At the request of the Special Prosecutor, the Newark office of the FBI undertook to locate the transcript of the conversation in which Patrick Kelly recalled participating with Joey Adonis, Jr., and Richard Mazziotta at the offices of Alamo Transportation in 1976 or 1977. The Newark office

384 Napoli's allegations may have been colored by his obvious interest in reentering the Federal Witness Protection Program from which he was previously terminated due to criminal behavior. His desire to ingratiate himself with the Special Prosecutor was perhaps most evident in the May 13 interview when he maintained that he was familiar with Mario Montuoro, whom he claimed to know "through a couple of guys in Bayonne and . . . [a] guy by the name of Frank (The Wop) Gagliardi" of Little Italy; moreover, Napoli asserted that he knew that Donovan was "connected with a Montuoro," a claim that not even Montuoro made. S.P. nos. 102994A, 102996A.

personnel reviewed the multi-volume file of Project Alpha,³⁸⁵ to locate the conversation. Tape no. A-21, consisting of a conversation on March 10, 1977,³⁸⁶ among Kelly, Adonis, Mazziotta and an undercover New Jersey State Police officer occurring at Alamo's offices, was, in the opinion of the Newark office³⁸⁷ as subsequently confirmed by Kelly,³⁸⁸ the conversation referred to by Kelly. The conversation consisted, among other things, of a discussion of the Saddle Brook Parkway and included at one point a statement by one of the participants: ". . . and I want Schiavone to load." From a review of the conversation as transcribed, however, there is no reference to Secretary Donovan nor to any "in" or "connection" that Adonis might have had with SCC.

ii. Joseph Doto (Joey Adonis, Jr.)

Statement to the Special Prosecutor. On June 11, 1982, an agent of the Special Prosecutor interviewed Joseph

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- 385 Project Alpha was "an undercover organized crime intelligence operation directed and carried out by the NJSP [New Jersey State Police] . . . and which the FBI provided undercover agents in support [of]." S.P. no. 103004.
- 386 A copy of the transcript of that conversation is annexed as Exhibit 74.
- 387 This judgment was based upon a review of all tapes of conversations to which Kelly, Adonis and Mazziotta were parties. No other tape was found to contain any reference to SCC; nor did any of the remaining tapes reflect any reference to Mr. Donovan or characteristics similar to those recollected by Kelly. S.P. nos. 103005-103006.
- 388 In a telephone conversation with a member of the Special Prosecutor's staff on June 2, 1982.

Doto (a/k/a Joey Adonis, Jr.) in the presence of his counsel. Doto stated, inter alia, that he recalled having gone to Alamo's offices together with Richard Mazziotta in the mid-1970s and having met with Patrick Kelly. Doto stated that he did not recall having told Kelly that he had an "in" or "connection" with SCC. On the contrary, Doto had no such "in" and any statement to the effect, if made, was offered solely to impress Kelly and others at Alamo. Doto stated that he did not know Raymond Donovan or any of the other principals at SCC.

[GRAND JURY MATERIAL DELETED.]

iii. Richard Mazziotta

On June 2, 1982, Richard Mazziotta was interviewed by agents of the Special Prosecutor. Mazziotta stated, among other things, that he recalled having attended a meeting with Pat Kelly and Joey Adonis, Jr., in the mid-1970s. However, Mazziotta did not recall any mention in the conversation of Mr. Donovan, SCC or any "in" or "connection" which Adonis purportedly had with SCC.

b. The Casella/Turtletaub/Malfitano Conversation

i. FBI Newark Office Search

At the request of the Special Prosecutor, the Newark office of the FBI undertook a search of what Patrick Kelly referred to as his daily reports--dictated recollections of his meetings, activities, conversations, and travel which Kelly filed on tape on a daily and/or weekly basis--to locate the Casella conversation. The Newark office reviewed the 133

dictated recordings in its possession. No conversation was located which fit precisely the information Kelly related. None of the conversations contain any reference to Mr. Donovan or Schiavone Construction Company. The Newark office also reviewed New Jersey State Police-prepared summaries of the more than 1,000 conversations prepared by Patrick Kelly during the time the Project Alpha was operational. Neither Mr. Donovan nor anyone else at SCC was a party to any of the recorded conversations, and no reference to either of them was reflected in the summaries.³⁸⁹

ii. Newark Strike Force/NJSP Documents

Members of the Special Prosecutor's staff further reviewed approximately 30 boxes of Newark Strike Force documents relating to the investigation in which Patrick Kelly participated as an informant. No document among the thousands reviewed reflected the Casella conversation. The Special Prosecutor also requested the New Jersey State Police to review its files concerning the same investigation in an effort to locate any record of the Casella conversation, but no such record was located.

389 S.P. nos. 103016-103035. While the Newark office located a pair of daily reports reflecting what it believed might be the conversation Kelly referred to, neither report reflected a conversation in which Michael Casella participated, and Kelly advised the Special Prosecutor on June 2, 1982 that neither was the report he had in mind.

In a telephone conversation with a member of the Special Prosecutor's staff following Kelly's grand jury testimony, Patrick Kelly stated that the Casella conversation occurred on a Saturday approximately one month after June 6, 1975. An intensive Newark Strike Force search of its files, undertaken at the request of the Special Prosecutor, located a Kelly report of a conversation which occurred on Saturday, June 28, 1975, in Morris Yamner's office involving Michael Casella, Sam Malfitano, Alan Turteltaub and Kelly.³⁹⁰ In that conversation, bid-rigging and Turco Paving were discussed. However, neither Schiavone Construction Company nor Raymond Donovan was mentioned.

iii. Michael R. Casella

At the request of the Special Prosecutor, agents of the FBI interviewed Michael R. Casella on June 7, 1982. Among other things, Casella stated that he was employed by Jerry Turco to do the accounting work for J. Turco Paving Contractors, Inc. ("Turco Paving"), and its subsidiaries, from approximately June 1962 to sometime in 1965. SCC was a paving competitor of Turco Paving.

To the best of Casella's recollection, he attended approximately two meetings in the offices of Attorney Morris Yamner in Paterson, New Jersey, concerning a \$350,000

390 A copy of the FBI report of interview with Kelly summarizing this conversation is annexed as Exhibit 86.

second mortgage loan to be made to Sam Malfitano by Alan Turteltaub. In attendance at those meetings, which Casella dated to approximately mid-1975, were: Yamner, Turteltaub, Malfitano and his wife, Patrick Kelly, Casella, and Casella's brother, Robert M. Casella, who was the attorney representing Malfitano. Casella denied that on either of those two occasions, or at any other time, he had a conversation with those persons--or anyone else--concerning bid-rigging. Casella disclaimed any knowledge of any bid-rigging.

Casella first heard about Raymond Donovan as a result of Mr. Donovan's Republican Party fundraising activities on behalf of Ronald Reagan. He was unaware that Mr. Donovan was associated with SCC until he read a newspaper article reporting Ronald Reagan's nomination of Mr. Donovan to be Secretary of Labor.

iv. Alan Turteltaub

An agent of the Special Prosecutor interviewed Alan Turteltaub on June 2, 1982, in the presence of Turteltaub's counsel. Turteltaub stated, inter alia, that he remembered attending the closing for his loan to Sam Malfitano at attorney Yamner's office in mid-1975. However, while Patrick Kelly had accompanied Malfitano, it was Turteltaub's recollection that Kelly remained outside the room during the closing. Moreover, Michael Casella was not present. Neither Mr. Donovan's, nor Schiavone Construction Company's, name was mentioned that day. Nor was there any discussion of bid-rigging.

Turtletaub recalled no conversation at Yamner's office in which he, Casella, Malfitano and Kelly participated. Nor did he recall any conversation relating to Schiavone Construction Company, Mr. Donovan or bid-rigging.

v. Sam Malfitano

Sam Malfitano was interviewed by an agent of the Special Prosecutor on June 3, 1982, in the presence of Malfitano's counsel. Malfitano stated, among other things, that he remembered a meeting in attorney Yamner's office at which Patrick Kelly, Michael Casella, Alan Turtletaub and others--namely, Malfitano's wife and Casella's brother, Robert--were in attendance. Malfitano dated the meeting to approximately May-June 1979. However, at that meeting, there was no discussion of Schiavone Construction Company, Raymond Donovan, Turco Paving Company, Passaic Valley Crushed Stone or bid-rigging.

c. Response of Secretary Donovan

i. Statement to the Special Prosecutor

During his May 10, 1982, interview with the Special Prosecutor, Mr. Donovan stated that he had not met, nor did he know, Michael Casella, Sam Malfitano, Alan Turtletaub, Joey Adonis, Jr., Peter LoPaca or Tino Fiumara. Mr. Donovan also stated that he knew no Joey Adams other than the entertainer. To the Secretary's knowledge, none of those men were in any way associated or connected with SCC or any of SCC's principals.

ii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

d. Conclusions

i. The Grand Jury

The grand jury on June 18, 1982, declined to indict Mr. Donovan with respect to his testimony before the grand jury concerning the Kelly allegations.

ii. The Special Prosecutor

There is not sufficient credible evidence to conclude that the Secretary was untruthful when he testified before the grand jury or before the Senate Labor Committee as to the Adonis or Casella conversations. There are insufficient grounds for prosecution relating to that testimony.

8. Alleged Relationship with William Masselli

a. William Masselli

i. Statement to the FBI

On January 7, 1982, agents of the FBI interviewed William Masselli, in the presence of his counsel, concerning Masselli's December 28, 1981, meeting with Morris J. Levin, SCC Secretary and Corporate Counsel. As set forth in the report of interview:³⁹¹

IANNUZZI [Masselli's counsel] advised that he is representing MASSELLI on Civil Action Index number 25888-81 at the New York County Supreme Court, New York City, and argued before this court on January 5, 1982. He stated this action stems from a contractual dispute between

391 A copy of which is annexed as Exhibit 61.

his client and his company, JOPEL, and SCC, wherein MASSELLI is claiming a summary judgment in excess of \$634,000 in the interpretation of the SCC payment agreement. He continued a second case is pending against SCC which involves a dispute amounting in excess of \$40,000 relating to an agreed upon cost payment per yard of removed landfill material by JOPEL. IANNUZZI referred to this project as the "Hillside" project. At this point, MASSELLI interjected that there was no formal written contract on this project but originated on a "handshake" among himself, JOE DI CAROLIS and AL MAGRINI, also an official at SCC. The essence of this agreement revolved on an understanding that SCC would pay JOPEL \$6.90 per yard, but subsequently only paid \$6.50 per yard. Because of this dispute, MASSELLI stated he refused to sign a formal contract agreement. He added this informal gentlemen's agreement is a common practice within the industry and is reduced to a signed document afterwards.

MASSELLI stated he has been in contact with Mr. LEVIN an attorney for SCC, on a number of occasions, usually regarding collection of settlements from SCC. He said his most recent contact was on January 4, 1982. On this occasion, MASSELLI stated LEVIN contacted him regarding outstanding SCC payments to JOPEL on work performed by JOPEL.

When queried about events surrounding a December 28, 1981, meeting with LEVIN, MASSELLI acknowledged this meeting was at his behest and that it basically involved his continuing effort to collect the monies he felt due his company from the forty cents a yard shortage, described above, in order to put his business affairs in order prior to his incarceration. At this meeting, MASSELLI stated he had numerous documents relating to his business dealings with SCC. He could not specifically recall displaying any one particular document to LEVIN and further could not recall any document signed by JOE DI CAROLIS.

With respect to any loans he or JOPEL may have received from SCC, MASSELLI stated there were no loans. IANNUZZI added that in the Civil Action 25888-81, supra, the contract provided that SCC provide the subcontractor \$200,000

"start up" money for equipment needs and that this amount was repaid by deduction on the first seven payments by SCC to JOPEL, which he stated was done. IANNUZZI stated this contract was signed by a RICHARD CALLAHAN [sic] as a representative of SCC.

MASSELLI stated his words "he had to do what he had to do" was not implied as a threat by him to LEVIN but merely was an expression he commonly uses. IANNUZZI added in dealings with SCC the use of court action to obtain a settlement of a debt may be construed as a threat to some individuals. MASSELLI stated he would review his records for a document which might be the DI CAROLIS document referred to by the interviewing agents and would provide a copy to the FBI if he could find it.

Exhibit 61 at 1-2.

ii. Initial Grand Jury Appearance

William Masselli testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

iii. Subsequent Statement to the Special Prosecutor

On May 17, 1982, prior to his second appearance before the grand jury, William Masselli was interviewed again by the Special Prosecutor. Among other things, Masselli said that in approximately March of 1976, Albert Magrini of SCC informed Masselli that Joseph DiCarolis was in Las Vegas, staying at Caesar's Palace. Masselli proceeded to arrange a complimentary stay for DiCarolis. Because he had no connections at Caesar's Palace, Masselli contacted a friend, Joseph Bugliarelli (also known as Joe Ross) to make the necessary contacts. Bugliarelli paid for the trip and Masselli

reimbursed him. Masselli was unaware of any relationship between Bugliarelli and DiCarolis.³⁹²

Following DiCarolis' return from Las Vegas, DiCarolis thanked Masselli for the complimentary stay. Masselli did not believe that he had ever told DiCarolis that Bugliarelli was involved. Nor did he recall having mentioned to DiCarolis the name, Joe Ross.

The DiCarolis paper discussed by Masselli and Levin on December 28, 1981, was prepared by Joseph DiCarolis and given to Masselli in approximately August 1981 at SCC's office on East 62nd Street in Manhattan, or at a lunch at the nearby Il Vagabondo restaurant (the "Il Vagabondo luncheon"). According to Masselli, DiCarolis used the paper³⁹³ to explain how much money Masselli had previously given to DiCarolis and how much DiCarolis believed he still had coming. In essence, DiCarolis was dunning Masselli for money.

Masselli proceeded through each item on the paper in order to explain each item. The first line of numbers on the document reflected that, in exchange for a \$200,000 loan from SCC, Masselli paid DiCarolis \$20,000 in cash.

The second item on the DiCarolis paper was intended to reflect a \$12,000 overpayment by Jopel for two pickup trucks

392 Joseph Bugliarelli testified before the grand jury, pursuant to a writ of habeas corpus ad testificandum. [GRAND JURY MATERIAL DELETED.]

393 A copy of which is annexed as Exhibit 62.

purchased from SCC. The totality of that payment, \$132,000 for trucks costing SCC \$120,000, was by check made payable to SCC.

The third item reflected a \$100,000 bond which Masselli had been unable to secure and which DiCarolis promised SCC would back for Jopel. To arrange this, DiCarolis wanted a \$10,000 fee, and Masselli consented to paying \$10,000 in cash if he obtained the job. The zero in the third column beside that entry reflected that Jopel never got the job so the \$10,000 was never paid.

The next item on the DiCarolis paper reflected a dispute between SCC and Jopel concerning a contractual agreement on the 63rd Street job. Jopel agreed that it would share 50/50 with SCC the proceeds of any excavated materials which Jopel was able to sell. Masselli had been paid more than \$30,000 for certain rock and a \$15,000 partial payment given to DiCarolis. The question mark indicated an unresolved issue as to how much additional rock had been sold and how much more cash was owing.

Significantly, Masselli indicated that he was paid by check by the person to whom he sold the fill which he hauled out of the 63rd Street job. Despite the fact that Jopel was thus constrained to reflect the full amount as income on its tax return, Masselli said that the company took no deduction for the cash payments made to SCC pursuant to the SCC/Jopel contract. Joseph DiCarolis was the person who

suggested that SCC should be paid in cash. This suggestion was made at the time that the contract was initially signed.

Asked to identify Phil Buono, Masselli said that he was on the payroll of Masselli's butchering business, Pellegrino Masselli Meats, for many years as a salesman. To Masselli's knowledge, Buono never worked on any SCC project. Moreover, Masselli never discussed with anyone the possibility of Buono's working on an SCC project, nor did he ever seek to have Buono put on anyone's payroll in connection with any SCC project.

Masselli did not recall ever having had any conversations with respect to supplying explosives. He did not recall any discussions with Amadio (Sonny) Petito, in particular, on the subject. Masselli further denied that he knew any doctor from Haiti or that he had ever supplied explosives to anyone.

While Masselli recalled that Robert DeFilippis was at one time looking for an increase in oil allotments, he never made any attempts to obtain such allotments for DeFilippis. He did supply DeFilippis with New York State Senator Joseph Galiber's telephone number so that DeFilippis could approach the Senator, if he chose, but Masselli did not know whether DeFilippis followed through and placed the call.

Masselli had nothing to do with DeFilippis' arranging to rent equipment for use on SCC's job. He observed that DeFilippis was not a subcontractor but rather a vendor.

DeFilippis did attend the 1979 Superbowl with Masselli, he acknowledged.

Jack Napoli was a name totally unfamiliar to Masselli.³⁹⁴ Masselli said that he could not have attempted to procure a union book for Napoli in 1961 because he was in prison without interruption from 1956 to 1964.³⁹⁵

iv. Follow-up Grand Jury Appearances (Immunized)

[GRAND JURY MATERIAL DELETED.]

b. The Tumcon Recordings

i. Summary

In connection with the investigation leading up to William Masselli's conviction and imprisonment, court-authorized Title III microphone and telephone surveillance was conducted by Federal authorities for approximately six months, from January 5 to July 7, 1979 at Masselli's place of business in the Bronx, New York. A total of 857 tapes were

394 Jack Napoli, in his interview with the Special Prosecutor on May 20, 1982, stated that he had known William Masselli since approximately 1961 when he obtained two union books from Masselli. He thought that Masselli would know him by the name of Jack Napoli.

395 An agent of the Special Prosecutor ascertained, from contact with the United States Probation Office and the New York State Parole Board, that William Masselli was incarcerated at the Clinton Correctional Facility from April 1958 until May 1962.

made and, by order of court,³⁹⁶ the Special Prosecutor secured access to them. From February 8 to April 8, 1982, six agents of the Special Prosecutor devoted their full-time efforts to a review of all 857 of the so-called Tumcon³⁹⁷ recordings. The agents listened with particular attention for (a) any conversations in which Mr. Donovan himself spoke³⁹⁸ (b) any conversation in which Mr. Donovan's name was mentioned; and (c) any potentially criminal conduct on the part of Secretary Donovan or anyone else associated with SCC. After all of the tapes had been reviewed, the agents confirmed the accuracy of their results with the assistance of the FBI's Soundex computerized indices search system.

Mr. Donovan's voice was not recorded on any of the Tumcon tapes. His name was mentioned in six conversations. There was nothing incriminating in any of the references to him, nor anything suggestive of a relationship between Mr. Donovan and Masselli.³⁹⁹ A verbatim recital of the relevant sections of every conversation in which Mr. Donovan's name was mentioned is set forth below.

396 United States v. Masselli, Nos. 81 CR 325 (LWP) and 81 CR 342 (MEL) (S.D.N.Y. Feb. 5, 1982) (MacMahon, C.J.).

397 I.e., To Uncover Masselli Conspiracy.

398 The FBI, at the request of the Special Prosecutor, obtained from the Secretary a voice exemplar for the reviewing agents' use.

399 The same was not true of all SCC executives. The tapes reflected that Senior Vice President Richard Callaghan, for example, spent a weekend in Masselli's Florida condominium.

ii. Verbatim Transcripts of
Certain Conversations

A. Recording Date: January 24, 1979

Source: S.D.N.Y. 341

Reel #5 Footage 309

Microphone Surveillance

Speakers -- William P. Masselli (WPM)

-- Unidentified Male (Unsub)

INAUDIBLE

Unsub: But he's the guy that gets all the bids together and he's the guy that, you know, can, you know, he's the one, as far as I'm concerned I have to talk to because that's the guy that you can tell things to that...

WPM: He came to the Christmas party the other day.

Unsub: Yeah.

WPM: Yeah.

Unsub: He's a good man, I, I like him, he's a very nice young man, you know that.

WPM: INAUDIBLE

Unsub: Yeah. How you getting along with, er, do you get--have any deadlines at all with Jay Gray down there at all.

WPM: No. I don't even know who he is. What is he? INAUDIBLE Got so many guys I don't who the hell is who over there.

Unsub: Yeah.

WPM: I get along good with all the bosses, though.

Unsub: Yeah.

WPM: Joe DiCarolis, Dick Callaghan, Ray Donovan Al Magrini, Gerry Liguori

Unsub: They're gonna. Are they after you just to do the
that part of it or you know just to

WPM: We have right now the excavation of the place for
the shaft. INAUDIBLE the shaft INAUDIBLE We also
have the trucking. Taking the stuff out. INAUDI-
BLE We got all the trucking.

B. Recording Date: January 27, 1979

Source: S.D.N.Y. 341

Reel #1 Footage 466

Microphone Surveillance

Speakers -- William P. Masselli (WPM)

-- Unidentified Salesman (Unsub)

- Unsub: I'm pretty confident that we can talk them out, we can talk, you know.
- WPM: Well, you better do it fast, I'm telling you. Because they're ready to order I know.
- Unsub: Yeah, don't worry.
- WPM: I won't be surprised if they don't put the order in Monday
- Unsub: Uh
- WPM: or Tuesday, cause I said don't you have an appointment Thursday, he said he didn't know anything about it. Unless you had it with Jerry St. Angeleo?
- Unsub: Was it with Jerry and another, and another VP? I don't know who.
- WPM: Donovan? Callaghan?
- Unsub: No, I think it was a --
- WPM: It had to be Ray Donovan, Dick Callaghan, Joe DiCarolis or Al Magrini, those are the only four VP's they got, and the boss -- Ronnie Schiavone.
- Unsub: The only one that he reports is to Joe D.
- WPM: Yeah. That's the boss.
- Unsub: INAUDIBLE
- WPM: INAUDIBLE gotta make the decision.

Unsub: Hadda be with him.

WPM: The final decision.

Unsub: That's, then that's the guy that we gotta have
the meeting with because he's

WPM: INAUDIBLE

C. Recording Date: March 15, 1979

Source: S.D.N.Y. 343

Reel #4, Footage 154-196

Microphone Surveillance

Speakers -- William P. Masselli (WPM)

-- Other Person (OP) 400

WPM: Bob

Unsub: How do you do, Mr. Masselli

WPM: Bill Masselli, Bill

OP: Mark Luargo (ph)

WPM: Nice to meet you Mark

OP: Pat, Pat Shark (ph)

WPM: Nice to meet you also. Take your coat off.
INAUDIBLE The Senator should be in. I just sent
a guy to pick him up. He's coming down from Albany.

OP: Oh Good

WPM: He gotta go to Washington tonight. INAUDIBLE

OP: Here you are Pete

OP: Yeah

OP: You don't see anything there -- those guys --
INAUDIBLE Regular . . . Regular

OP: I think we go short.

400 There appear to be three other voices participating in this conversation. It is difficult to differentiate the voices of these other persons; therefore, all are identified on this transcript as other person (OP). In the conversation, they are introduced as Mark Luargo (ph), Bob Shatay (ph), and Pat Shark (ph).

WPM: Sure it ain't 32 short?

WPM: couple of chairs INAUDIBLE

OP: See Nat?

OP: No, I didn't see him

OP: How much are those INAUDIBLE, Bill

OP: Are you part of the picture

OP: Am I? No, far, very far from it.

OP: Me? Uh, uh -- INAUDIBLE

WPM: You work in the City or what?

OP: Hope so.

WPM: Where's that package there -- INAUDIBLE took it back -- INAUDIBLE

OP: Brochure

OP: I don't know why I'm here today, except that, uh, Bob INAUDIBLE asked me to come. Uh, see if I got a brochure in here. We worked in New York awhile and they what's going on -- INAUDIBLE

WPM: saw some of your work -- the brochure that Peter had left here

OP: Well we just took down

WPM: Breezy Point

OP: Breezy Point -- coop

WPM: And do you have anything in the, in the future lined up that you're gonna do some work on: do you have any contacts in the city?

OP: Right now what we've got is uh, a couple of pending relationships that people have been trying to get us to get into

WPM: Uh Huh

OP: That is interesting -- INAUDIBLE is one for marine work here and we're working with a couple of political groups. I probably shouldn't talk about.

WPM: My partner's in politics

OP: I know

WPM: My partner is a state senator

OP: I will respect his position INAUDIBLE and as far as demolition goes, just about anybody involved would like to tie us up but no one's ever proved its been in our best interest.

WPM: I see. You done any work for IUC?

OP: No

INAUDIBLE

WPM: Basically, we're in, we're in two businesses. We got a meat business, this happens to be the meat plant, here. We have a construction outfit going. We're doing a lot of work for Schiavone Construction who are tunnel

OP: Know em well

WPM: Well I guess you know Ronnie and Joe DiCarolis, Al Magrini and Bob Callaghan, there's one other, Donovan, Ray Donovan.

OP: What's your, what's your relationship with them?

WPM: We do most of the sub-contracting work as a minority contractor.

OP: In what field?

WPM: Excavation and trucking

(Several voices at once; not decipherable)

WPM: Right now we're doing the shaft on 63rd Street and Second Avenue last contract was hundred eighty five million dollars that they got.

MEMORANDUM

D. Recording Date: June 4, 1979

Source: S.D.N.Y. 351

Reel #1 Footage 298

Telephone Surveillance

Speakers -- William P. Masselli (WPM)

-- Jack Frost (Frost)

-- Schiavone Construction Company Operator (SCC)

SCC: Good Afternoon, Schiavone

WPM: Yes, Honey how are you?

SCC: Fine, how are you?

WPM: Not too bad, a little rained in here but not too bad.

SCC: I know what you mean.

WPM: Give me Jack Frost.

SCC: Ah, gee Mr. Masselli, his line is busy. Can you hold for him?

WPM: I'll hold on a few minutes.

SCC: Thank you.

WPM: My name is Masselli.

(Approximately 45 second wait on open line)

SCC: Mr. Masselli it's still busy.

WPM: I'll hold on a few minutes.

SCC: Okay

WPM: Thank you.

(Approximately 25 second wait on open line.)

SCC: Mr. Masselli

WPM: Yeah.

SCC: Here we go.

WPM: Okay

WPM: (Debby, hold that up) (talking off phone)

FROST: Hello

WPM: Jack Frost.

FROST: Yeah, Bill.

WPM: How you doing?

FROST: All right and yourself?

WPM: What can I do you for? Not too bad.

FROST: Ah. Bill I got, I, I don't have my uh Schiavone Construction Company hat on right now.

WPM: Okay.

FROST: I got my rag picker beggar hat on.

WPM: I like that.

FROST: You don't like the rag picker hat?

WPM: Yes, I like that better. Okay

FROST: I got my rag picker beggar hat on.

WPM: What do ya need?

FROST: Here's what we're doing.

WPM: Wha

FROST: It's strictly a Jersey operation and I know you're strictly New York.

WPM: So what?

FROST: So what. Alright. What we're involved in, we got a club going. Ronnie and and ah and Ray Donovan have a club going.

WPM: Yeah.

FROST: Called the Ronald Reagan for President club.

WPM: Ronald Reagan for President.

FROST: President.

WPM: I like that.

FROST: Okay. Ronald Reagan is coming to Ray's house on Monday.

WPM: Okay.

FROST: In Short Hills

WPM: Yeah.

FROST: I'm not invited and you're not invited and nobody else is except those people who are in the Republican Party in the state and so forth.

WPM: Uh, huh.

FROST: But what INAUDIBLE are going to do

WPM: Uh, huh

FROST: is give this guy here, you know, a wad we're going to give him.

WPM: Yeah.

FROST: Green

WPM: I understand.

FROST: Well, The Ronald Reagan for President

WPM: Yeah.

FROST: Is a thousand dollar club.

WPM: Right.

FROST: There are sixteen people that I'm involved with.

WPM: Right.

FROST: And you're one of them.

WPM: Okay

FROST: And it's legal. There's no problem with the legality of it. You can make a thousand dollar donation uh Ronald Reagan for President, legally.

WPM: No problem.

FROST: It is not, Bill, and I'm not bullshitting ya. It is not tax deductible.

WPM: I understand. Don't say no more. You said enough

FROST: Okay.

WPM: Count me in.

FROST: I got, I got one problem which is a time problem.

WPM: What?

FROST: Shut it out at noon time on Friday.

WPM: You'll have it by Wednesday.

FROST: Okay.

WPM: Okay, no problem.

FROST: Thanks, Bill.

WPM: Okay. Maybe tomorrow too.

FROST: Okay my friend.

WPM: I'll give it to somebody to give it to you.

FROST: Very good.

WPM: Thank you.

FROST: I appreciate it.

WPM: Bye, Bye.

FROST: Thanks, Bill

E. Recording Date: June 26, 1979

Source: S.D.N.Y. 353

Reel #2 Footage 266

Microphone Surveillance

Speakers -- William P. Masselli (WPM)

-- Nat Masselli (NM)

WPM: It cost you a lot of money. You got a lot of expenses on these fucking trucks, too, you know. Tires, this and that, beep-bop. Cause of that you -- INAUDIBLE - You got just enough nine and six fifteen, eighteen pieces, twenty the most. That'd be enough -- INAUDIBLE ---on this job----INAUDIBLE oh shit! I better get the plans. I got a job for two hundred thousand out in Gateway Park INAUDIBLE because he's now, now, now it's coming up Friday. If they get this bid, that's another job we got. We'll have to do the trucking on, and that's gonna start in 45 days you know, that ain't gonna be like the other one.

NM: uh-huh.

WPM: I told him, yeah I asked Magrini, he ways 30 to 45 days we'll go right to work on that if we get the contract.

NM: Which one?

WPM: The new one

NM: Oh yeah

WPM: Its one INAUDIBLE section coming out, that ain't like the other one.

NM: What did you talk to him yesterday?

WPM: Yeah, he was there too, I sat with him all night.

NM: What did he say?

WPM: Sit next to me--nothing--he got drunk. He had to go and take a shower. He says I was getting dizzy, he says I had to go inside and take a shower, INAUDIBLE and then he says where you going this afternoon, I said I ain't going no place. He says you wanna come to the affair? We're invited to INAUDIBLE. He says I got that two tickets. In fact he says come on with me now, you wanna come with me--take you with the plane cause we're gonna go pick up Ronnie and uh Ray Donovan and then we're gonna go right up, we're gonna fly up to the, up to the Hell am I gonna get home, I got my car down here in Queens. So I said I'll meet you there. He says I'll leave two tickets at the door for you and Bobby DeFilippis. I called Bobby up.

NM: Oh yeah?

WPM: And he came. Yeah. Good thing we went. A lot of guys didn't even know this. I hear Jopel, Jopel, it's a, it's a phantom outfit he says, who you [laughter]. That's us I said. Then another guy said I see your trailers going around, who, who's this? You'd be surprised the advertisement that does you know.

F. Recording Date: June 30, 1979

Source: S.D.N.Y. 357

Reel #1 Footage 002

Telephone Surveillance

Speakers -- William P. Masselli (WPM)

-- Nat Masselli (NM)

WPM: Hello

NM: Hello dad?

WPM: Yeh

NM: Oh good morning

WPM: Good morning. Tried to reach you -- just get out there?

NM: Yeah I was out sick

WPM: Oh ya gonna get gas INAUDIBLE Need gas?

NM: Yeah I'm gonna, I'm gonna come down there

WPM: You come over because he's he's gassing up now

NM: Yeah. Well I'm waiting for Rudy to bring the two cars back. If he can't by 8:30 I'm going to leave -- you know.

WPM: Yeah, otherwise you got gas up here anyhow so

NM: Yeah. I'll be there I'll be there before 9 o'clock

WPM: Okay

NM: Yeah

WPM: Ah. Schiavone got that job.

NM: Yeah

WPM: So that's good.

NM: How's it look?

WPM: It looks good.

NM: Yeah.

WPM: I ain't worried about it. Who's he gonna go? He's gotta go to us.

NM: Yeah, but he went in alone though right?

WPM: Yup

NM: He didn't go with Delma, did he?

WPM: Unh Unh. Nobody. He he Delma ain't gettin nuthin Don't worry about that

NM: Oh

NM: Forget about it. I don't think he'll give anything to anybody.

WPM: Naw. He didn't have to

NM: Oh

WPM: Huh what does he got to give anything to anybody for?

NM: I mean uh did he say he was going to give us the excavation and trucks?

WPM: Yeah, same as before. INAUDIBLE. He told me. What are you worried about? Cause, I told him, what are we gonna get out here, He said wadda you worried about? He he you'll do the same thing he did before.

NM: Yeah

WPM: We'll do the exca--Who they gonna go to? We got the dump there we gotta--Where's this job anyhow?

NM: Ah right, right by over here where we are

WPM: Oh yeah

NM: Uh the Van Wyck. By the Van Wyck from Hillside Avenue to 89th Avenue.

WPM: Oh that's good.

NM: Yeah.

WPM: It's right next door.

NM: Yeah. Right near us.

WPM: Especially now that I spoke to that Brady yesterday too. I went to meet him at three o'clock yesterday.

NM: Yeah

WPM: We're all set over there.

NM: Yeah

WPM: So whose he gonna go to? INAUDIBLE cut him out on the fucking dump? Huh

NM: How long is it gonna be with this other dump?

WPM: About 3 weeks

NM: Yeah

WPM: Two, three weeks the most. Maybe before but its in the final - this week should sign the papers up.

NM: Yeah

WPM: I'm good. I gotta get in touch with somebody got that I can't find that Lou Sanzo's number because I should had that other dump already.

NM: Yeah

WPM: Yeah because he had a meeting Thursday night

NM: Yeah

WPM: And he says it was probably go through then. I gave him the proposal.

NM: You should - you know what. You should shoulda asked ah.

WPM: Gerry I shoulda got it from

NM: Yeah or you shoulda asked Al - He's got Sonny's home number.

WPM: Oh yeah

NM: Yeah

WPM: Oh

NM: In fact maybe I'll call him up

WPM: Call him up and get Sonny's home number. And call Sonny up and ask him say, what happened with Louie ah. I don't wanna call Louie home because his phone is tapped.

NM: Yeah

WPM: But call Sonny up see dah if he got any information. What happened with that thing?

NM: Yeah

WPM: With the the dump? with Louie? he knows about it cause Sonny's got all the information on it

NM: Yeah

WPM: It'll be a good idea

NM: All right.

WPM: Okay?

NM: Yeah

WPM: How'd they do yesterday?

NM: Ah, last night they did good

WPM: Yeah

NM: Yeah

WPM: Made the same amount?

NM: I know they did at least fourteen--

WPM: Oh yeah

NM: Yeah

WPM: Are they getting that stuff out of there

NM: Yeah

WPM: That's good. I spoke to Dick Callaghan yesterday.

NM: Oh yeah

WPM: Cause I'd spoken to him Thursday

NM: Yeah

WPM: I sez. Don't worry about it. Dick you gonna get this one because I gonna give you the magic touch on this. Last time I didn't call you you know I didn't talk to you before that there. But this one you got. So when I called him yesterday

NM: Yeah

WPM: He sez I guess your magic touch worked. He was kidding around with me. He's the senior vice president.

NM: Oh Yeah?

WPM: Yeah. I didn't know that huh. He's over Magrini. He's right under Joe D.

NM: Oh Yeah.

WPM: Yeah Yeah he's the - No. 4th man there's Ronnie, ah Dick Donovan ah Joe D. and then comes ah Dick Callaghan. He's the fourth guy. Then Magrini down the line someplace.

NM: Yeah

WPM: But but uh, he's the fourth guy -- I had a nice. I was talking to him for about 10 minutes on the phone yesterday. He was laughing. He was fooling around.

NM: You didn't talk with Magrini?

WPM: Naw. I'll call him today. Call him home. I got his home number. Yeah but I'm not worried about it cause when I spoke to Joe D. last I says, "What do wa want me to put on the bid? You know. I sez use it the way you want before you put anything you want to do. He sez don't worry about it. Go to sleep on it.

NM: Yeah

WPM: So with the money up I'm gonna sit him down and I'll tell him listen I told him already

NM: Yeah

WPM: Hey Eddie when I owed you the money I paid you I want the money the same way. That's all. I'm not worried about it. We'll get the money from him.

NM: Yeah

WPM: He's gotta go and get I don't care where he goes and get it. Otherwise he give me some trucks that's all I want.

NM: Yeah

WPM: Whatever he owes give me a truck for it huh that's all huh huh. That's what that other guy Bobby Peres told him. Sell the fucking trucks give me the money. I don't care how you get it but get it. Huh.

NM: Yeah

WPM: So see what the hell happens. What else?

NM: Aw nothing new.

WPM: What does he gotta do some work?

NM: Yeah his work...gotta work on a few tractors

WPM: O yeah

NM: Yeah

WPM: Oh you got em all ready to go Monday?

NM: Oh yeah they're all ready

WPM: All right. What you got the two INAUDIBLE right?

NM: Yeah

WPM: All right that other guy keeps calling from Barry Finn's office for the financing thing

NM: Yeah

WPM: All right, if you want to talk to him you talk to him otherwise you go with the other guy.

NM: Yeah the kid he wants to do it you know that that Credit Alliance

WPM: Yeah but you got to see what the amount is.

NM: Yeah they're going to be all around the same price you know.

WPM: Oh yeah. Well we've been business with him so stay with him,

NM: Yeah

WPM: Cause if you gotta go through a rigaramarole wid the other guy.

NM: Yeah

WPM: An forget about it.

NM: Ah

WPM: So this way you don't have to worry about trucks and trailers working with other guys. You know what I'm talking about

NM: Oh yeah I know yeah

WPM: So I'd rather. I rather concentrate with Schiavone and give them service and everything so we don't have no fucking problems.

NM: What about aah ah

WPM: Who?

NM: Oh ah, De Simone now. Right?

WPM: Yeah

NM: What's the price on these on these 10 wheels? Two fifty?

WPM: Two fifty

NM: Yeah

WPM: Yeah

NM: And even on the double shift two fifty?

WPM: Naw - Yeah - two fifty double shift.

NM: Oh.

WPM: Wadda charging the Sch. What are you charging them?

NM: No, I'm I'm charging them \$34 dollars an hour which is 272

WPM: Well that's that's all you could do. He wants two fifty. Whether it's a double shift or not. He says "I could get two seventy and two eight for the trucks Billy - you know that. So I'll charge you two fifty on the double shift."

NM: Yeah but don't forget uh you know we're going to give him steady work you know

WPM: I know I told him that he understands that.

NM: Yeah

WPM: So. All right, see what the hell is what, two fifty...Maybe I can get him down later. Tell him listen.

NM: I was talking with Gerry. He's talking about. Ah he said when are your new trucks coming in. I sez probably August. You know early August.

WPM: Uh Huh.

c. The Business Relationship

i. Louis R. Nargi

A. Statements to the FBI

Louis R. Nargi, whose company, Nargi Contracting, assigned its subcontract on the Vernon Boulevard job to JoPel, was interviewed on a number of occasions in 1980 by agents of the FBI. In a pair of interviews on February 9 and 12, 1980, as set forth in a report of interview:⁴⁰¹

Concerning MASSELLI's takeover Nargi Contracting and Trucking Company, NARGI advised that he has known WILLIAM MASSELLI for 40 to 45 years. He had considered MASSELLI his best friend for many years. In fact, they joined the Navy together.

NARGI advised that about a week or two before the start of actual work on the 21st Avenue [sic: 41st Avenue (Vernon Boulevard)] Schiavone contract he, NARGI, asked for a \$50,000 loan from Masselli. This loan was never committed to paper. It was simply an oral agreement between MASSELLI and NARGI. The loan was needed as Nargi Contracting needed a financial cushion before the start of the Schiavone contract. MASSELLI gave NARGI the \$50,000 in cash.... Nargi believed that the \$50,000 was listed as a loan on the Nargi Contracting books.

While working on the 21st Avenue project, Nargi Contracting found number six oil in the ground. This required that the excavated dirt be trucked further away to a dump in Brooklyn. This hampered operations in both truck travel time and money. As a result, Nargi Contracting began losing money daily. NARGI then attempted to obtain additional operating funds from Schiavone but this was unsuccessful. NARGI, thereafter, asked for and received additional loans from MASSELLI....

401 A copy of which is annexed as Exhibit 64.

Nagi recalled signing a paper at the office of an attorney named (First Name Unknown) (FNU) MACRI in White Plains, NY. MASSELLI was also present. This paper was signed to show the new loans to Nargi Contracting from Pellegrino-Masselli Meats. This paper stated that if NARGI died, Nargi Contracting would be responsible for the debt. This paper did not include the first \$50,000 cash loan.

Later, another Schiavone sub-contract came up for bid. This was a job on Archer Avenue, Long Island City, NY. It was considered a good job as the ground to be excavated was largely sand. Nargi Contracting proposed a figure for a bid and this bid was supposedly acceptable to Schiavone. MASSELLI told NARGI that AL MAGRINI of Schiavone told him that if they wanted this contract they would have to form a minority company. At this point, MASSELLI and State Senator JOSEPH GALIBER set up Jo-Pel Contracting as a minority company, in order to get the Schiavone sub-contract job on Archer Avenue. This company was set up merely as a device to circumvent a law requiring Schiavone to give a certain percent of their subcontracts to minority companies. MASSELLI and NARGI agreed that NARGI would be a silent partner and own no stock but he would receive 70 percent of the profits from the second Schiavone job. It was NARGI's understanding that MASSELLI and Galiber would divide the other 30 percent. NARGI said he did not know how the Jo-Pel Company was set up in order to assure its minority status. GALIBER was brought in as a partner by MASSELLI because he is a minority member and because MASSELLI thought GALIBER's political connections could get contracts for Jo-Pel. He did not know if GALIBER invested any money into Jo-Pel. NARGI himself had suggested that MASSELLI and he (NARGI) utilize a company named "Hispan Am" as a minority company. Hispan Am was an actual company formed by AL ALBIZURI from West New York, New Jersey. MASSELLI, however, said that they would bring Senator GALIBER into this affair using him as the minority. MASSELLI said GALIBER, through his political contacts, would bring in business.

Subsequently, Jo-Pel obtained the Archer Avenue job from Schiavone. Later it again became necessary for NARGI to obtain an additional loan. After new negotiations with MASSELLI, MASSELLI agreed to supply the additional money in exchange for his receiving 50 percent of the profits from both the 41st Street and Archer Avenue Schiavone jobs.

* * *

At this time, Jo-Pel and Nargi Contracting co-existed. In theory, Jo-Pel Contracting was renting trucks and equipment from Nargi Contracting in order for Jo-Pel to carry out the Schiavone Archer Avenue project. The rented equipment included dynahole[e], a 955 loader, 977 loader, pickup trucks and other items. NARGI advised that he is unaware of any rental fees ever being paid to Nargi Contracting by Jo-Pel.

NARGI became a salaried employee of Jo-Pel for approximately an 8 to 12 month period. During this time frame, Jo-Pel and Nargi Contracting were working on the two separate Schiavone contracts, both of which were personally being supervised by NARGI. After a time, NARGI observed five tractors and trailers on the Schiavone job sites. He determined that these were formerly owned by PETE MC DOUGAL who was going out of the construction business. NARGI estimates that each tractor and trailer was worth \$30,000 to \$35,000. He observed some documents concerning these tractors and trailers and he noted that they contained NAT MASSELLI's name and something like "W and M Leasing Company".

During 1978, having lost total control of the contracting business, NARGI "walked away" from the business after a heated argument with MASSELLI. MASSELLI kept all of NARGI's equipment and vehicles. NARGI advised that the vehicles' certificates of ownership were left with the Nargi Contracting trucks and that he never signed over his equipment and vehicles to MASSELLI or Jo-Pel.

NARGI advised that the reason he "walked away" from the business was because MASSELLI knows all sorts of dangerous people and that the risk was too great for him to object to MASSELLI's takeover of his business. NARGI said that he "walked away" from his construction company at this time because he realized he could not win. He knew that MASSELLI was a friend of PHILLIP BUONO whom NARGI knows as a "made guy" in the Mafia. He also knew that to fight a "made guy" meant danger to him since the word on the street is that, "made guys hurt people".

* * *

NARGI advised that he is unsure of the exact amount of money that MASSELLI loaned his company nor how much money was repaid to MASSELLI. This is because he was never given any written documents concerning loans and their repayment and also because MASSELLI controlled all the books for Nargi Contracting, Jo-Pel, and Pellegrino-Masselli Meats.

Exhibit 64 at 1-5.402

On March 5, 1980, approximately one month after the interviews recorded above, Nargi again spoke with agents of the FBI. As set forth in the report of that interview:⁴⁰³

NARGI advised that there came a time, when he was doing business as Nargi Contracting and Trucking Company (NCTC), when he needed a second loan from MASSELLI and who agreed to give him the loan. This loan was actually from Pellegrino-Masselli Meats (PMM) to NCTC and it was only granted after NARGI agreed to give MASSELLI 30 percent of the NCTC profits from the 41st Street [sic: 41st Avenue (Vernon Boulevard)] excavation job. This loan was given before the formation of Jopel Contracting and Trucking Company (JCTC).

NARGI advised that JOE D (JOE DI CAROLIS), a construction foreman [sic] for Schiavone Contracting had advised him that his company had received

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- 402 In Exhibit 64, unexpurgated, Nargi further described the takeover of Nargi Contracting's business by Jopel. However, when interviewed by agents of the Special Prosecutor on February 24, 1982, Nargi denied everything attributed to him in that portion Exhibit 64 (deleted as attached hereto) with respect to the takeover, and he asserted that Jopel's assumption of Nargi Contracting business was entirely amicable. In view of Nargi's recantation, because the episode did not relate to Secretary Donovan, and because Nargi testified before the grand jury pursuant to an order of immunity (the scope of which the Special Prosecutor concluded should not in the circumstances be expanded), the Special Prosecutor did not investigate further into the matter. [MATERIAL DELETED.]
- 403 A copy of which is annexed as Exhibit 65.

a contract for the Archer Avenue, Queens, New York, excavation project and that because he (NARGI) had been doing such a good job as a sub-contractor on the Schiavone 41st Street job that he (JOE D) would make sure that NARGI would get part of the new Archer Avenue job. NARGI thereafter submitted an acceptable bid to SCHIAVONE to be a sub-contractor on this job. Later, WILLIAM MASSELLI told NARGI that he (MASSELLI) had had a conversation with AL MAGRINI of SCHIAVONE, who advised him (MASSELLI) that NCTC could not be given the subcontract since NCTC was not a minority company.

NARGI and MASSELLI then discussed the use of an existing minority firm named, Hispan Am to which NARGI had access. MASSELLI rejected this idea because he (MASSELLI) wished to form a minority company with Bronx State Senator JOSEPH GALIBER. NARGI agreed to this provided he (NARGI) would be neither an officer nor a stockholder, but he would receive 70 percent of the profits from the Archer Avenue job. Subsequently, JCTC was formed by MASSELLI and GALIBER.

Exhibit 65 at 1.

B. Statement to the
Special Prosecutor

Agents of the Special Prosecutor interviewed Louis R. Nargi on February 24, 1982. Among other things, Nargi stated that he formerly owned Nargi Contracting and Trucking Company, which was subsequently taken over by Jopel. At the time of the takeover, Nargi had been a subcontractor for SCC on the Vernon Boulevard job. Vernon Boulevard was the sole construction project on which Nargi worked as an SCC subcontractor.

Prior to the time that he bid on the Vernon Boulevard job, in approximately 1975-1976, William Masselli had loaned Nargi \$50,000 to serve Nargi as a financial cushion. When,

in the course of excavation on Vernon Boulevard, Nargi encountered substantial problems due to the presence of no. 6 oil in the fill and asked SCC for financial assistance, Nargi was told that his claim for any compensation had to await the completion of the job. Nargi's cash flow problems worsened, and he returned to Masselli for additional loans.

In approximately 1976-1977, when Nargi was already heavily in debt, SCC's Archer Avenue job--another extension of the subway tunnel from 63rd Street in Manhattan to Queens --opened up for subcontractors' bids. Nargi approached either Joseph DiCarolis or Albert Magrini and told them that he wanted to submit a bid. He was told that the subcontractor would have to be a minority business enterprise. The contract was ultimately awarded to Jopel, after Nargi approached Al Magrini on Jopel's behalf on one or two occasions. Nargi made it clear to Magrini that he would supervise the job for Jopel.

As it developed, Nargi remained working for Jopel for only a few months at Archer Avenue. Nargi just "walked away" from Jopel and the work sites without any conversations or discussions with Magrini, DiCarolis or any SCC personnel. Jopel assumed ownership of the equipment which had been registered in Nargi's name.

It was Nargi's perception, that SCC awarded the subcontracts to Jopel not due to Masselli's, but because of Nargi's, involvement in the company--due to Nargi's work reputation, history and commitment to remain a Jopel employee.

Nargi never heard Masselli discuss or mention Raymond Donovan.

With respect to his prior interviews by the FBI in February and March of 1980, Nargi maintained that his statements to the agents were factual and truthful to the best of his recollection, but he simultaneously disavowed that Masselli exerted any force or pressure on Nargi when Jopel subsumed Nargi Contracting.

C. Grand Jury Testimony
(Immunized)

[GRAND JURY MATERIAL DELETED.]

ii. Albert J. Magrini

A. Statement to the
Special Prosecutor

The Special Prosecutor interviewed SCC Vice President Albert J. Magrini, in the presence of his counsel, on February 26, 1982. Among other things, Magrini said that his acquaintance with William Masselli dated to Masselli's assumption of Louis Nargi's subcontract on the Vernon Boulevard job. Magrini first met Masselli after Jopel had assumed the Vernon Boulevard job subcontract. Magrini did not know him until Masselli appeared on the job one day.

Magrini considered that Nargi's performance on the Vernon Boulevard job had been inadequate. He added, referring to Nargi, that it "wasn't easy working with him." Nargi never approached Magrini for any loan or financial assistance. Moreover, Magrini would have refused any such request, had one been made.

Magrini was unaware of any Nargi-Masselli discussions regarding Jopel's assumption of the Nargi Contracting subcontract. At one point, Nargi complained to Magrini, but Magrini did not recall the specific nature of complaints. He observed that, for some period of time after Masselli was fully in control, Nargi still "actually ran the job."

In Magrini's judgment Masselli did a good job providing dump sites and trucks whereas Nargi had been unreliable in both respects. Magrini did not know whether Masselli and Nargi worked together prior to Jopel's assumption of the subcontract. He noted that it was not a matter of Jopel's having replaced Nargi Contracting's equipment because Nargi owned little equipment to begin with.

Regarding SCC advances to Jopel, Magrini recalled that there was a \$200,000 loan called for in Jopel's 63rd Street contract with SCC. The advance was to be recaptured during Jopel's performance on the job. Magrini was not involved in the discussions leading up to the \$200,000 loan. He had, moreover, no recollection of a subsequent \$100,000 loan from SCC to Jopel. Nor did Magrini participate in the negotiations with Masselli leading up to SCC's supplying approximately \$1,000,000 worth of equipment needed by Masselli.

B. Grand Jury Testimony

Albert J. Magrini testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

iii. Joseph A. DiCarolis

A. Statement to the
Special Prosecutor

During the January 15 interview, Joseph A. DiCarolis advised that he had on one occasion been to Las Vegas for a long weekend with his wife. He dated the weekend to March 1977 and stated that they stayed at Caesar's Palace. The reservations were arranged by William Masselli and/or DiCarolis's cousin, Chet Forte, an ABC producer. When DiCarolis went to check out, he was informed that someone had paid the bill. As of the date of his interview, on January 15, 1982, DiCarolis did not know who paid it.

William Masselli and Joseph DiCarolis first met in 1975 on the Vernon Boulevard job. Near the end of that project, in approximately 1976, Masselli assumed Louis Nargi's subcontract. DiCarolis learned, through hearsay, that Nargi was in difficult financial straits and that Masselli had been a longstanding friend who had assisted Nargi in reducing his indebtedness.

Masselli approached SCC for the subcontract. He reported Nargi's financial problems and advised that Masselli himself was one of Nargi's creditors. Although Nargi had been doing a creditable job and had an executed subcontract, Nargi ultimately agreed to withdraw. The fact that Masselli's company, Jopel, was a minority firm was one of the

principal reasons that SCC awarded Jopel the contract.⁴⁰⁴

When SCC consented to Jopel's assumption of Nargi Contracting's subcontract on the Vernon Boulevard job, DiCarolis was unaware that SCC would subsequently be asked to lend money to Jopel. However, as an advance on Jopel's subcontract on the Section 5B portion of the 63rd Street job,⁴⁰⁵ SCC did advance \$200,000 to Jopel initially. Thereafter, a \$100,000 advance was made on the same subcontract. DiCarolis made the initial \$200,000 loan entirely on his authority, speaking neither to Ronald Schiavone or Raymond Donovan about the matter. He did not know when either of his two superiors first learned of that loan.

Prior to authorizing the loan to Jopel, DiCarolis did not review any financial statement or other financial information. He considered Jopel obliged to repay because the advance was to be recaptured as the contract was performed,

404 At the time that Masselli approached DiCarolis to assume Nargi Contracting's subcontract, Masselli had no background in construction. DiCarolis knew that Masselli had been on the job site with Nargi. DiCarolis assumed that he was in no worse position if Masselli took over Nargi's contract because Nargi owed Masselli money and Masselli could have "put a lien on" or taken other action detrimental to the progress of the job. Masselli informed DiCarolis that he would take over Nargi's work at Nargi's prices.

405 I.e., that portion of the 63rd Street job extending from 3rd Avenue to the East River. See note 5, supra.

and Jopel was obliged to perform the contract. SCC simply issued Jopel a check.⁴⁰⁶

In the discussions concerning the Jopel subcontract on Section 5B of the 63rd Street job, Masselli informed DiCarolis that Jopel needed money for trucks. That was the genesis of the \$200,000 loan. DiCarolis did not know the reason for the subsequent \$100,000 loan, other than that Magrini came to him for authorization. The \$100,000 was loaned after the initial \$200,000 had been repaid. At the time the loans were floated, DiCarolis knew nothing of Masselli's background. The news stories concerning Masselli's organized crime connections in early 1980⁴⁰⁷ were a complete surprise to him. While getting to know Masselli, however, DiCarolis suspected that Masselli might be involved in the numbers racket.

Magrini and Masselli negotiated the terms of the Section 5B subcontract. A cost-plus contract was ultimately agreed upon. DiCarolis preferred this arrangement for two reasons. First, it afforded SCC considerable leeway in dictating extra shifts, and the like, to Jopel, helping to

406 That check was subsequently provided to the Special Prosecutor by SCC. It was signed by both Joseph A. DiCarolis and Raymond J. Donovan.

407 See, e.g., H. Blum, "Bronx Corruption Inquiry Pursuing Financial Data," New York Times, Feb. 14, 1980, at B12, cols. 1-3; H. Blum, "90 Hours of Tape Spur Bronx Crime Inquiry," New York Times, March 22, 1980, at 25, cols. 4-6; A. Lubasch, "Meat Company Head and 8 Others Accused of Hijacking Food Trucks," New York Times, May 15, 1981, at B3, col. 1.

insure the steady progress of the project. Second, it operated to build up the volume of work for Jopel, a qualified MBE.⁴⁰⁸

Also in order to build up the volume of Jopel's work, the S-I-C joint venture purchased approximately \$1 million worth of equipment which it rented to Jopel. Jopel never made any payments on the equipment, however. Rather, Jopel billed SCC for the work, including the rental charge. SCC deducted the equipment rental charges from amounts due Jopel and paid the remainder of the bill. The net effect was to increase the amount of work attributable to a minority business enterprise.

With respect to the DiCarolis paper, DiCarolis stated that at some point in time he wrote down figures on a piece of paper for Masselli. Masselli had come to DiCarolis complaining of the lack of profitability to Jopel of the 5B subcontract. Masselli complained that he could not meet his expenses. DiCarolis surmised that Masselli probably had also learned that certain other MBE subcontractors on the Section 5B portion of the 63rd Street job had a 10% cost-plus contract whereas Masselli had a 7-1/2% contract. In response, DiCarolis went through the other values provided by SCC to

408 DiCarolis stated that Federal regulations required that 10% or 15% of the total dollar volume of the Section 5B contract be subcontracted to minority business enterprises. (SCC subsequently provided the contract which specified 10%. S.P. no. 351981. See note 498, supra.) The Section 5B contract was a \$185 million project.

Jopel in addition to the 7-1/2% profit margin. As set forth by DiCarolis,⁴⁰⁹ those values included:

1. Trucks = \$12,000. Jopel, having previously ordered trucks that were delayed in delivery, purchased two new dump trucks from SCC. The price that Jopel paid was less than that which it was able to secure on its own. While DiCarolis had originally thought that SCC sold the dump trucks to Jopel at cost, he later learned that the price charged included a subsequent price increase. However, even including the subsequent price increase, the price paid by Jopel for the trucks was less than that which Jopel had previously secured on the market. Therefore, while the \$12,000 figure on the DiCarolis paper was an overstatement of the true savings to Jopel (because of its inclusion of the subsequent price increase), DiCarolis believed that Masselli nonetheless was saved a total of approximately \$8,000.⁴¹⁰

2. The cost of interest on two interest-free loans totalling \$300,000 = \$30,000.⁴¹¹

409 No copy of the DiCarolis paper had been produced to the Special Prosecutor as of the date of the January 15, 1982, DiCarolis interview and none was accessible to DiCarolis for review during that interview.

410 DiCarolis allowed that there may have been some differences in optional equipment on the trucks sold by SCC to Jopel than those earlier ordered by Jopel independently.

411 DiCarolis' recollection on this point was in error in that no cost-of-money value was assigned on the DiCarolis paper to the \$100,000 loan. As noted above, no copy of the DiCarolis paper was present for DiCarolis to review.

3. Sale of materials = \$15,000. A sale of materials debate still existed between Jopel and SCC at the time of the January 15 interview. Materials hauled away from a construction project are sometimes valuable, sometimes an expense. SCC and Jopel agreed that, if the materials were sold, SCC would share in the income. A dispute arose concerning the amount of material which Jopel had resold and, as a result, the amount owing SCC. The \$15,000 on the DiCarolis paper represented the amount owed as of the date that paper was prepared, which DiCarolis believed was at the end of 1979.

In approximately September-October 1981, DiCarolis saw Masselli at SCC's 63rd Street job office. Masselli argued that the 7-1/2% profit margin should be applied not only to the labor portion of Jopel's costs but to total costs. Masselli stated that Galiber was pushing him to take that position. At no time did Masselli threaten DiCarolis.

Galiber came to see DiCarolis in SCC's Secaucus offices approximately three weeks later. Galiber provided DiCarolis with a copy of an opinion of counsel which evidently supported Galiber and Masselli's position on the 7-1/2% profit margin issue. Galiber also asked DiCarolis whether SCC would contract with a new firm which Galiber was considering putting together without Masselli. DiCarolis responded that that would depend upon what Galiber put together and presented to SCC. DiCarolis suggested to Galiber that Galiber and Masselli patch up their differences. It was

DiCarolis' impression that Galiber had not been involved in the day-to-day operations of Jopel.

At one point, Galiber asked whether the NYCTA had a copy of the subcontract. DiCarolis responded that he did not know. DiCarolis added that if Galiber were suggesting that the contract was an embarrassment to SCC, it was not. He further advised Galiber that he did not care what Galiber did with the contract, that no more money was going to Jopel from SCC under that contract.

After his conviction, in October-November 1981, Masselli requested the opportunity to speak again to DiCarolis. They met on 62nd Street outside of the S-I-C Joint Venture offices. On that occasion, Masselli no longer claimed that Galiber was pushing him but asserted that he himself thought that SCC owed the money he claimed. Masselli also contended that Magrini had taken advantage of Masselli in another portion of the contract and referred to a few other, minor points. DiCarolis initially told Masselli that he had, a year earlier, told Magrini and Masselli to take care of the matters. Finally, DiCarolis blew up and told Masselli that he was "no damn good" and that he was to get no more money from SCC.

DiCarolis stated that he never received any kick-backs from Masselli or anybody else.

B. Grand Jury Testimony

i. February 4, 1982

[GRAND JURY MATERIAL DELETED.]

iv. Morris J. Levin

A. Statement to the FBI

On December 31, 1981, Morris J. Levin, SCC Secretary and Corporate Counsel, was interviewed by agents of the FBI with respect to his meeting with William Masselli which occurred on December 28, 1981. As set forth in the report of interview:⁴¹²

Levin advised that during the early morning of December 28, 1981, Schiavone Construction was telephonically contacted by Masselli during which time, Masselli left a message that he wanted to meet with Ron Schiavone. Levin further advised that he later got in telephonic contact with Masselli concerning his original call during which time Masselli indicated that he did not want to talk over the telephone and arrangements were made for Levin and Masselli to meet later at Schiavone Construction.

Levin further advised that Masselli arrived at Schiavone Construction at approximately 2:30 p.m. during which time they met in the conference room. He indicated Masselli immediately made reference to the fact that everyone he talks to thinks he is "wired." Levin indicated Masselli started to undress in order to prove he was in fact not wired. Levin advised that he told Masselli he was not concerned about him being wired and told him to keep his clothes on. He advised that Masselli indicated he did not want to talk in the area of Schiavone Construction, and he requested to go outside. Levin further advised they got into his (Levin's) car, and after driving around the local area for awhile, parked at a municipal swimming pool in Secaucus, New Jersey.

Levin advised that during the meeting, Masselli indicated that he is going to jail on

412 A copy of which is annexed as Exhibit 66.

January 4, 1982, and needed at least \$40,000 of the money he alleges that is owed to him by Schiavone Construction. He indicated he had to have the money by December 29, 1981, for the purpose of paying off a fine and to clear up personal and business matters prior to starting his jail term.

Levin explained that Masselli, doing business as Jopel Construction Company, is a subcontractor of Schiavone Construction and on numerous past occasions, Masselli has complained to him and other Schiavone officials concerning contractual and billing disputes. Masselli maintains that Schiavone Construction owes him money. Levin added that there is currently a pending suit in New York Supreme Court filed by Masselli against Schiavone Construction for \$600,000. Levin advised that during this most recent meeting with Masselli, as noted above, Masselli showed him seven miscellaneous invoices claiming that Schiavone Construction owes him \$12,000. He also indicated that an additional \$10,000 is owed him as a result of billing discrepancies. Levin advised that Masselli's most recent allegation involves a contract with Schiavone for Jopel to haul away dirt. Levin advised that when the contract was initially negotiated between Masselli and Schiavone, Masselli wanted \$7.31 a yard. He advised Masselli accepted the final contract where both parties agreed to \$6.50 a yard. Levin advised that after the job was completed and Masselli was paid the agreed price, he submitted a bill for an additional \$58,000. Masselli claimed that Joe Di[C]arolis, President, Schiavone Construction, had approved the above contract for \$6.90 a yard.

Levin advised that at the conclusion of the above meeting, he informed Masselli that he was not in the position to give him any money, but would make his demands known to Schiavone officials. At this time, Masselli said something to the effect "You do what you have to do and I'll do what I have to do." After this remark, Levin felt that Masselli would initiate another law suit as he did relating to the \$600,000.

Levin further advised that at some point during the above conversation, Masselli also said something to the effect, "I'm suppose [sic] to go away Monday, but I don't have to if I help the government." Levin advised he indicated to Masselli that he had heard the government wants him

to give them something on Raymond Donovan. He advised Masselli responded something to the effect, "They will help me if I give them anyone in Schiavone Construction." Levin was advised at this time that the Federal Bureau of Investigation (FBI) had originally received information that during the above meeting, Masselli exhibited a letter to him on Schiavone letterhead in the handwriting of Di[C]arolis. Levin advised that no such letter exists, but that Masselli did display a handwritten note in the handwriting of Di[C]arolis. He advised the note was displayed to him by Masselli in his attempts to substantiate his argument regarding money owed him by Schiavone Construction. Levin indicated that the note was in fact written by Di[C]arolis and contained various figures identifying loans provided by Schiavone Construction to Masselli. He advised that during the course of above conversation, he displayed the note at the same time indicating that he was always good on his word and paid off his debts to Schiavone Construction. He indicated that Schiavone Construction should do likewise and pay the money owed him.

Concerning the above note, Levin explained that approximately two years ago Masselli met with Di[C]arolis concerning a contract that Schiavone Construction awarded to another contractor. At that time, Masselli complained that the above contract was more lucrative than any deal Schiavone Construction Company gave him, and he argued that he was not getting his fair share. Levin advised that it was at this time Di[C]arolis provided Masselli the handwritten note which described some of the loans and other financial benefits that Masselli had gained in his dealings with Schiavone Construction.

Levin further advised that during the above meeting, Masselli did not verbally or otherwise threaten himself or others at Schiavone Construction.

Exhibit 66 at 1-3.

B. Statement to the
Special Prosecutor

On January 27, 1982, the Special Prosecutor interviewed Morris J. Levin in the presence of his counsel. Among other things, Levin stated that Masselli called the SCC

offices on Monday, December 28, 1981, and left a message that he wanted to speak to Ronald Schiavone. Schiavone's secretary asked Levin to return the call. When he did so, Masselli told Levin that he wanted a meeting to discuss monies owed him by SCC. Masselli did not state, over the telephone, the amount he felt he was owed or the reasons for it.

Some time after lunch and before 2 p.m. on December 28, Masselli arrived at SCC offices. He met with Levin in a conference room. Masselli asserted that he was not "wired" and started to undress to prove it to Levin. Levin told Masselli that he did not care.

Because Masselli did not want to talk in the building, Levin suggested that they go to Levin's car in the parking lot. Levin then drove Masselli to the vicinity of a municipal swimming pool in Secaucus.

In the car, Masselli contended that SCC owed him a lot of money. Specifically, Masselli said DiCarolis had promised him the money. Masselli insisted that he needed the money owed to pay the government \$37,500 by the following evening in order to remain out of prison. As of Monday, Masselli asserted that he could not even afford a bond for that amount.

Masselli proceeded through a green, legal-sized piece of ledger paper. The top part of the ledger paper consisted of a list of bills. Levin told Masselli that the ledger paper would require the attention of DiCarolis, who was in

Boston. Levin added that it was impossible for him to verify the charges that day. As an aside, Levin noted that none of the columns on the ledger paper were properly totalled.

In addition, Masselli produced the DiCarolis paper. Masselli claimed that the monies reflected on that paper were improperly withheld by SCC at the time that SCC paid Masselli monies owed. The amounts listed under the third column, labeled "Received," were the amounts, according to Masselli, deducted by SCC and which DiCarolis had promised Masselli would be paid. Masselli insisted that he wanted the monies immediately.

Among the other comments Masselli made were that he was going to jail, that he had always kept his word and that he expected DiCarolis to keep his. Masselli also said something to the effect that Levin knew what "they" (government prosecutors) want. Levin said that he knew, that they wanted Masselli to serve up Mr. Donovan. Masselli responded that was not the case, that now, anything he could give them on SCC would be sufficient. At the end, Masselli said to Levin: "you do what you have to do, I'll do what I have to do."

At no time did Masselli use the word "kickbacks" or the word "improper," except to the extent that he repeated that SCC had improperly deducted the sums reflected on the DiCarolis paper.

Levin proceeded to speak with Joseph DiCarolis either the same day, in the evening, or on the following

morning. When Levin heard, either on Tuesday night, December 29, or Wednesday, December 30, 1981, that there had been a report of an attempted extortion, he thought that report was "crazy." Levin did not so interpret Masselli's conduct.

C. Grand Jury Testimony

Morris J. Levin testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

v. Theodore Geiser

A. Statement to the FBI

On December 30, 1981, Theodore Geiser, outside counsel to SCC, was interviewed by agents of the FBI in connection with his initial report of a potential extortion attempt by Masselli at the December 28 meeting. As set forth in the report of interview:⁴¹³

Geiser advised that on December 28, 1981, he was telephonically contacted by Ron Schiavone during which time he was advised by Schiavone that Masselli had contacted his office the same day and requested a meeting with him (Schiavone). Geiser advised that in view of recent allegations concerning Raymond Donovan and Schiavone Construction and the recent appointment of a special prosecutor, he informed Schiavone that under no circumstances was he to meet with Masselli. Geiser advised that he instructed Schiavone to have Levin meet with Masselli.

Geiser further advised that later that afternoon, Levin and Masselli met in Secaucus, New Jersey during which time they discussed financial differences between Masselli and Schiavone Construction. Geiser further advised that Masselli on numerous occasions in the past has contended that Schiavone

413 A copy of which is annexed as Exhibit 67.

owes him money as a result of contract disputes. He advised Masselli presently has a \$600,000 lawsuit pending against Schiavone Construction in New York State Supreme Court.

Geiser further advised that to his knowledge there were no threats initiated by Masselli during above meeting and no letter was exhibited by Masselli.

Exhibit 67 at 1-2.

B. Statement to the
Special Prosecutor

During the January 27, 1982, interview of Morris J. Levin, Theodore Geiser, Levin's counsel, stated that he himself conferred with Ronald Schiavone and Joseph DiCarolis on Tuesday, December 29, 1981, at Geiser's home. After meeting with Schiavone and DiCarolis, Geiser called Secretary Donovan and advised the Secretary that he had decided to report the December 28 meeting to the United States Attorney's office in Newark; Mr. Donovan concurred in the propriety of that action.

After unsuccessful attempts to reach the United States Attorney, Geiser called an Assistant United States Attorney who formerly had been an associate in Geiser's firm. Geiser related to that assistant his understanding as received from Ronald Schiavone. Geiser admitted that he might have used the word "extortion" in his conversation with the AUSA. Given all the circumstances, Geiser considered that Masselli was attempting to "shake down" SCC. Geiser did not believe that he had used the word "kickback" in that conversation.

vi. Andrew Ruotollo

Assistant United States Attorney General Andrew

Ruotollo was interviewed by the Special Prosecutor on May 18, 1982. Ruotollo had no clear recollection of the telephone call he received from Theodore Geiser concerning the December 28 meeting. He was unable to elaborate on his memorandum concerning, or his contemporaneous notes of, his conversation with Geiser.

vii. SCC Records

A. Advances to, and Repayment by, Jopel

The Special Prosecutor secured from SCC the documentation relating to SCC's loans to Jopel together with accompanying records of Jopel's repayment of those funds. The documents reflected that the initial \$200,000 loan was made by check. The "Request for Check" form was submitted over the name of Joseph DiCarolis.⁴¹⁴ The check itself was signed by Joseph DiCarolis and Raymond Donovan. SCC recaptured the \$200,000 by deducting 20% from each Jopel "Sub Contractor's Estimate" invoice between June 20 and September 20, 1979. The total time elapsed between the date of the \$200,000 check, March 13, 1979, and full repayment by Jopel on September 27, 1979, was approximately 6-1/2 months.⁴¹⁵

On September 27, 1979, a second "Request for Check" form was completed over the name of Joseph DiCarolis and

414 S.P. no. 352123.

415 S.P. nos. 352122-352140. It should be noted that a 10% factor over a six month period would have resulted in a saving to Masselli of \$10,000 not \$20,000 as stated by DiCarolis, supra.

\$100,000 was loaned to Jopel by check of the same date.⁴¹⁶ Between October 30, 1979, and July 29, 1981, SCC recaptured that loan, again by deducting amounts otherwise owed to Jopel for work performed on the 63rd Street job. The total time elapsed between the September 27, 1979, date on which the \$100,000 loan was made, and complete repayment by Jopel on July 29, 1981, was slightly more than ten months.⁴¹⁷

B. Advances to Other Subcontractors

In order to assess whether the loan to Jopel was of a routine nature made in the ordinary course of SCC's business, the Special Prosecutor subpoenaed from SCC documentation relating to loans of a similar nature to subcontractors. The records secured by the Special Prosecutor reflected loans in the amounts set forth below to the named subcontractors with respect to work to be performed in the future:

<u>Date of Loan</u>	<u>Recipient of Loan</u>	<u>Amount</u>
8/31/76	Lanza Bros. Contracting Co.	\$25,000
9/12/79	Leskay Construction Service	\$35,000
10/1/79	Leskay Construction Service	\$85,000
1/24/80	S&M Plumbing Co., Inc.	\$20,000

⁴¹⁶ S.P. nos. 352066-352067.

⁴¹⁷ S.P. no. 352122.

<u>Date of Loan</u>	<u>Recipient of Loan</u>	<u>Amount</u>
1/24/80	Duncanson Electric Co., Inc.	\$20,000
11/5/80	Duncanson Electric Co., Inc.	\$30,000
1/6/81	Buchan Concrete Tunnel Segments Ltd.	\$400,000
11/10/81	Bonoca Construction of NJ	\$30,000

SCC further provided records of numerous advances to subcontractors of amounts of monies not yet owed but to be due in the future for work already performed.

vii. Jopel Documents in S.D.N.Y. Possession

A two-day search of Jopel records in the possession of the United States Attorney for the Southern District of New York failed to disclose any documents suggestive of anything other than a straightforward business relationship between Jopel and SCC.

d. Alleged Social Relationship:
1979 Superbowl

i. Robert D. DeFilippis

[GRAND JURY MATERIAL DELETED.]

ii. Vincent Marino

A. Statement to the
Special Prosecutor

Vincent Marino was interviewed by agents of the Special Prosecutor on May 11, 1982. Marino acknowledged that he attended the Superbowl in Miami in 1979. Marino flew down to Miami alone, but he stayed with William Masselli at Masselli's Hallandale penthouse. Marino was Masselli's sole guest.

Marino did not see Mr. Donovan either at Masselli's apartment or at the Superbowl in Miami. He further said that he had never seen nor met Mr. Donovan: "I don't even know this guy," Marino maintained.

B. Grand Jury Testimony

Vincent Marino testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

iii. Edward Garofola

A. Statement to the
Special Prosecutor

Agents of the Special Prosecutor interviewed Edward Garofola, owner of Big J Trucking Company, on May 19, 1982. Among other things, Garofola advised that, in January 1979, he travelled to Miami for the Superbowl in the company of William Masselli, Joseph Galiber, Robert D. DeFilippis and others. Garofolo believed that Masselli also "laid out the money for all the tickets to the Superbowl." Garofolo further

remembered attending a dinner party with Masselli and other contractors in a North Miami restaurant, although he did not remember the name. At no time over the Superbowl weekend, however, did Garofola observe any SCC officer, specifically including Mr. Donovan.

B. Grand Jury Testimony

Edward Garofola testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

iv. Albert Facchiano

On June 3, 1982, at the request of the Special Prosecutor, two FBI agents contacted Albert (Chink) Facchiano at the Talledega Federal Correctional Institution in Alabama. Facchiano refused to speak with the FBI on any subject. Due to the expense involved in transporting Facchiano from prison in Alabama to New York City, and because the non-specific allegation concerning Facchiano also involved three other alleged organized crime figures who were interviewed by the Special Prosecutor or who appeared before the grand jury and in each case contradicted the allegation, the Special Prosecutor determined not to incur the expense to the government of transporting Facchiano for a grand jury appearance.

v. Joseph Galiber

A. Statement to the
Special Prosecutor

Agents of the Special Prosecutor interviewed Joseph Galiber on June 4, 1982, in the presence of Galiber's counsel. Among other things, Galiber stated that he believed

he had met Raymond Donovan on only one occasion, at a New York Giant's football game during the Buckley-Moynihan New York Senate campaign in 1976. Galiber recalled having attended the Superbowl in Miami, Florida, in January 1979 with William Masselli, Galiber's partner in Jopel, and others. To the best of Galiber's knowledge, Raymond Donovan was not present in Miami during that Superbowl weekend.

B. Grand Jury Testimony

Joseph Galiber testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

vi. Philip Buono (Immunized)

Philip Buono testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

vii. Joseph Verlezza

Due to an injury from which he was recuperating when summoned for a grand jury appearance in June 1982, Verlezza was excused from testifying.

viii. Gennaro Liguori

Gennaro Liguori was re-interviewed by an agent of the Special Prosecutor on June 3, 1982, in the presence of Liguori's counsel. Among other things, Liguori stated that he attended the January 1979 Superbowl in Miami, Florida, together with his brother, Louis Liguori, Thomas Toomajohn (phonetic) and Joseph Messina. Liguori and Messina flew to Miami on the Wednesday or Thursday preceding the game; they were joined there by Louis Liguori, who flew into Miami from a foreign country,

and Toomajohn who arrived on Saturday, January 20, 1979.

William Masselli secured the Superbowl tickets for Liguori. Liguori met Masselli in Florida on either the Thursday or Friday evening preceding the Superbowl in order to pick up the tickets. When they met, Masselli was in the company of approximately eight others; Raymond Donovan was not among them, and Masselli made no reference to Mr. Donovan.

Liguori did not see Mr. Donovan in Miami before, during or after the Superbowl game. He had no knowledge whether the Secretary attended the Superbowl in 1979, although he doubted it because Mr. Donovan was known to him as a soccer fan who was not overly fond of football. Masselli never mentioned Mr. Donovan's name to Liguori in connection with the 1979 Superbowl.

In connection with the Superbowl, Liguori advised that he did participate in a pooled bet on the outcome of the game. There was a total of \$500 in the pool, each participant having contributed \$50. William Masselli held the money. Liguori's brother, Louis, won the pool. Well after the game, Masselli gave the \$500 to Liguori to furnish to his brother because Louis lived outside the country.

ix. Contemporaneous FBI
Investigation of Masselli's
1979 Superbowl Trip

In connection with an ongoing criminal investigation, agents of the Federal Bureau of Investigation photographed individuals aboard the Delta Airlines flight that carried

William Masselli, Robert DeFilippis, Vincent Marino, Joseph Galiber, Edward Garofola, and others from New York's Kennedy Airport to Miami in January 1979. Photographs were taken both at the departure terminal in New York and at the arrival terminal in Miami. The photographs were reviewed by the FBI and the Special Prosecutor's staff. Mr. Donovan does not appear in any of the photographs.

Moreover, in connection with the same investigation, the FBI had possession of the Delta Airlines manifest for that flight. Mr. Donovan's name does not appear on the manifest.

Finally, a contemporaneous report from a confidential informant furnished within a few days of the January 21, 1979, Superbowl game, identified members of Masselli's party. Mr. Donovan's name did not appear among them.

x. Masselli Condominium Investigation

Agents of the Special Prosecutor interviewed Nelle Mazzotti, President of the Edgewater Condominium ("Edgewater"), on May 22, 1982. Mazzotti advised, among other things, that William Masselli frequently used Edgewater Penthouse Apartments 2 and 3, which Mazzotti understood were owned by a female New York attorney. Shown a photograph of Raymond Donovan, Mazzotti stated that she had never seen Mr. Donovan at the Edgewater. Mazzotti further stated that there was no one presently employed or otherwise at the condominium who would be familiar with the people who stayed at the penthouse during the past few years.

xi. Lagoon Restaurant
Investigation

At the request of the Special Prosecutor, FBI agents in Florida conducted four interviews to determine whether there survived any records of the now-defunct Lagoon Restaurant relating to the year 1979. None were located nor thought to be in existence by those interviewed. A former Lagoon Restaurant waitress was also interviewed. She did not recognize Mr. Donovan, depicted in a spread, as a customer of that restaurant.

e. Contacts Between
Levin and Nat Masselli
During the Investigation

Having been apprised that Morris J. Levin had, through Louis Sanzo, been in contact with Nat Masselli to discuss William Masselli's forthcoming grand jury testimony, the Special Prosecutor authorized, and obtained from Nat Masselli permission to record certain telephone conversations between Levin and Nat Masselli. Four separate telephone conversations were recorded: on May 12, 14, 17 and 19, 1982. Each of the recordings was made and monitored by agents on the Special Prosecutor's staff. [GRAND JURY MATERIAL DELETED.]

f. Response of Secretary Donovan

i. Testimony before the Senate

Before the Senate Labor Committee, Mr. Donovan testified concerning his relationship with William Masselli, and with organized crime figures generally, in response to questions put to him by Chairman Hatch:

THE CHAIRMAN. Now, there has been a generalized allegation that you, through your position in SCC, had social and business ties with organized crime figures.

Is that true, or not true?

MR. DONOVAN. That's not true.

THE CHAIRMAN. Do you know of any organized crime figures with whom you have had business or social ties?

MR. DONOVAN. I do not, at least not to my knowledge. None has been identified to me as being organized crime people.

THE CHAIRMAN. An unnamed FBI source has indicated that Schiavone Construction Co.'s top management is "closely ali[g]ned with organized crime elements through Jopel Construction Co."

Now, do you, or SCC, or Schiavone Construction Co., do business with Jopel Construction Co.?

MR. DONOVAN. We do.

THE CHAIRMAN. Do you know one William Masselli?

MR. DONOVAN. I do.

THE CHAIRMAN. Is Mr. Masselli connected with Jopel Construction Co.?

MR. DONOVAN. He is.

THE CHAIRMAN. Do you have any knowledge that Mr. Masselli may have ties to organized crime?

MR. DONOVAN. I do not.

THE CHAIRMAN. Has Mr. Masselli ever introduced you to or acquainted you with reputed organized crime figures on either a business or social basis?

MR. DONOVAN. He did not.

THE CHAIRMAN. How many total contacts have you had with Mr. Joseph Masselli?

MR. DONOVAN. I have searched my mind on that. It can't be more than three times that I have ever

seen Masselli in my life. They were in passing, on the job site. The man is our sub-contractor. So I would say three times would be accurate.

THE CHAIRMAN. Have they been on a close or a social basis or more a contract business basis?

MR. DONOVAN. Totally on a contract business basis.

THE CHAIRMAN. You don't know him personally or socially at all other than you've met him in the contract work?

MR. DONOVAN. That's correct.

* * *

THE CHAIRMAN. Did you have any reason to know that any one or more people might have contacts with organized crime in Jopel?

MR. DONOVAN. We did not.

THE CHAIRMAN. Do you have any reason to know that today, as you testify here in front of us?

MR. DONOVAN. I do not, except for the remark I saw in that FBI report which surprised me.

Hearings at 335-336. See also Senate Report at 24-25.

ii. Statements to the
Special Prosecutor

During his January 18, 1982, interview with the Special Prosecutor, Secretary Donovan stated, among other things, that he first met William Masselli in approximately 1977 or 1978 when Masselli became a subcontractor of SCC. He did not recall the circumstances of his initial meeting, and he had only seen Masselli a total of three to five times. He was never involved in any negotiations or discussions with Masselli, including anything related to the assumption by Jopel of Nargi's subcontract on the Vernon Boulevard job.

Moreover, Mr. Donovan was not involved in the \$200,000 loan to Masselli. If he knew of it at the time, it was only "late in the game." He thought that SCC had not likely loaned such a sum to any other subcontractor. However, he noted that SCC frequently loaned money to tide subcontractors over.

Not only was the Secretary uncertain when he learned about the first \$200,000 loan, but he was unsure whether an additional \$100,000 was loaned to Jopel.

During his May 10, 1982 interview, Mr. Donovan added that he had never made any payments to or through William Masselli under any circumstances. Nor had he received any money from Masselli or any other subcontractor or vendor of SCC. Mr. Donovan never heard any allegation that Masselli gave \$20,000 to DiCarolis in payment for the \$200,000 SCC loan to Jopel. He had never heard of anyone at SCC, including DiCarolis, refer to any \$20,000 kickback on the \$200,000 loan.

It was Mr. Donovan's understanding that Masselli came to be a subcontractor for SCC by assuming Nargi's pre-existing subcontract. He was unaware how Masselli came to the attention of SCC management. He was also unaware of any discussions surrounding Masselli and Jopel's takeover of Nargi's contract. He recalled no discussions on the subject among SCC executives. The negotiations with Masselli were primarily the responsibility of field personnel, DiCarolis

and Magrini. At the time, Donovan did not know even that Jopel was an MBE.

Mr. Donovan never attended any meetings or dinners in Florida with Masselli. Further, he denied ever having taken any flights by airplane or helicopter with Masselli. He disclaimed any role in Masselli's becoming an SCC subcontractor.

The advances from SCC to Jopel the Secretary considered not a typical practice in the industry. While he was certain there must have been contemporaneous discussions among SCC executives regarding the Jopel loan, he was not privy to them. While the Secretary did not recall ever signing a \$200,000 check to Jopel, he said it would not be unusual for him to have signed a check for \$200,000 without noticing the amount.

iii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

g. Conclusions

i. The Grand Jury

The grand jury on June 18, 1982, declined to indict Mr. Donovan with respect to his testimony before the grand jury concerning the Masselli-related allegations.

ii. The Special Prosecutor

There is not sufficient credible evidence to conclude that the Secretary was untruthful when he testified before the grand jury or before the Senate Labor Committee as to his relationship with William Masselli. There are insufficient

grounds for a prosecution of the Secretary concerning the Masselli allegations.

9. Alleged Relationship with Anthony Provenzano

a. Anthony Provenzano

i. Statement to the FBI

On January 22, 1981, Anthony Provenzano was interviewed by agents of the FBI at the Federal Correctional Institution, Lompoc, California. As set forth in the report of the interview:⁴¹⁸

At the outset of the interview, Provenzano was advised of the official identities of the interviewing Agents. Before any further discussion by the Agents, Anthony Provenzano stated, "I know what you are here for, I talked to my lawyer this morning, I never met the man". SA Callahan inquired of Provenzano what he meant. Provenzano advised, "I'm talking about that guy Donovan who has been selected by Reagan for a Cabinet post.

* * *

"I just wanted you to know that I never met Donovan and he never had a contract with my union".

Exhibit 68 at 1.

ii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

iii. Documentation Concerning Provenzano Home Refurbishing

The Special Prosecutor secured from Anthony Provenzano's counsel the Provenzanos' records concerning the refurbishing of their home which occurred from January through March of 1975. The documentation included:

418 A redacted copy of which is annexed as Exhibit 68.

- A. Affidavit and application for a building permit (reflecting as the "Character of Alteration: Reconstruction of Fire Damage");
- B. Contractor's schematic diagrams;
- C. Mechanics' Notices of Intention to Perform Labor or Furnish Materials;
- D. A series of bills from Kithcart Builders, Inc., of River Dale, New Jersey, including as back-up invoices from suppliers of materials used in the course of the refurbishing/reconstruction;
- E. Contract between the Provenzanos' and C.H. Kithcart, Inc., for the performance of a reconstruction and refurbishing; and
- F. Checks drawn on the account of Marie Provenzano made payable to Kithcart Builders, Inc., and various vendors, in the total amount of slightly less than \$29,000.

This documentation reflected no evidence of involvement by SCC in the refurbishing, including any provision by SCC of materials for the Provenzanos.

b. Nunzio Provenzano

[GRAND JURY MATERIAL DELETED.]

c. Gabriel Briguglio

[GRAND JURY MATERIAL DELETED.]

d. Stephen Andretta

[GRAND JURY MATERIAL DELETED.]

e. Thomas Andretta

[GRAND JURY MATERIAL DELETED.]

f. Frederick S. Furino

i. Statement to the
Special Prosecutor

When he was interviewed by agents of the Special

Prosecutor on April 8, 1982, Frederick S. Furino stated, among other things, that in approximately 1962-1963 he and a friend built a swimming pool for Anthony Provenzano. To his knowledge, Furino said, none of the materials used in the construction of the pool were provided by SCC.

ii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

g. Joseph Meringola

[GRAND JURY MATERIAL DELETED.]

h. Paul Ciampi

[GRAND JURY MATERIAL DELETED.]

i. Clifford B. Finkle, Jr.

[GRAND JURY MATERIAL DELETED.]

j. Albert Cecchi

[GRAND JURY MATERIAL DELETED.]

k. Frank LaGuardia (Immunized)

[GRAND JURY MATERIAL DELETED.]

l. Gerard B. Paldino

[GRAND JURY MATERIAL DELETED.]

m. Teamsters' Local 560 Documentation

The Special Prosecutor subpoenaed Teamsters' Local 560, of which Anthony Provenzano is a former President, to ascertain whether SCC had any contracts with that local at any time. In an affidavit dated May 19, 1982, Local 560 Recording Secretary J. W. Dildine responded to the subpoena, swearing that Local 560 did not have, and never had, any contracts with SCC.

n. Joseph A. DiCarolis

[GRAND JURY MATERIAL DELETED.]

o. Raymond J. Donovan

i. Statement to the
Special Prosecutor

On May 10, 1982, in his second interview with the Special Prosecutor, Secretary Donovan denied that he had ever met or known Anthony Provenzano. He further stated that SCC furnished absolutely no building materials to Anthony Provenzano for use in Provenzano's Clifton, New Jersey, residence or for any other purpose.

ii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

p. Conclusions

i. The Grand Jury

The grand jury on June 18, 1982, declined to indict Mr. Donovan with respect to his testimony before the grand jury concerning Anthony (Tony Pro) Provenzano.

ii. The Special Prosecutor

There is not sufficient credible evidence to conclude that the Secretary was untruthful when he testified before the grand jury or before the Senate Labor Committee as to his relationship with Anthony (Tony Pro) Provenzano. There are insufficient grounds for prosecution of the Secretary concerning the Anthony Provenzano allegation.

10. Alleged Relationship with
Jack McCarthy

a. Jack McCarthy

John (Jack) McCarthy testified before the grand jury. [GRAND JURY MATERIAL DELETED.]

b. Gregory Vasel

SCC Comptroller Gregory Vasel testified before the grand jury. [GRAND JURY MATERIAL DELETED.]

Further, in a response to a request from the Special Prosecutor, Vasel submitted an affidavit dated May 6, 1982, confirming that, following his grand jury appearance, he searched the payroll records for the years 1960 through 1969 and found no evidence that either the Schiavone Construction Company or the Buckley/Schiavone Joint Venture had employed a Jack McCarthy.⁴¹⁹ In his affidavit, Vasel further affirmed that:

During my search I noted that a John McCarthy was employed as an iron-worker in 1969 on a job on Route 1 & 9 in Newark, New Jersey. His total earnings were \$3,346.46. Our records indicate that his Social Security Number was 153-22-3612.

Exhibit 69 at ¶3.

The social security number of the McCarthy who worked for SCC, however, was different from that of the incarcerated McCarthy who was the subject of the organized crime allegation and who testified before the grand jury.

⁴¹⁹ A copy of the Vasel Affidavit is annexed as Exhibit 69 (q.v. at ¶2).

c. Raymond J. Donovan

i. Statement to the
Special Prosecutor

In his second interview with the Special Prosecutor, on May 10, 1982, Secretary Donovan denied that he knew a Jack McCarthy although he commented that the name was common. The Secretary further denied that, to his knowledge, McCarthy had been retained or employed by SCC for any purpose.

ii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

d. Conclusions

i. Grand Jury

The grand jury on June 18, 1982, declined to indict Mr. Donovan with respect to his testimony before grand jury concerning the McCarthy allegation.

ii. The Special Prosecutor

There is not sufficient credible evidence to conclude that the Secretary was untruthful when he testified before the grand jury as to his relationship with John (Jack) McCarthy. There are insufficient grounds for a prosecution of the Secretary concerning the McCarthy allegation.

ii. Alleged Relationship with
Cornelius Gallagher

a. Cornelius Gallagher

Cornelius Gallagher testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

b. Gregory Vasel

[GRAND JURY MATERIAL DELETED.]

c. Raymond J. Donovan

i. Statement to the
Special Prosecutor

During his May 10, 1982, interview with the Special Prosecutor, Secretary Donovan stated that he knew former Congressman Cornelius Gallagher, whom he had met on less than a half-dozen occasions. Mr. Donovan denied that, to his knowledge, Gallagher was ever on the payroll of, or retained by, SCC.

ii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

d. Conclusions

i. The Grand Jury

The grand jury on June 18, 1982, declined to indict Mr. Donovan with respect to his testimony before the grand jury concerning the Cornelius Gallagher allegation.

ii. The Special Prosecutor

There is not sufficient credible evidence to conclude that the Secretary was untruthful when he testified before the grand jury as to his relationship with Cornelius Gallagher. There are insufficient grounds for a prosecution of the Secretary concerning the Cornelius Gallagher allegation.

12. Alleged Relationship with
Anthony Gallagher

a. Newark Strike Force Documentation

The possibility that a relationship existed between Mr. Donovan and Anthony (Tony) Gallagher was brought to the attention of the Special Prosecutor by Newark Strike Force Attorney-In-Charge Robert Stewart on May 13, 1982. Stewart advised that the possibility had come to his attention upon review of three Gallagher telephone conversations--not with Mr. Donovan, but in which Mr. Donovan's name was mentioned--that were intercepted pursuant to court order. The conversations are set forth below.

i. April 16, 1982, Conversation

Speakers: Tony Gallagher
Beatrice Gallagher (daughter)

T.G. He gets his name in the paper a lot. Your mother will know the name. Because he's uh, Secretary of Labor in the United States. A guy by the name of Ray Donovan is uh (pause) is under investigation and, uh, he's under investigation because he knows this guy.

B.G. (Unintelligible ("UI"))

T.G. He's a very, very dear friend here. He'll be there. He's liable to come early, waiting for me tonight. He's very nervous about his assignment.

B.G. About his assignment?

T.G. Yeah.

B.G. OK

T.G. He's about 6'3. Looks like he's been lifting weight made him look like a, a (UI) weight lifter, you know?

B.G. Uh huh.

T.G. Good looking guy, but not, doesn't look like a (UI) weight lifter. Ah (pause) well, as soon as I get there tonight I'll, you know, go right straight through there. I'll just throw my bags in the Fountain Blue and leave from there. Your mother wants me to stay in the Diplomat. They have bad eggs in the Diplomat. The Sheraton is worse.

Stewart informed the Special Prosecutor on May 13 that the "he" referred to in the conversation was Philip Moscato, whose name was mentioned immediately before the recorder was activated. Stewart and his colleagues interpreted the April 16, 1982, conversation, as possibly reflecting that Moscato was to be briefed by Gallagher, or was working with Gallagher, in relation to Moscato's forthcoming grand jury appearance in connection with the Special Prosecutor's investigation.

ii. April 18, 1982, Conversation

2138 IC

Speakers: Tony Gallagher
Unknown Female

T.G. Hello.

Bea Hi, ah, Raymond Donovan came in some how and they got a notarized thing from (UI) checking.

T.G. Ah, hold on a minute (Aside - Hey Freddy)
Bea, do me a, do me a favor, ah Ray D got the statement notarized, right?

Bea What?

T.G. He got the statement...

Bea Hold on one minute.

T.G. That statement I told you about that I was doing with...

Bea (UI)

T.G. Huh?
 (Pause)

Bea OK, what?

T.G. The statement that I told you about, you have that
 in front of you, notarized?

Bea Yeah.

T.G. I want ya to read it to me. Call me back. Uh,
 I'll call you right back. I want you to read the
 statement so Freddy can hear it, see if it's
 complete.

Bea OK.

T.G. All right?

Bea OK

T.G. Uh, and you give them the checks and tell them to
 use 'em Wednesday.

Bea OK.

2139 Call terminated

Mr. Joseph Vidovich, who accompanied Stewart to his meeting with the Special Prosecutor on May 13, 1982, stated that the telephone conversation of April 18, 1982, was "very unintelligible." He observed that the reference to "checking" in the same sentence where the name "Ray Donovan" appears might be a reference to Albert Cecchi. Because the conversation included discussion of notarized statements, Stewart and his colleagues speculated that it might involve affidavits being obtained from witnesses or potential witnesses in the Special Prosecutor's investigation.

iii. May 11, 1982, Conversation

2208 OG 569-3191 (N. Benary)

Speakers: Tony Gallagher
Oded Benary (a Gallagher associate in trucking)

O.B. What happened with, uh, did you find (UI) today?

T.G. Who?

O.B. My friend?

T.G. Jack?

O.B. (S/L No)

T.G. What's different between today and any other day. He's calm.

O.B. Huh?

T.G. He's calm.

O.B. (UI)

T.G. Huh?

O.B. No, your friend Ray Donovan. He's got problems.

T.G. Who told you that?

O.B. It's on the T.V. now.

T.G. Huh?

O.B. In front of the grand jury.

T.G. No, he ain't been called yet.

O.B. Yes, he was today.

T.G. Oh yeah? How'd he do I wonder? He'll be all right.

O.B. (UI)

T.G. He's a clever guy. He'll be all right. (Seconds later in the conversation)

O.B. You know I gave him a check.

T.G. Who? Donovan?

O.B. No!

[They then discuss providing someone a check in purchase of a quarry].

According to Vidovich, while the conversation was ongoing, Ben Ari was listening to a television news report concerning Mr. Donovan.

iv. April 13, 1982, Conversation

Speakers: Tony Gallagher
John Di Gilio

T.G. IC

T.G. Hello.

J.D. You know those guy that uh, were uh, for your friends, uh the guys that never help us. They're going there again today (UI) about a month ago they went; Jack Russell...

T.G. Yeah.

J.D. He's going. . .

T.G. Yeah.

J.D. He's going there again today. Remember (Long pause)

J.D. (UI) the guy from Bayonne, the guy in Washington.

T.G. (UI)

J.D. What? (pause) the Labor guy (pause) (UI) fucking fogged up.

T.G. I am, I must be fucked up (UI)

J.D. (UI) the guy, uh, the you called and the guy didn't keep an appointment; you you said fuck these guys; uh, an old lawyer from Bayonne, same name as the cops...

T.G. Yeah, I don't remember.

J.D. . . . same name as the cop that always comes down and visits you.

T.G. Oh yeah?

J.D. Yeah!

T.G. Yes, yes, yes, yes, yes, yes I am sorry, right, right, very very difficult, yes I understand that right.

J.D. Huh?

T.G. Your on today, huh?

J.D. Yeah, you're gonna do the (UI)

T.G. Uh hum.

J.D. Huh?

T.G. All right, I am gonna pass the word to the guy.

J.D. Yeah (UI) it's hot and heavy ya know.

T.G. Yes, OK (UI)

J.D. What?

T.G. They're all here.

J.D. They're all here, yeah.

T.G. Yeah, OK.

J.D. You know, you, you, you got that piece of paper I gave ya.

T.G. Yes, sure.

J.D. So you know where it's coming from.

T.G. Right. Wait till you hear from that (UI) folly about that shit in New York (UI) fucking shit.

J.D. What happened?

T.G. Well it looks like it was all story upon story upon story.

J.D. Why, did anything happen?

T.G. I don't think so maybe in a week or two, ya know.

J.D. (UI)

T.G. (UI) talked like it happened but he was just bullshitting, looking for a reward (UI).

J.D. (UI) came to spy, what are you going to do.

T.G. Yeah, right.

J.D. All of them are the fuckin' same, they're fuckin' spies.

T.G. Yeah, well, no some guys in town are going about their own fuckin' business.

J.D. (UI) yeah, the guys that are in town (UI) like, like, like . . .

T.G. Guys that don't talk to him at all, is the way to get it done.

J.D. The guy uh . . .

T.G. He can't ya can't let anybody talk to him at all. The one place where you can't have that continual fuckin' compromise is there.

J.D. No shit. I heard that story before where somebody's saying.

T.G. Well (UI) talking about an ax deal.

J.D. (UI) told me that.

T.G. In the business world that's that, happens every day that there you gotta be very, very fuckin' careful unless you got a real talented party.

J.D. What's the difference (UI) fuckin' one guy that could give them a talk is my Charlie McCarthy doll.

T.G. Yeah, that's right. That's right.

J.D. (UI) fucking talk to them.

J.D. What's new . . .

T.G. Not much, I'll catch you later.

J.D. All right.

T.G. Bye.

b. Beatrice Gallagher

An agent of the Special Prosecutor interviewed Beatrice Gallagher on May 25, 1982. Ms. Gallagher knew of no relationship between her father and Raymond Donovan. She also was unfamiliar with Philip Moscato and did not recall any telephone conversation with her father in which Moscato was mentioned.

c. Anthony Gallagher

Anthony (Tony) Gallagher testified before the grand jury. [GRAND JURY MATERIAL DELETED.]

d. Prior Witnesses

The Special Prosecutor re-interviewed Messrs. LaGuardia and Farina, who stated that Anthony Gallagher recommended counsel to them in conjunction with their appearances before the grand jury but did not otherwise discuss Mr. Donovan with them. [GRAND JURY MATERIAL DELETED.]

e. Oded Benary

Oded Benary was interviewed on June 8, and 16, 1982. Among other things, Benary stated that he had "never met Ray Donovan face-to-face in [his] life." However, Benary spoke to Mr. Donovan once or twice by telephone some years ago when Mr. Donovan called concerning the possibility of SCC's retaining Benary as a consultant on a job SCC had bid in Israel. Benary thought that he had been recommended to Mr. Donovan through an attorney whose name Benary could not recall. The conversations were general in nature and concerned

Benary's ability to assist SCC because he was an Israeli national and former army officer, and had many contacts in Israel. His contacts with Mr. Donovan ceased altogether after SCC lost the project on which it had bid.

The only person with whom Benary could recall having discussed the Special Prosecutor's investigation over the past several months, aside from his wife, was Anthony (Tony) Gallagher. Benary could not recall any specific conversations and believed that any that may have occurred related only to items he had seen in the news media. Benary did not know whether Anthony Gallagher knew Mr. Donovan.

Oded Benary testified before the grand jury. [GRAND JURY MATERIAL DELETED.]

f. Search of Gallagher Premises

A court-authorized search of Anthony Gallagher's premises on May 24, 1982, in conjunction with a Newark Strike Force investigation of John DiGilio disclosed no reference to Mr. Donovan or SCC in any seized document, including personal address and telephone books.

g. Raymond J. Donovan

i. Statement to the Special Prosecutor

During his May 28, 1982, interview with the Special Prosecutor, Secretary Donovan denied ever having met or known Tony Gallagher.

ii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

iii. Subsequent Information

On June 10, 1982, in response to an inquiry made by the Special Prosecutor, counsel for Secretary Donovan advised that in approximately 1979 SCC bid on the construction of two air bases in Israel. As the Secretary recalled, the bases were to be funded by the United States and the bids were submitted to the United States Army Corps of Engineers. While the bids were outstanding, James Dugan, a Bayonne, New Jersey, attorney and former chairman of the New Jersey Democratic Party, recommended that Mr. Donovan speak with Oded Benary whom, the Secretary believed, was said to be on the staff of the United Nations.

Mr. Donovan recalled a possible visit with, and perhaps a phone call to, Benary, who claimed to be a close friend of then-Defense Minister Ezer Weizman of Israel. Benary asserted that he could facilitate SCC's doing business in Israel by, for example, assisting in obtaining employees and supplies and in processing items through customs. According to the Secretary, there was nothing in the least untoward in the suggestions made by Benary.

At the conclusion of their conversation or conversations, Secretary Donovan left the matter as follows: if SCC were to secure the contract, and if it were determined that Benary's services were desired, SCC would contact Benary. SCC's bid was not successful and Ben Ari was never contacted again.

Following the Special Prosecutor's initial request for information concerning Benary, the Secretary advised, he telephoned James Dugan to learn the source of Dugan's recommendation of Benary. For the first time, Secretary Donovan learned that Benary was recommended to Dugan by Anthony (Tony) Gallagher.

f. Conclusions

i. The Grand Jury

The grand jury on June 18, 1982, declined to indict Mr. Donovan with respect to his testimony concerning Anthony Gallagher.

ii. The Special Prosecutor

There is not sufficient credible evidence to conclude that the Secretary was untruthful when he testified before the grand jury as to his relationship with Anthony Gallagher. There are insufficient grounds for a prosecution of the Secretary concerning the Anthony Gallagher allegation.

13. Alleged Relationship with
Timothy Murphy a/k/a Thomas Pecora

a. Timothy Murphy a/k/a Thomas Pecora

At the request of the Special Prosecutor, FBI agents interviewed Timothy Murphy a/k/a Thomas Pecora on June 3, 1982. Murphy/Pecora stated among other things, that he did not know and had never met, Raymond Donovan or anyone else associated with Schiavone Construction Company. Murphy/Pecora stated that he had been following the controversy surrounding Mr. Donovan

in the newspapers so that he was acquainted with several names that had arisen in the course of the investigation. He knew none of them.

b. Raymond J. Donovan

i. Statement to the Special Prosecutor

On May 10, 1982, Secretary Donovan told the Special Prosecutor that he had never met or known anyone by the name of Timothy (Timmy) Murphy or Thomas (Tom) Pecora, to the best of his knowledge.

ii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

c. Conclusion of the Special Prosecutor

There is not sufficient credible evidence to conclude that the Secretary was untruthful when he testified before the grand jury as to his relationship with Timothy Murphy a/k/a Thomas Pecora. There are insufficient grounds for a prosecution of the Secretary concerning the Timothy Murphy a/k/a Thomas Pecora allegation.

14. Alleged Relationship with John Albert

a. John Albert

[GRAND JURY MATERIAL DELETED.]

b. Raymond J. Donovan

i. Statement to the Special Prosecutor

During his May 10, 1982, interview with the Special

Prosecutor, Mr. Donovan stated that he did not know and had never met John Albert.

ii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

c. Conclusion

i. Grand Jury

The grand jury on June 18, 1982, declined to indict Mr. Donovan with respect to his testimony before the grand jury concerning the John Albert allegation.

ii. The Special Prosecutor

There is not sufficient credible evidence to conclude that the Secretary was untruthful when he testified before the grand jury as to his relationship with John Albert. There are insufficient grounds for a prosecution of the Secretary concerning the John Albert allegation.

15. Alleged Relationship with
John Riggi

a. John Riggi

John Riggi testified before the grand jury. [GRAND
JURY MATERIAL DELETED.]

b. Raymond J. Donovan

i. Statement to the
Special Prosecutor

Secretary Donovan stated on May 10, 1982, that he did not know any John Riggi.

ii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

c. Conclusions

i. The Grand Jury

The grand jury on June 18, 1982, declined to indict Mr. Donovan with respect to his testimony before the grand jury concerning the John Riggi allegation.

ii. The Special Prosecutor

There is not sufficient credible evidence to conclude that the Secretary was untruthful when he testified before the grand jury as to his relationship with John Riggi. There are insufficient grounds for a prosecution of the Secretary concerning the John Riggi allegation.

16. Alleged Relationship with Daniel Kapilow

a. Daniel Kapilow

Daniel Kapilow testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

b. Raymond J. Donovan

On June 3, 1982, the Special Prosecutor was informed that Secretary Donovan had never met or been in the presence of Daniel Kapilow and that he was never involved in any business dealings with Kapilow.

c. Conclusion of the Special Prosecutor

There is not sufficient credible evidence to conclude that the Secretary was untruthful when he testified before the grand jury as to his relationship with Daniel Kapilow. There are insufficient grounds for a prosecution of the Secretary concerning the Daniel Kapilow allegation.

17. Alleged Relationship with
Matthew Ianniello

a. Matthew (Matty the Horse) Ianniello

[GRAND JURY MATERIAL DELETED.]

b. Raymond J. Donovan

i. Statement to the
Special Prosecutor

Secretary Donovan, in his May 28, 1982, interview with the Special Prosecutor, denied that he had ever seen or met a Matthew (or Matty the Horse) Ianniello.

ii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

c. Conclusions

i. The Grand Jury

The grand jury on June 18, 1982, declined to indict Mr. Donovan with respect to his testimony before the grand jury concerning the Matthew Ianniello allegation.

ii. The Special Prosecutor

There is not sufficient credible evidence to conclude that the Secretary was untruthful when he testified before the grand jury as to his relationship with Matthew Ianniello. There are insufficient grounds for a prosecution of the Secretary concerning the Matthew Ianniello allegation.

18. Alleged Relationship With Antonio Corallo

a. Antonio (Tony Ducks) Corallo

Antonio (Tony Ducks) Corallo testified before the grand jury. [GRAND JURY MATERIAL DELETED.]

b. Raymond J. Donovan

i. Statement to the Special Prosecutor

In his May 28, 1982, interview with the Special Prosecutor, Mr. Donovan denied that he had ever met or knew Antonio (Tony Ducks) Corallo.

ii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

c. Conclusions

i. The Grand Jury

The grand jury on June 18, 1982, declined to indict Mr. Donovan with respect to his testimony before the grand jury concerning the Antonio (Tony Ducks) Corallo allegation.

ii. The Special Prosecutor

There is not sufficient credible evidence to conclude that the Secretary was untruthful when he testified before the grand jury as to his relationship with Antonio (Tony Ducks) Corallo. There are insufficient grounds for a prosecution of the Secretary concerning the Antonio (Tony Ducks) Corallo allegation.

**19. Alleged Relationship
With Gerard Catena**

a. Gerard Catena

At the request of the Special Prosecutor, agents of the FBI interviewed Jerry Catena on May 27, 1982. Catena stated, among other things, that he had never met nor seen Raymond J. Donovan and that he had no relationship either with Mr. Donovan or with SCC.

b. Raymond J. Donovan

**i. Statement to the
Special Prosecutor**

Mr. Donovan told the Special Prosecutor on May 28, 1982, that he had never met or known any Jerry Catena, but the name was familiar to the Secretary because Catena was an Essex County, New Jersey, figure.

ii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

**c. Conclusion of the
Special Prosecutor**

There is not sufficient credible evidence to conclude that the Secretary was untruthful when he testified before the grand jury as to his relationship with Gerard Catena. There are insufficient grounds for a prosecution of the Secretary concerning the Gerard Catena allegation.

**20. Alleged Relationship With
Philip Buono**

a. Philip Buono (Immunized)

[GRAND JURY MATERIAL DELETED.]

b. SCC Records

At the request of the Special Prosecutor, SCC conducted a search of its records to determine if any Philip Buono appeared on the payroll of the S-I-C; joint venture as a 63rd Street job employee. By letter dated May 10, 1982,⁴²⁰ counsel for SCC advised that the result of SCC's search was negative: the name Philip Buono did not appear on the 63rd Street job payroll at any time.

c. Raymond J. Donovan

i. Statement to the
Special Prosecutor

During his May 28, 1982, interview with the Special Prosecutor, Secretary Donovan stated that he had never met or knew any Philip Buono. The Secretary was further unaware whether any Philip Buono was on the payroll of the 63rd Street job or whether William Masselli had attempted to secure such a no show job for Buono.

ii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

d. Conclusions

i. The Grand Jury

The grand jury on June 18, 1982, declined to indict Mr. Donovan with respect to his testimony before the grand jury concerning the Philip Buono allegation.

ii. The Special Prosecutor

There is not sufficient credible evidence to conclude that the Secretary was untruthful when he testified before the grand jury as to his relationship with Philip Buono. There are insufficient grounds for a prosecution of the Secretary concerning the Philip Buono allegation.

21. Alleged Relationship With Joseph Verlezza

a. Joseph (Hooks) Verlezza

Joseph (Hooks) Verlezza was recuperating from an injury when summoned before the grand jury in June 1982. Because the source of the allegation that Verlezza had a relationship with Secretary Donovan had alleged several equally non-specific organized crime allegations, with respect to each of which with the Secretary and the reputed organized crime figure had denied any relationship and because Verlezza's counsel represented that Verlezza would do the same if he were fit to testify, Verlezza was excused.

b. Raymond J. Donovan

i. Statement to the Special Prosecutor

On May 28, 1982, Secretary Donovan told the Special Prosecutor that he had never met nor did he know any Joseph (Hooks) Verlezza.

ii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

c. Conclusion of the
Special Prosecutor

There is not sufficient credible evidence to conclude that the Secretary was untruthful when he testified before the grand jury or as to his relationship with Joseph (Hooks) Verlezza. There are insufficient grounds for a prosecution of the Secretary concerning the Joseph (Hooks) Verlezza allegation.

22. Alleged Relationship With
Vincent Marino

a. Vincent Marino

As set forth above, Vincent Marino denied knowing or ever having met Raymond J. Donovan.⁴²¹

b. Raymond J. Donovan

i. Statement to the
Special Prosecutor

During his May 28, 1982, interview with the Special Prosecutor, Secretary Donovan stated that he had never met or known a Vincent Marino.

ii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

c. Conclusions

i. The Grand Jury

The grand jury on June 18, 1982, declined to indict Mr. Donovan with respect to his testimony before the grand jury concerning the Vincent Marino allegation.

⁴²¹ See Section VI.B.8.d.ii., supra.

ii. The Special Prosecutor

There is not sufficient credible evidence to conclude that the Secretary was untruthful when he testified before the grand jury as to his relationship with Vincent Marino. There are insufficient grounds for a prosecution of the Secretary concerning the Vincent Marino allegation.

23. Alleged Relationship With
Albert Facchiano

a. Albert (Chink) Facchiano

Albert (Chink) Facchiano declined on June 3, 1982, to be interviewed by agents of the FBI, who attempted the interview at the request of the Special Prosecutor. In view of the expense in transporting Facchiano from prison in Alabama to New York City, and in view of the fact that the non-specific allegation concerning Facchiano also involved others who were interviewed by the Special Prosecutor and in each case contradicted the allegation, [GRAND JURY MATERIAL DELETED] the Special Prosecutor decided not to incur the expense to the government of transporting Facchiano to appear before the grand jury.

b. Raymond J. Donovan

i. Statement to the
Special Prosecutor

Mr. Donovan, in his May 28, 1982, interview with the Special Prosecutor, stated that he did not know any Albert (Chink) Facchiano.

ii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

c. Conclusion of the
Special Prosecutor

The information concerning Albert Facchiano was non-specific. Moreover, the allegation was disproved insofar as it alleged that Mr. Donovan was introduced to Facchiano with others who denied any such introduction. [GRAND JURY MATERIAL DELETED.] There is no reasonable purpose to be served in pursuing the allegation and no reason to disbelieve Secretary Donovan's testimony. No prosecution is warranted.

24. Alleged Relationship with Anthony DeAngelis

a. Anthony (Tino) DeAngelis

Anthony (Tino) DeAngelis testified before the grand jury. [GRAND JURY MATERIAL DELETED.]

b. Raymond J. Donovan

i. Statement to the Special Prosecutor

In his interview with the Special Prosecutor on May 10, 1982, Secretary Donovan stated that he did know Anthony (Tino) DeAngelis, whom he had met in the 1950's while working as a bondsman for the American Insurance Company. DeAngelis required a supply bond which Donovan and a colleague arranged at DeAngelis' business premises in Bayonne. Mr. Donovan had no further relationship with DeAngelis.

ii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

c. Conclusions

i. The Grand Jury

The grand jury on June 22, 1982, declined to indict Mr. Donovan with respect to his testimony before the grand jury concerning the Anthony (Tino) DeAngelis allegation.

ii. The Special Prosecutor

There is not sufficient credible evidence to conclude that the Secretary was untruthful when he testified before the grand jury as to his relationship with Anthony (Tino) DeAngelis. There are insufficient grounds for a prosecution of the Secretary concerning the Anthony (Tino) DeAngelis allegation.

25. Alleged Payoff to UNION Official

a.-b. [TWO WITNESSES' TESTIMONY AND ONE STATEMENT DELETED.]

c. Joseph A. DiCarolis

[GRAND JURY MATERIAL DELETED.]

d. Raymond J. Donovan

i. Statement to the Special Prosecutor

At his May 10, 1982, interview with the Special Prosecutor, Secretary Donovan denied knowledge of any payments made by SCC personnel to any official of the union specified by the anonymous source.

ii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED..]

e. Conclusions

i. The Grand Jury

The grand jury on June 18, 1982, declined to indict Mr. Donovan with respect to his testimony before the grand jury concerning this payoff allegation.

ii. The Special Prosecutor

There is not sufficient credible evidence to conclude that the Secretary was untruthful when he testified before the grand jury with respect to this payoff allegation. There are insufficient grounds for a prosecution of the Secretary concerning this payoff allegation.

26. [ALLEGATION/INVESTIGATION DELETED..]

27. Erra Allegation

a. S. Michael Levin

S. Michael Levin, Attorney-in-Charge of the Miami Strike Force spoke with a member of the Special Prosecutor's staff on January 27, 1982. Having spoken, at the Special Prosecutor's request, with David Rosen, the defense attorney in the Erra case, Levin learned that the Internal Revenue Service agent in the Erra matter was James Ellis. From a local IRS agent in Miami, Levin also ascertained that Ellis was retired and living in the Northern District of Florida.

Through the IRS agents assigned to the Special Prosecutor's staff, it was determined that Mr. Ellis had died

in late 1981. For that reason, the Special Prosecutor requested Levin to proceed to speak with David Rosen in greater detail to test his recollection and determine whether he was aware of any involvement by Mr. Donovan in the Erra case or other salient facts.

By memorandum dated February 24, 1982,⁴²² Levin advised that "Rosen has no recollection of the names Raymond Donovan or Schiavone in context of the Erra prosecution."⁴²³ Levin suggested that the prosecuting attorney, William S. Kenney, might be contacted to determine whether Donovan was a potential defense witness, as suggested in the allegation received by the Special Prosecutor from Levin initially.

b. William S. Kenney

On May 10, 1982, an agent of the Special Prosecutor interviewed William S. Kenney, a retired Department of Justice attorney. Kenney stated, among other things, that he had been assigned to the Miami Strike Force during 1965-1966 and had been involved in a tax evasion and failure-to-file IRS prosecution against Patty Erra.

Kenney recalled that Erra had an interest in the Dream Bar on Collins Avenue in Miami, together with three others. None of the others was Raymond Donovan; none for

⁴²² A copy of which is annexed as Exhibit 70.

⁴²³ Exhibit 70 at 2.

that matter was from New Jersey. Kenney had no recollection of Raymond Donovan's having been involved in that case, either as a witness or in any manner behind the scenes. Further, Kenney did not recall the name Schiavone being associated with the case in any fashion. The prosecution's was to be a "paper" case. Erra had not filed income tax returns although his income was sufficient to require filing.

c. Raymond J. Donovan

i. Statement to the
Special Prosecutor

Secretary Donovan, during his January 18, 1982, interview with the Special Prosecutor, denied that he had ever met or known a man named Pasquale Erra and stated that he had never been to the Johnina Bar in Miami. In his second interview, on May 10, 1982, Mr. Donovan reiterated that he knew no Pasquale Erra. On May 28, 1982, during the third interview, the Secretary stated that he had never been to the Dream Bar in Miami.

ii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

d. Conclusion of the
Special Prosecutor

There is not sufficient credible evidence to conclude that the Secretary was untruthful when he testified before the grand jury as to his relationship with Pasquale Erra. There are insufficient grounds for prosecution relating to those statements or that testimony.

28. Donelan Allegation

a. New Jersey Turnpike Authority Officials

i. William J. Flanagan

A. Statement to the Special Prosecutor

On May 25, 1982, an agent of the Special Prosecutor interviewed William J. Flanagan, Executive Director of the New Jersey Turnpike Authority since 1962. Among other things, Flanagan stated that he first met Raymond Donovan in approximately 1957-1958, and that he and Mr. Donovan had maintained a close social and personal friendship for the past 20 years. In Flanagan's capacity as Executive Director of the Turnpike Authority, Flanagan and Mr. Donovan have never had any official dealings. However, on occasion, Flanagan had discussed with Mr. Donovan and Ronald Schiavone, over drinks and dinner, their complaints that certain Turnpike Authority inspectors were unnecessarily tough and their various problems and disagreements with the Turnpike Authority.

To Flanagan's knowledge, neither Mr. Donovan nor anyone else associated with SCC had an "in" or a "contact" at the Turnpike Authority who facilitated SCC's obtaining and completing Turnpike projects. SCC was a highly competitive and aggressive bidder and, in the estimation of Turnpike Authority engineers, was very reputable and responsible. Turnpike Authority Chief Engineer, Howard S. Heydon, had informed Flanagan that SCC bids were compatible with the estimates

made by the consulting engineers working for the Turnpike Authority.

Flanagan had no occasion, as Executive Director of Turnpike Authority, to have official dealings either with Mr. Donovan or SCC. Rulings or settlements on any judgments or claims fell within the responsibility of the Chief Engineer, Howard Heydon. Heydon, moreover, supervised the bidding on all Turnpike projects.

For all bids, a date and time is specified by the Turnpike Authority for bidders to come forward to witness the public opening of the bids, which would previously have been submitted in sealed envelopes. If a contractor's bid far exceeds the Turnpike Authority consulting engineer's estimate, it is automatically eliminated. If the bid is very low, a "sanity hearing" is conducted to ensure that the contractor is capable of completing the contract at the price submitted. All bids are reviewed by the Bid Supervisor, who recommends that the contract be awarded to the lowest qualified bidder. The Bid Supervisor forwards his recommendation to Howard Heydon, who in turn forwards his recommendation to Flanagan. Flanagan's approval is a matter of routine certification, as he very heavily relies upon Heydon's judgment. Flanagan could not recall ever having rejected a recommendation made by Heydon. The Governor thereafter has ten working days to veto Flanagan's recommendation.

It was Flanagan's position that bid-rigging was impossible under the Turnpike Authority system. It would not be useful, Flanagan said, for the contractor to know the amount that the consulting engineers estimated that any segment of a job should cost because the contractor was obliged to determine the level at which it could bid and nonetheless realize a profit. In any case, the consulting engineers' estimates on each project were, and are, maintained on a strictly confidential basis.

B. Grand Jury Testimony

William J. Flanagan testified before the grand jury. [GRAND JURY MATERIAL DELETED.]

ii. Howard S. Heydon

A. Statements to the Special Prosecutor

On May 25, 1982, an agent of the Special Prosecutor interviewed Howard S. Heydon, Turnpike Authority Chief Engineer since 1967 and a Turnpike Authority employee since 1953. Among other things, Heydon stated that SCC had been awarded more than \$151.5 million dollars of Turnpike Authority contracts since 1973. He estimated that, since 1967, he had met with representatives of SCC in connection with approximately 10 to 15 contracts.

Mr. Donovan was among those SCC representatives whom Heydon had met. Heydon volunteered that he did not care for Mr. Donovan, who frequently complained to Flanagan about Heydon's treatment of SCC. Heydon and Mr. Donovan, Ronald

Schiavone and other SCC representatives frequently engaged in heated discussions.

Neither Flanagan nor anyone else associated with the Turnpike Authority ever asked Heydon to show favoritism or any sort of special treatment towards SCC in general or Mr. Donovan in particular. On the contrary, Flanagan made it quite clear that he wanted no such special treatment accorded Mr. Donovan or his company. Heydon had no knowledge or information that SCC ever paid anything to anyone associated with the Turnpike Authority; Heydon himself never received any monies.

Asked to describe the bidding process, Heydon stated that engineers from his staff and consulting engineers design a project and advertise it publicly for bids. The bid-solicitation information is simultaneously sent to hundreds of contractors and bonding companies whose names appear on a Turnpike Authority mailing list.

A Turnpike Authority staff or consulting engineer prepares a detailed estimate of the proposed project. That estimate, which is maintained in strictest confidence, is forwarded to a general consultant to the Turnpike Authority where the estimate is carefully scrutinized by another engineer. Once the estimate has been agreed upon between the Turnpike Authority staff and the consulting engineer, both endorse the estimate and seal it in an envelope. No one, including Heydon or Flanagan, sees the engineers' estimate. The

estimate is subsequently sent either to Heydon or to the Bid Supervisor prior to, or at, the time that bids are received from contractors.

The project engineer on Heydon's staff opens all bids publicly at a time and date previously announced. The project engineer also opens the engineers' estimate and reads that to the public, as well. Further, the unit prices of the two lowest contractors' bids are also read at the public proceeding. All bids are then brought to Heydon's office and totaled.

The Bid Supervisor then prepares a memorandum setting forth the engineers' estimate and the bids of all contractors, ranging from lowest to highest. The general consultant and consulting engineers thereafter write a letter containing their recommendation as to whom the contract should be awarded. Heydon proceeds to prepare a memorandum to Flanagan recommending that the contract be awarded to the lowest qualified bidder. Flanagan then certifies the recommendation which is reviewed by the Board of Commissioners at their next meeting. Heydon testifies before the Commissioners on behalf of the Turnpike Authority. Only upon approval by the Board of Commissioners can the project commence. Following approval by the Board of Commissioners, Heydon has no occasion to meet the contractor unless a claim is filed or another major problem develops.

Heydon never showed any favoritism to SCC in settling claims which SCC filed. Rather, SCC accused him of being too rigid in that respect.

Heydon stressed that SCC was a highly competitive bidder. Moreover, SCC was the only construction company to Heydon's knowledge that employed a full-time lawyer/engineer who was, in Heydon's view, adept at discovering the weaknesses and errors in Turnpike Authority contracts and exploiting those to full advantage for SCC by filing claims. Heydon observed that both SCC and other contractors regularly file such claims. Heydon expressed the view that, in a number of cases, the Turnpike Authority had erred in the preparation of contracts, thus affording SCC and other contractors the opportunity to file successful claims and increase their profit on various projects.

In a subsequent statement to the Special Prosecutor on June 3, 1982, Heydon added that lowest bids are not necessarily accepted. They are occasionally rejected for a number of reasons--for example, if the bid is "unbalanced" because it deviates substantially from the engineer's estimate. If a contractor submits a bid with a very disproportionate unit cost vis-a-vis the staff or consultant engineer's estimate of a particular quantity, the Turnpike Authority will be concerned that there may have been some attempt by the bidder to take advantage of an error or omission on the part of the Authority.

Wherever there is a significant disparity between the engineer's estimate and the unit price bid, consequently, the Turnpike Authority looks to the other bidders' bids to learn what those bidders did since the responsible bidders, as Heydon refers to them, do not rely upon the Turnpike Authority's estimated quantities. Rather, they perform their own borings and calculations in order to determine for themselves what the field facts are. If the Turnpike Authority ultimately determines that a bid is unbalanced, it will reject the bid.

Heydon further mentioned that William Flanagan has very little role in the bidding process. Flanagan does not receive the engineer's bids and specifications or otherwise have anything to do with fixing quantities. To Heydon's knowledge, Flanagan's information is limited to that in the public domain; Flanagan has no access to the staff or consulting engineers' work products.

Contractors are paid by the Turnpike Authority based upon the actual amount of work they have performed. However, the maximum amount paid to them is limited by the Turnpike Authority's estimate of how much work should have been involved. The only way to increase the amount that the contractor receives for actual work performed during the course of a project is to execute a change order which modifies the Turnpike Authority's estimate. To accomplish this, a series of approvals is necessary and it is not done other

than reluctantly by the Turnpike Authority, which considers both bids and estimates from numbers.

Heydon reiterated that he never showed any partiality to anyone associated with SCC. He specifically showed no such partiality towards Raymond Donovan, with whom Heydon found it very difficult to deal and with whom he did not get along.

B. Grand Jury Testimony

Howard S. Heydon testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

b. SCC Documentation

i. Fiddler's Elbow Exit Ramp

On May 28, 1982, Secretary Donovan furnished to the Special Prosecutor a copy of a November 1962 New Jersey Department of Transportation plan for Route 78 reflecting a right-of-way line indicating the interchange that subsequently became the exit to Fiddler's Elbow. This map was a matter of public record for approximately two years prior to SCC's acquisition of the property that was developed as Fiddler's Elbow.

ii. Bid Submission/Award Data

SCC also furnished, through Secretary Donovan, on May 28, 1982, a two-page summary of the 63 Turnpike Authority projects on which it bid between October 1966 and September 1973, of which it was low bidder on 20 occasions. Two other contracts SCC was awarded by negotiation, not by bid.

c. Anonymous Source

On June 1, 1982, the Special Prosecutor was advised that an anonymous source asserted that he could confirm what he believed to be the Donelan allegation--that Donelan "had numerous payoff dealings with Donovan pertaining to a sign contract for the New Jersey Turnpike." The source further asserted that a Patrick and a John (Jack) Conaghan, attorneys for Donelan, and a Fred Romanowski of Bayonne, New Jersey, were aware of the payoffs.

i. Patrick Conaghan

Agents of the Special Proscecuter interviewed Patrick Conaghan on June 4, 1982. Among other things, Conaghan stated that, as a fellow resident of Bayonne, he had known Raymond J. Donovan and members of the Donovan family for many years. Conaghan had more recently met Mr. Donovan through Jack Frost, a friend of Conaghan's.

Conaghan had represented Bert Hoppe, a partner of James Donelan in the American Sign Company in connection with the amicable dissolution of the Hoppe/Donelan partnership. Conaghan stated that he knew of no kickbacks or payoffs between Secretary Donovan, or anyone else at SCC, and James Donelan.

ii. John Conaghan

John Conaghan was interviewed by an agent of the Special Prosecutor on June 8, 1982. John Conaghan advised that he formerly maintained a law office with his brother,

Patrick, but that he did not represent the American Sign Company or any of its principals. Conaghan denied knowledge of any payoffs or kickbacks exchanged between anyone at SCC and Donelan or anyone else at the American Sign Company.

iii. Fred Romanowski

On June 4, 1982, Fred Romanowski was interviewed by agents of the Special Prosecutor. Among other things, Romanowski stated that he served as troubleshooter for James Donelan at the American Sign Company in the latter 1960s. Romanowski denied any knowledge of payoffs between anyone at SCC and Donelan or anyone else at American Sign Company.

d. Raymond J. Donovan

i. Statement to the Special Prosecutor

During his May 28, 1982, interview with the Special Prosecutor, Secretary Donovan stated, among other things, that he first met James J. Donelan in the 1960s. Mr. Donovan acknowledged that he and Donelan were friends until 1970, when they had a falling out related to a business dispute between SCC and Donelan's company.

With respect to his relationship with William Flanagan, Mr. Donovan insisted that he never said anything more to Donelan than that Flanagan was a friend of Mr. Donovan. While he could have become more expansive after a drink or two with Donelan, the Secretary never told Donelan that Flanagan provided information to SCC concerning upcoming bids. Nor did Flanagan ever do so.

Concerning the bid submission/award data sheet which SCC compiled and which was presented to the Special Prosecutor on May 28, 1982, the Secretary noted that SCC lost certain bids which were the lowest bids submitted. On certain occasions, when the Turnpike Authority wished to negotiate after their bids had been accepted, SCC, the lowest bidder, refused to negotiate.

The Secretary emphasized that SCC, like "any good company," did not accept the quantities given by the Turnpike Authority in its bid-solicitation materials. The Secretary noted that SCC was paid on a unit basis, and it was bound to the unit prices set forth in its bid document once that bid had been accepted. In order to make certain that it would earn a reasonable profit on quantities that would actually be encountered on the job, SCC made its own analyses ("take-offs") from the Turnpike Authority's plans. Absent a thorough take-off, SCC could have encountered underruns or overruns of various items, and, depending upon the profit margin, if any, built in to such items, that could have resulted in a substantial diminution of the value of the entire contract to SCC.

Flanagan, who was a social friend of the Donovans, was not technically proficient. Flanagan certainly gave no information to Mr. Donovan concerning any Turnpike Authority projects.

Finally, the Secretary noted that SCC did not have to do anything to obtain the exit ramp at Fiddler's Elbow. Rather, that ramp was already reflected in the original plans for Highway 78, which were a matter of public record for approximately two years preceding SCC's purchase of the property. SCC was well aware of the existence of the proposed ramp at the time that it purchased the property for Fiddler's Elbow.

ii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

e. Conclusions

i. The Grand Jury

The grand jury on June 18, 1982, declined to indict Mr. Donovan with respect to his testimony before the grand jury concerning the Donelan allegation.

ii. The Special Prosecutor

There is not sufficient credible evidence to conclude that the Secretary was untruthful when he testified before the grand jury concerning the Donelan allegation. There are insufficient grounds for prosecution relating to that testimony.

29. [ALLEGATION/INVESTIGATION DELETED.]

The grand jury on June 18, 1982, declined to indict Mr. Donovan for any offense with respect to his testimony concerning this allegation.

C. Miscellaneous

1. Other Investigation

While the foregoing recitation of the Special Prosecutor's activities in respect of the organized crime allegation is lengthy, it is not exhaustive. It does not recite, among other things, the extent of background information gathered on many of the places in which, and persons with whom, Secretary Donovan was alleged to have consorted.

Moreover, in addition to the 857 Tumcon tapes reviewed by the Special Prosecutor, an additional 42 surveillance tapes, 21 relating to Louis Sanzo and 21 relating to Ralph Picardo, were reviewed by the Special Prosecutor's staff. None of those tapes contained any conversation to which Mr. Donovan was a party or reflected any criminal conduct on the part of Mr. Donovan. Nor did any suggest any relationship between the Secretary and any organized crime figure.

2. Other Informants

The Special Prosecutor's handling of two confidential informant situations merits special comment. The first informant provided to the FBI information relating to Secretary Donovan; the Bureau in turn furnished the information to the Special Prosecutor early in the investigation. When the Special Prosecutor sought to inquire from the informant directly whether the informant had any details or additional information, the informant's attorney stated that he was not

receptive to advising his client either to speak to the Special Prosecutor or to appear before the grand jury because of his concern over the possible disclosure of the informant's identity. The informant thereafter advised the FBI agent with whom he was familiar that he did not want to cooperate with the Special Prosecutor because it might result in his/her identity's being divulged and, if that occurred, the informant feared for the safety not only of himself/herself, but also the safety of his/her family. The FBI advised the Special Prosecutor that it believed that the informant's concerns for safety in that event were well founded, based upon the Bureau's awareness of the informant's past activities and associations.

The FBI expressed the view that any effort to locate or produce the informant before the grand jury, the informant's exposure to the grand jury and the documentation of his/her appearance, would greatly expand the risk that his/her past cooperation with the government would become known outside the grand jury process and the Bureau "strongly urge[d]" the Special Prosecutor not to proceed further.

Because the informant's information had already been received and investigated, and weighing the considerations set forth by the Bureau, the Special Prosecutor acceded to the FBI's request and proceeded no further with the first informant.

On May 29, 1982, the FBI showed the Special Prosecutor transcripts of three conversations recorded during May 1982 in the course of a major organized crime investigation. There were references in each of the conversations to Mr. Donovan. Following a review of the references, which appeared to be casual and not incriminating in nature, the Special Prosecutor requested that the FBI recontact the informant to determine the full nature and circumstances surrounding the references to Mr. Donovan.

Recontacted on June 1, 1982, the informant advised that the references to the Secretary were incidental in nature, occurring prior to and after a business meeting. No mention of the Secretary was made in the course of that meeting.

The Bureau further advised that those portions of the conversations concerning Secretary Donovan were not the focus of the FBI investigation, were not anticipated or provoked, and did not provide the basis for any FBI investigation of Secretary Donovan. The informant, moreover, said that he/she possessed no information that Secretary Donovan had participated in, was currently participating in, or planned to become a participant in, any acts of illegality.

In view of the lack of any criminal aspects to the references to Secretary Donovan in those conversations, and the likelihood that investigating them would lead to identifying the informant and thereby risking the informant's safety

and jeopardizing a major organized crime investigation, the FBI urged the Special Prosecutor not to pursue further that information. The Special Prosecutor, weighing all the circumstances, including his personal review of the transcripts, determined not to pursue the information further.

3. Additional Allegation

On June 17, 1982, the Special Prosecutor received an allegation that Sam (Sammy Paul) Provenzano, the President of Teamsters Local 550, had a more intensive relationship with Mr. Donovan than the Secretary indicated had been before been announced. It was alleged

b.

It was also alleged that Linda Rodgers, a White House employee and former Nixon White House staffer, had some knowledge of this relationship.

Between June 19-22, 1982, Williams and Rodgers were interviewed and Provenzano testified before the grand jury. Rodgers denied any knowledge of a relationship between Sammy Provenzano or Roy Williams and the Secretary. Williams stated that he was introduced to Mr. Donovan by President Reagan, not Provenzano, and denied knowledge of any relationship between the Secretary and Provenzano. [GRAND JURY MATERIAL DELETED.] Mr. Donovan stated that he had only met Provenzano on one occasion, since his Cabinet appointment, at a political rally. [GRAND JURY MATERIAL DELETED.]

There is not sufficient credible evidence, in the Special Prosecutor's judgment, to conclude that the Secretary was untruthful when he testified before the grand jury as to his relationship with Sammy Provenzano.

VII. THE TRIB

The January 4, 1982, edition of the New York Daily News carried an article⁴²⁴ which intimated that in January 1978 Mr. Donovan had made an illegal payoff to Douglas LaChance, then President of the Newspaper and Mail Deliverers Union ("NMDU") of New York City in order to motivate the NMDU to deliver The Trib, a newspaper in which Mr. Donovan held an interest (the "LaChance allegation"). Senate Labor Committee staff members advised the Special Prosecutor that the LaChance allegation was unknown to the Committee during the Secretary's confirmation hearings. Finally, in early May 1982, in the midst of a flurry of publicity generated by the investigation, an anonymous source informed the Special Prosecutor that he/she had verifiable hearsay information that Mr. Donovan had made an illegal payment to LaChance.

424 P. Roura & T. Poster, "Say Ray Offered 250G To Control Paper," New York Daily News, January 4, 1982 at __, col. NN, a copy of which is annexed as Exhibit 77 (the "January 4 Daily News article").

An investigation into the facts surrounding the NMDU's refusal to deliver The Trib and its reversal of position following a meeting between Mr. Donovan and LaChance uncovered no evidence of any illegal payoff or other criminal offense. On the contrary, lawful motivation for the NMDU to deliver The Trib was discovered. The anonymous source's allegedly verifiable hearsay information was not verified but contradicted.

A. The Allegation

1. The January 4 Daily News Article

The January 4 Daily News article, which constituted the first notification received by the Special Prosecutor of the LaChance allegation, reported:

Secretary of Labor Raymond Donovan, a major backer of the defunct newspaper The Trib, invested about \$350,000 in the New York tabloid in 1978 and tried to pump another \$250,000 to gain control of the paper but was blocked by the brother-in-law of former U.S. Sen. James Buckley, it was learned.

Donovan's dealings with The Trib and his relationship with Douglas LaChance, former head of the newspaper deliverers union, may come under scrutiny by special federal prosecutor Leon Silverman, who will probe allegations of a union payoff by Donovan's company in a separate matter....

The Trib began publishing in Jan. 1978 and, after an initial sale of 250,000 copies, LaChance's drivers refused to distribute it. Donovan called LaChance, and the two met in the Hotel Algonquin bar. The day after this meeting ... LaChance lifted the stoppage.

[Former Trib. Publisher Leonard] Safir [sic] confirmed that Donovan tried to pump new money into the paper in order to gain control. "He put \$250,000 on the table at a meeting of our board of

directors," Safir said yesterday. "But that would have given him control of the paper, and Buckley's brother-in-law, Ray Learsy, who was the major stockholder, didn't want to give up control Donovan's money was rejected."

Safir ... folded the paper shortly before the three dailies here were struck in the summer of 1978. He insisted he had no knowledge about what took place at the Jan. 10 meeting or how Donovan had persuaded LaChance to call off the stoppage by his drivers.

"I had nothing to do with the talks because I was busy at the paper," said Safir. "Donovan was protecting his investment by meeting with LaChance."

* * *

LaChance is in federal prison for accepting illegal payments of \$250,000 from newspaper distributors.

Exhibit 77.

2. The Senate Labor Committee Staff

On January 11, 1982, staff members of the Senate Committee on Labor and Human Resources expressed concern to the Special Prosecutor that the LaChance allegation had not arisen, or been investigated, at the time of Mr. Donovan's confirmation hearings.

3. Anonymous Source

In early May 1982, an anonymous informant advised that, in 1976, Charles Zorse, a deceased New York Times newspaper deliverer and allegedly a close friend of Douglas LaChance, learned from "Pop" Musto, Sr., and (first name unknown) Musto, Jr., two New Jerseyans with "strong political connections," that Raymond Donovan wanted an entree to LaChance. Zorse told the informant that he introduced

Mr. Donovan to LaChance. According to the informant, Zorse said that Mr. Donovan subsequently paid an amount believed to be between \$50,000 and \$300,000 to LaChance to "insure no labor problems."

Zorse's widow "knew all of Zorse's activities and should be aware of the details," according to the source.

B. Results of Investigation

1. Douglas LaChance (Immunized)

Former NMDU President Douglas LaChance appeared before the grand jury. [GRAND JURY MATERIAL DELETED.]

2. Kevin B. McGrath

a. Statement to the Special Prosecutor

Kevin B. McGrath, former general counsel to the NMDU, was interviewed by an agent of the Special Prosecutor on May 3, 1982. McGrath stated, among other things, that he served as general counsel to the NMDU in the mid-1970s, including the years 1977-1978.

McGrath first became aware in late 1977, from published accounts, that a new morning newspaper, The Trib, was shortly to be circulated in the New York City area. He had several discussions with Douglas LaChance concerning The Trib and the possibility that the NMDU might secure a union contract directly with The Trib, which would increase the number of union drivers.

On the morning of The Trib's first edition, it was the union's position that it would not deliver the papers if

they were relayed from the publishing plant(s) to the wholesalers by non-union drivers. That position was articulated to the wholesalers by the union, and a work stoppage resulted after the first day's delivery by Empire.

On the following day, McGrath received a telephone call from William C. Finneran, Jr., one of his partners at Shea & Gould, who inquired whether McGrath would intercede with the union concerning The Trib. When McGrath advised Finneran that there was no possibility that the newspaper would be delivered, Finneran asked if McGrath would meet with Raymond Donovan of The Trib to discuss the matter. McGrath had met Mr. Donovan through Finneran on earlier occasions, and he agreed to contact his client to determine whether his client was interested in such a meeting.

LaChance, in a telephone conversation with McGrath, agreed to meet with Mr. Donovan, provided it was agreed in advance that no legal process would be served upon LaChance and the meeting were held in a public place. Finneran was notified of LaChance's willingness to meet with Mr. Donovan, and a meeting was arranged for 5:00 p.m. that evening at the Algonquin Hotel.

Mr. Donovan, LaChance, McGrath and perhaps a fourth person met in the lobby of the Algonquin. Mr. Donovan started the meeting by stating that he was interested in getting The Trib delivered; he wanted to know what it would take to get the papers on the street. LaChance articulated

the union's position that The Trib was utilizing non-union workers to deliver the paper, and the union "was not obligated to deliver scab newspapers." LaChance told Donovan that the NMDU wanted a collective bargaining agreement directly with The Trib.

During the discussion, an unknown man entered the lobby of the Algonquin, walked up to the table and asked if one of the three was Raymond Donovan. When Mr. Donovan identified himself, the man turned to LaChance and deposited the temporary restraining order beside him and walked out of the hotel. LaChance instantaneously erupted into fury and announced that the meeting was over. Mr. Donovan, too, was angered by the service, and he apologized to LaChance.

Mr. Donovan then left the table to make a telephone call. When he returned, he took possession of the temporary restraining order and advised LaChance that he should disregard the service. They then continued to discuss the problems surrounding delivery of The Trib. The meeting concluded with LaChance reiterating his position concerning a contract and Mr. Donovan advising LaChance he would speak to those associated with The Trib about the NMDU's demands. It was mutually agreed that the parties would remain in telephone contact that evening.

Both McGrath and LaChance spoke by telephone with Mr. Donovan and Leonard Saffir, publisher of The Trib, several times by telephone that evening. To the best of McGrath's

recollection they reached an oral agreement that evening that Empire would use union drivers to deliver The Trib. Although the aim of the NMDU consistently had been to secure a contract directly with The Trib, McGrath was uncertain whether the oral agreement was reached between the NMDU and Empire or The Trib. In any event, the agreement obviously satisfied the NMDU's officials since the newspapers were delivered that night.

On the following day, a negotiating session concerning the particulars of the agreement convened at the offices of Shea & Gould. In attendance were Leo D'Angelo of Empire, Leonard Saffir and other officers of The Trib, LaChance and various union officials. McGrath could not recall whether Mr. Donovan was present. To the best of McGrath's recollection, a contract acceptable to all parties was agreed upon, and there was never another work stoppage that interfered with delivery of The Trib by the union.

McGrath did not remember a second meeting at his office, involving Leonard Saffir some six or seven weeks into The Trib's existence. He did recall having gone to Saffir's office on one occasion after the initial agreement was reached; but McGrath was unable to recall the reason for that visit.

To the best of McGrath's knowledge, no money was ever given by any official of The Trib, including Mr. Donovan, to anyone associated with the NMDU in order to insure delivery of The Trib. Throughout the meeting at the Algonquin among

Mr. Donovan, LaChance and McGrath, there was certainly never any mention of a payoff to get the papers delivered.

b. Grand Jury Testimony

Former NMDU General Counsel Kevin B. McGrath testified before the grand jury. [GRAND JURY MATERIAL DELETED.]

3. Leonard Saffir

a. Statement to the Special Prosecutor

Agents of the Special Prosecutor interviewed Leonard Saffir, formerly publisher of The Trib, on April 5, 1982. Among other things, Saffir stated that he first met Raymond Donovan and Ronald Schiavone in connection with former Senator James Buckley's 1976 re-election campaign, which Saffir managed. After Buckley's defeat, in late 1976 or early 1977, Saffir began making preparations for publication of The Trib, intended to be a conservative rival to the New York Times. Messrs. Donovan and Schiavone were among those whom Saffir solicited for The Trib's initial investment capital; their total investment amounted to approximately \$300,000 by January 1978.

In order to make The Trib profitable, Saffir conceived the notion that the newspaper would have no direct union contracts. Rather, it would be printed by a commercial printer and distributed by an independent distributor. For distribution purposes, Saffir entered into a contract with the Metropolitan News Company ("Metropolitan News" or "Metropolitan") to distribute the newspaper within the New

York City metropolitan area. Carl Levy, president of Metropolitan News and former NMDU president, developed a "relay team" notion for The Trib's distribution: Empire was to deliver the newspapers from the Somerset, New Jersey, plants where The Trib was printed to Metropolitan. The fact that Empire was a non-union company did not disturb Saffir, whose contract was with Metropolitan and who knew nothing about the creation or existence of Empire until after the NMDU's "wildcat" strike.

The first day of The Trib's publication was January 9, 1978, and the entire 250,000 copy printing was distributed and sold. However, the January 10, 1978, edition was not distributed because, Saffir learned, Douglas LaChance had instructed NMDU members not to distribute the newspaper. Saffir had not been contacted at any time by LaChance. Saffir learned of this situation from his circulation department.

On January 10, 1978, The Trib's attorneys went to court to secure a temporary restraining order. Before the order was issued, Raymond Donovan called Saffir and inquired why the newspaper was not on the newsstands in New Jersey. At that time, Mr. Donovan appeared to be unaware of the NMDU-caused distribution disruption. After that call, however, Mr. Donovan involved himself in attempting to resolve the situation.

At approximately 4:00 p.m. on January 10, 1978, Mr. Donovan told Saffir that he had arranged to meet with Douglas

LaChance and Kevin McGrath at the Algonquin Hotel later in the day. Mr. Donovan stated that the meeting was to be friendly and confidential; no one, including Saffir, was to know of the Algonquin meeting.

A short time later, Saffir learned that the temporary restraining order had been issued but all attempts at service of NMDU officers had been in vain. Saffir thereupon directed his assistant, Douglas Prescott, to serve LaChance at the Algonquin. Prescott left to do so. When he returned, Prescott told Saffir that Mr. Donovan was extremely upset that service had been effected during the meeting. He reported that LaChance too, was visibly agitated.

Shortly after Prescott's return, Mr. Donovan entered The Trib's offices, extremely angry. Saffir did not recall that Mr. Donovan indicated that anything had been resolved at the Algonquin meeting. On the contrary, it was Saffir's impression that things had worsened as a result of the service of the temporary restraining order.

During the course of the evening, Saffir spoke perhaps a half dozen times with Mr. Donovan, who was in contact with LaChance and/or McGrath. Mr. Donovan informed Saffir that the NMDU was requesting a publisher's contract. It also insisted that The Trib require Empire to replace all non-union drivers with NMDU members. Saffir responded that he was unwilling to make a commitment under such circumstances

but that he was willing to sit down and discuss the matter with the union at a later date.

At approximately 11:00 p.m. on January 10, 1978, Saffir was telephoned by Douglas LaChance, who told Saffir that the newspapers were not going to be delivered unless there was an agreement. Saffir reiterated that he was willing to sit with LaChance at a later date, in the presence of counsel, and discuss the matter but would make no commitments that night. He threatened LaChance that, if the papers were not delivered that night, The Trib would suffer severe financial difficulties and might be forced to cease operations. He would then sue LaChance and his union. He added that, if the papers were not delivered, he would see to it that all 265,000 were dumped on LaChance's front yard. LaChance said he would ignore that comment. Nothing was resolved in that telephone conversation.

After LaChance's call, Saffir remained in telephone contact with Mr. Donovan. Without explanation to Saffir, the NMDU delivered the newspapers that evening. He had no idea why the newspapers had been picked up. Mr. Donovan never mentioned to Saffir that he had reached any agreement with LaChance. Mr. Donovan was not empowered to reach any agreement with the NMDU without Saffir's approval. Mr. Donovan never mentioned a kickback to LaChance in order to secure the delivery of the papers.

Saffir did not hear from the NMDU for at least a month thereafter. Mr. Donovan, however, began to exert pressure on Saffir to arrive at a solution to the delivery problem, continuously urging Saffir to sit down with the union. It was Saffir's impression that Mr. Donovan wanted to accede to the NMDU's demands. Saffir stalled Mr. Donovan on the issue, claiming that he wanted to analyze the cost effectiveness of using union drivers.

Approximately one month after the crisis of January 10, 1978, Kevin McGrath began telephoning Saffir, requesting a meeting to discuss the problem. A meeting between McGrath, LaChance and Saffir was subsequently convened at McGrath's office. LaChance repeated his unionization demands. Saffir rejected them. Saffir did not yield anything at that meeting, and LaChance did not press the issue.

Thereafter, Saffir received more telephone calls and one letter from McGrath requesting further meetings, but none was held. Saffir did not recall whether he discussed with Mr. Donovan what had transpired at the one meeting Saffir did attend.

The Trib ceased operation on approximately March 31, 1978, due to a lack of operating capital, among other reasons. Shortly prior to that date, at one of the final meetings of The Trib's Board of Directors, Mr. Donovan offered to invest with Ronald Schiavone an additional \$250,000 to sustain The Trib. However, before doing so, Mr. Donovan

wanted an equity interest and Board representation equal to that of the majority stockholder, Raymond Learsy. Learsy objected. The additional investment was not made.

To the best of Saffir's knowledge, until The Trib folded on March 31, 1978, Empire continued to use non-union drivers to deliver the newspapers to the wholesalers. Saffir did not know whether Empire or Metropolitan had to, or did, make payments to LaChance to permit delivery of the newspapers.

b. Statements to
The Washington Post

The May 31, 1982, edition of the Washington Post carried an article concerning the LaChance allegation based upon a contemporaneous interview of Leonard Saffir.⁴²⁵ Insofar as it purported to relate Saffir's statements to the reporter, the May 31 Washington Post article read:

The FBI⁴²⁶ questioned Saffir recently about a reported "agreement" that apparently followed the conversations between Donovan and LaChance.

Saffir said he was told by the FBI that, under the arrangement, a company known as Empire Trucking, which was formed to deliver the Trib from its printing plant to pickup points, agreed to fire its non-union drivers and hire members of LaChance's union.

425 G. Lardner, "The Labor Secretary and a Wild Cat Walkout," Washington Post, May 31, 1982, at A8 col. 1 (the "May 31 Washington Post article"). A copy of the May 31 Washington Post article is annexed as Exhibit 78.

426 Presumably, two FBI agents on the Special Prosecutor's staff who interviewed Saffir on April 5, 1982.

Saffir said he never signed such an agreement and never heard of it until the FBI asked him about it several weeks ago.

Now, Saffir said, he isn't even sure that Empire Trucking, which "folded when we folded," ever had any non-union help to begin with.

The episode involving the Trib took place shortly after the new morning daily began rolling off the presses in a Somerset, N.J., printing plant on Sunday night, Jan. 8, 1978.

According to Saffir, the papers were to be picked up at the plant by Empire, which was specially formed as a so-called "relay company" to haul the papers to the New York metropolitan area. There they were to be picked up by the Metropolitan News Co. and a number of other newspaper distributors whose drivers belonged to LaChance's union.

"I didn't want to be in the circulation business," Saffir said in one of several telephone interviews. "I went to Carl Levy [the head of the Metropolitan News] and said, 'We're going to start a paper. Can you handle the distribution?' He said yes.

"I said, 'That's all I want to know. I don't want any drivers working for me.' Carl Levy set the whole thing up."

The Trib signed an agreement with Empire to drop the papers off in the metropolitan area "for a blanket price," Saffir says. The agreement itself "had nothing to do with union or non-union," he said, but the price was predicated on the drivers' being non-union. "The difference would have been a lot of money, probably double the salaries," Saffir said. He said that as far as he knows, the original price was adhered to.

The first press run of 250,000 was delivered and sold Monday, Jan. 9, without a hitch. But the next edition was hit by a wildcat strike. According to news accounts at the time, a number of LaChance's drivers refused to pick up the paper, apparently because Empire was not unionized.

However, Saffir recalls, "It was LaChance's drivers who were at the plant to pick up the papers the first night and it was LaChance's drivers who

didn't pick up the papers at the plant the second night. . . . I don't know if Empire was in place at all the first couple of nights."

The Trib does not appear to have focused on the distinction at the time. Its lawyers simply went into state court on Tuesday, Jan. 10, and got a temporary restraining order against LaChance's union and a number of the distributors.

Donovan, meanwhile, apparently attempted to mediate the dispute, according to Saffir, who estimated that Donovan's company, Schiavone Construction of Secaucus, N.J. had invested about \$350,000 in the paper and owned 20 to 25 percent of it.

According to Saffir, Donovan left the Trib's office late Tuesday afternoon and met with LaChance and the union's attorney, Kevin McGrath, in the bar of the Algonquin Hotel. Saffir said he seized on the opportunity and sent an aide, Doug Prescott, over to deliver the court order to LaChance.

When Donovan returned to the Trib's offices, Saffir recalled, "he was angry that he was meeting secretly and here I had sent over the court order Donovan told me it wasn't settled at that point, but he was going to continue talking to them."

That night, around 11 p.m., Saffir said, "I went out to the printing plant not knowing whether we were going to publish or not." Meanwhile, he said, Donovan and LaChance kept talking by phone.

"Close to midnight," Saffir continued, "LaChance called me up. He wanted promises from me that I would sit down and draw up a special contract with him, with the union.

"I said if he wants to call me at the office and see me properly, okay, but at midnight I was not making any deals. I threatened him, said I'd dump the papers on his front lawn. He hung up on me. Donovan called me back and said LaChance was mad as hell. I stayed there. All of a sudden, the trucks came in and picked the papers up."

But once again, Saffir recalls now, "it was still the trucks LaChance had control of, which means they weren't non-union."

Afterward, Saffir said, both Donovan and union lawyer, McGrath "kept after me" on several occasions to sit down with the union. Donovan, the former Trib publisher recalled, "called me up and said, basically, 'Hey, these guys are going to do it again.'"

Saffir said he did meet with McGrath about a month after the one-night strike, "just to discuss the possibility of getting a contract with the union," but nothing came of it.

Then the FBI called Saffir several weeks ago and asked him about "a second agreement" with Empire. "The FBI told me that they found that [Empire] did get rid of the non-union drivers . . . a day or two after the dispute," Saffir said. "It's obvious they would have had to pay the union drivers more." Saffir said the FBI told him Empire claimed it had a second agreement with the Trib. "I told the FBI it's news to me."

Saffir added that the FBI told Empire it couldn't find a copy of the agreement either. He said he believed the FBI interviewed the head of Empire Trucking, but Saffir could not recall his name.

"I said it looks funny," Saffir said. "It's conceivable that Empire fired the non-union drivers and hired union drivers because they were told they were going to get a contract. It could have been that someone said okay, but there was never an agreement."

Asked who might have given that okay, Saffir said, "I have no idea."

Saffir said he assumes that Empire did have non-union drivers on its payroll for a brief time, but he isn't sure.

"Who the hell knows?" he said. "There was a company we were paying thousands of dollars to do a job. Could it have been a paper company? It could have been."

Exhibit 78 at cols. 1-4.

c. Grand Jury Testimony

Leonard Saffir testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

4. Leo D'Angelo

a. Statement to the
Special Prosecutor

On April 15, 1982, Leo D'Angelo, formerly a principal of Empire News, Inc., was interviewed by agents of the Special Prosecutor. Among other things, D'Angelo stated he had been a member of the NMDU since 1958 but that, in 1977-1978, he was between jobs. Carl Levy, head of Metropolitan News, approached D'Angelo about trucking The Trib in late 1977.

Levy informed D'Angelo that Robert Vedder, a representative of The Trib, wanted Metropolitan to handle distribution of the newspaper, but Vedder realized that it would be too costly to have Metropolitan, a union shop, pick up the papers from the New Jersey printing plant. Therefore, Vedder expressed an interest in Levy's idea that a non-union trucking concern should transfer the papers from the printing plants to distributors.

Phillip Vasta and D'Angelo established Empire as the non-union shop that would handle delivery from New Jersey to Metropolitan News. Before January 8, 1978, The Trib and Empire entered into an agreement providing for approximately \$10,000 a week to Empire. On the first night of publication, five or six Empire trucks, and between six and nine employees, delivered The Trib to Metropolitan. On the following night,

however, Metropolitan informed D'Angelo that Metropolitan employees would not unload Empire's trucks because they were driven by non-union drivers. This struck D'Angelo as very unusual because Metropolitan, as a rule, unloaded non-union trucks without any union objections.

D'Angelo was thereafter summoned to a marathon negotiating session at the law office of NMDU attorney Kevin McGrath. There he was informed that he would have to use union drivers to pick up The Trib. D'Angelo told the NMDU representatives that he could not sign a union contract until he had a commitment from The Trib to compensate Empire for the cost differential. According to D'Angelo he said: "If The Trib gives me the money, we have a contract. If not you can take the papers and do whatever you want with them." D'Angelo intended to cease operation of Empire if The Trib did not agree to the union wage increase.

He immediately took the proposed union contract to Robert Vedder of The Trib, and Vedder agreed, in writing, D'Angelo believed, to bear the added cost. D'Angelo returned to McGrath's office and signed a contract with the NMDU. Vasta and D'Angelo thereupon fired their non-union drivers and replaced all of them with union members.

The work stoppage and negotiating session consumed about 36 hours in total. Most NMDU officials were present at the negotiating session, but D'Angelo did not believe that any representative of The Trib attended. At the time,

D'Angelo never heard of Raymond Donovan, nor was he aware of any Algonquin meeting between LaChance and any Trib representative. It was D'Angelo's understanding at the time that Leonard Saffir was attempting to secure a temporary restraining order compelling the NMDU to deliver The Trib.

D'Angelo provided the Special Prosecutor with a copy of the January 4, 1978, agreement between The Trib and Empire (Exhibit 87, annexed), as well as a copy of the January 12, 1978, agreement between Empire and the NMDU (Exhibit 88, annexed).

b. Grand Jury Testimony

Leo D'Angelo testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

5. Carl Levy

a. Statement to the FBI

On January 20, 1982, agents of the FBI interviewed Carl Levy, former President of the NMDU and current President of Metropolitan News Company, who has been convicted for Hobbs Act and Taft-Hartley Act violations. As set forth in the report of interview:⁴²⁷

LEVY was questioned as to any knowledge and/or information he might have concerning a meeting between Douglas LA CHANCE, former President of the NMDU, and any representatives of the Trib Newspaper, alleged to have occurred at the Algonquin Hotel in New York City.

427 A copy of which is annexed as Exhibit 79.

LEVY advised that he knew, on approximately January 9th or 10th of 1978, that LA CHANCE was to have a meeting with representatives of the Trib Newspaper to resolve a delivery problem between the Trib and the NMDU. By way of background LEVY advised that the Trib was a newspaper which was transported from Somerset, New Jersey into the New York City area. The Trib employed a trucking outfit known as Empire Trucking Company. The two major principals of Empire Trucking were PHIL VASTA and LEO D'ANGELO. Empire Trucking did not utilize NMDU drivers. As LEVY explained, Empire was being used exclusively to transport the Trib into New York to a specific location, in this case Metropolitan News Company. Metropolitan News would then distribute the Trib throughout the New York area.

LEVY advised that it was unheard of to attempt to organize truck drivers such as those employed at Empire trucking. He advised that he at some point told LA CHANCE that he was wrong in attempting to organize Empire Trucking Company. However, LEVY said LA CHANCE was determined to prevent the Trib from being delivered unless the Trib utilized NMDU drivers at Empire Trucking Company.

LEVY advised that there was uncertainty in the NMDU leadership as to whether to allow the Trib to be delivered. He advised that the New York night business agent, MONTE ROSENBERG, was allowing the paper to be delivered, while the New Jersey business agent, JACK WOLFSON, was not allowing delivery.

LEVY advised that he heard that LEONARD SAFFIR, the Trib publisher, had told his truckers that if they had to have a union contract, then get one, even though SAFFIR was told it would cost more.

LEVY advised that it was his personal belief that LA CHANCE wanted the Trib to be unionized in order that he might place his friends in positions there (at Empire Trucking). LEVY stated that the Trib was in fact stopped and that LA CHANCE did have a meeting at the Algonquin Hotel with someone from the Trib, however, LEVY did not know with whom LA CHANCE met.

LEVY stated that after LA CHANCE's meeting at the Algonquin, the Trib resumed delivery. LA CHANCE got his contract with the Trib. LEVY said

that LA CHANCE was able to place his friends in working positions at the Trib, and the Trib did not have to release its original employees, although these original employees did join the NMDU. This was because the Trib was well received when it came out, and initially had a large circulation. LEVY advised that the Trib ran from January through March of 1978, when it went out of business.

LEVY was asked if LA CHANCE received a payoff from the Trib in order to allow the Trib to be delivered. LEVY advised he knew nothing about that, although he commented that LA CHANCE would not cross the street unless there was something in it for him.

LEVY disclosed that KEVIN MC GRATH, an attorney with the law firm of Shea-Gould [sic], New York City, which represents the NMDU, could and would bring LA CHANCE together with LEONARD SAFFIR. LEVY advised that MC GRATH and LA CHANCE were very close.

Exhibit 79 at 1-2.

b. Statement to the
Special Prosecutor

Agents of the Special Prosecutor interviewed Carl Levy on April 15, 1982. Levy stated, inter alia, that he had been a member of the NMDU since 1957, served as its President from 1969-1976, and became President of Metropolitan News in 1979.

In the fall of 1977, when The Trib was in a formulative stage, Levy met with Leonard Saffir, Robert Vedder and [Walter] Roach to discuss distribution of The Trib. Levy proposed that Metropolitan News send trucks to New Jersey to pick up The Trib and truck the paper to the various distributor outlets such as Metropolitan News. However, Levy's estimate of the cost involved was considered too expensive by

The Trib's representatives. He was asked to recommend a non-union trucking firm for the task.

Following that meeting, Levy spoke with two friends and NMDU members, Philip Vasta and Leo D'Angelo, about establishing a non-union trucking firm to deliver The Trib from New Jersey to New York City. Vasta and D'Angelo formed Empire for that purpose, and Empire entered into an agreement with The Trib.

When pre-publication media promotion of The Trib got underway, Levy learned that Douglas LaChance wanted a direct NMDU contract with The Trib. However, Levy subsequently heard from LaChance that the NMDU would be satisfied with a union shop contract with Empire. Levy told LaChance that his proposal was unheard of, that the NMDU had no direct contracts with trucking companies coming into New York City as mere carriers. Moreover, the NMDU had pre-existing contracts with the distributors such as Metropolitan News and the New York City newspapers.

The first edition of The Trib was delivered uneventfully. However, Jack Wolfson, the NMDU's New Jersey business agent, refused to handle The Trib's second edition even though the New York business agent, Monte Rosenberg, did not attempt to stop the paper's distribution. Levy was unable to explain the apparent split within NMDU ranks.

Levy had a vague recollection of a conversation between LaChance and himself concerning the NMDU's refusal to

distribute The Trib. He believed that LaChance suggested that he might be able to resolve the impasse at a meeting he was to attend with representatives of The Trib at the Algonquin Hotel. Levy assumed that the meeting was to be attended by Saffir and LaChance; he never heard Raymond Donovan's name mentioned.

None of the details concerning the accommodation reached between the NMDU and The Trib were known to Levy. However, an accommodation was obviously reached, as Metropolitan thereafter distributed the newspaper. Although Levy later met with LaChance on a number of occasions to discuss other matters, there was never any further discussion of The Trib.

6. Jack Wolfson

a. Statement to the FBI

Agents of the FBI interviewed Jack Wolfson, former New Jersey business agent for the NMDU and currently Route Manager for the New York Post, on January 27, 1982. As set forth in the report of interview:⁴²⁸

WOLFSON was asked if he could provide any information regarding a meeting at the Algonquin Hotel between DOUGLAS LA CHANCE, former President of the Newspaper and Mail Deliverers union (NMDU), and any representatives of the Trib Newspaper in early 1978. WOLFSON advised that he knew nothing about this alleged meeting, other than what he had read in the newspaper. He stated that he was the New Jersey Business Agent for the NMDU at the time the meeting was to have taken place. He stated that he

428 A copy of which is annexed as Exhibit 80.

was of the opinion, at that time, that the Trib should have been using NMDU drivers to deliver the papers, but at that time they were not.

WOLFSON said he went to DOUGLAS LA CHANCE, and complained to him about the situation with the Trib. He stated that as Business Agent, he would not allow the papers to be delivered by those news companies in New Jersey, which had contracts with the NMDU. The matter was finally resolved with the Trib agreeing to use NMDU drivers. WOLFSON stated that that was all that he knew about the Trib's dealings with the NMDU.

Exhibit 80.

b. Statement to the
Special Prosecutor

Jack Wolfson was interviewed by agents of the Special Prosecutor on April 14, 1982. Wolfson stated, inter alia, that he served as New Jersey business agent for the NMDU from May 1976 through May 1978, thus including the entire time that The Trib was in publication.

Wolfson learned that The Trib had arranged for two NMDU members, Philip Vasta and Leo D'Angelo, to form a non-union trucking company, Empire, to deliver the newspaper from New Jersey printing plant to distributors in the New York metropolitan area. Wolfson, as the NMDU's New Jersey business agent, felt that Empire should be utilizing NMDU drivers and, consequently, he began to pressure LaChance to secure a contract with Empire. It was Wolfson's impression that LaChance was procrastinating on the matter and, as a result, The Trib commenced publication absent any contract with the NMDU. After a day or two of The Trib's publication, Wolfson contacted the NMDU's New York business agent, Monte Rosenberg,

about pulling men off the job. Rosenberg "hemmed and hawed" and never did actively cooperate with Wolfson.

On his own authority, Wolfson contacted all of the NMDU shop stewards of the New Jersey distributors and instructed them not to permit NMDU members to handle The Trib when it came in. Within a day or two of the stoppage, Wolfson was advised by LaChance that the NMDU had secured a contract and the men again were to distribute The Trib.

Wolfson knew nothing about any meeting at the Algonquin Hotel between LaChance and any representative of The Trib. Wolfson never heard that Raymond Donovan had a meeting with LaChance. LaChance never mentioned with whom he was negotiating the contract concerning delivery of The Trib.

As a consequence of the NMDU contract, Empire fired all of its non-union members and hired 12 to 15 NMDU members.

7. Madeline Zorse

An agent of the Special Prosecutor interviewed Madeline (Lynne) Zorse, the widow of Charles Zorse, on May 27, 1982. Mrs. Zorse, a Parssipany, New Jersey, school teacher for the past 18 years, confirmed that her husband had been a New York Times deliverer and was at one time active in the NMDU. She also stated, among other things, that in approximately late 1973 (or late 1974), her husband secured employment with a New Brunswick, New Jersey, newspaper in conjunction with the work release program of the state prison in which he was then incarcerated. At about the same time,

Charles Zorse had a falling out with Douglas LaChance. Although Zorse had earlier been active in the union supporting LaChance's candidacies, Zorse thereafter did not support LaChance.

Mrs. Zorse had never met or seen Raymond Donovan, and her late husband never mentioned Mr. Donovan to her. She was totally unfamiliar with The Trib, and she did not recall her husband ever having referred to that newspaper. She was further unaware of any contact between her husband and Douglas LaChance concerning The Trib.

Moreover, Mrs. Zorse did not know, and had never heard of, Union City Mayor and New Jersey State Senator William Musto. She was unaware of any relationship between Musto and her late husband. Charles Zorse never mentioned Musto's name to her.

8. Ronald A. Schiavone

a. Statement to the
Special Prosecutor

During the January 13 Schiavone interview, Schiavone stated, among other things, that Leonard Saffir, who had managed James Buckley's 1976 re-election campaign, came to Schiavone and Mr. Donovan with The Trib investment opportunity. They invested both personal and corporate money. Mr. Donovan was responsible for SCC's and Schiavone's personal investment in The Trib.

b. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

9. Raymond J. Donovan

a. Statements to the
Special Prosecutor

i. January 18, 1982

During the January 18 interview, Secretary Donovan stated, among other things, that he was responsible for the SCC investment in The Trib, which ultimately totalled approximately \$300,000, of which \$20,000 to \$40,000 may have been the personal money of Messrs. Donovan and Schiavone and the remainder SCC funds. As Mr. Donovan recalled, in approximately January 1978, on or about the night that the newspaper was first printed, Leonard Saffir informed him that the NMDU, under Douglas LaChance, refused to deliver The Trib. Saffir informed Mr. Donovan that he had obtained a court order to require such delivery, but no one was able to locate LaChance to serve the papers upon him.

Mr. Donovan undertook to find LaChance. He did so through William C. Finneran, Jr., who arranged a telephone call between Mr. Donovan and Kevin McGrath, LaChance's lawyer. The telephone conversation led to the later meeting of Mr. Donovan with LaChance and McGrath at the Algonquin.

In advance of the Algonquin meeting, Mr. Donovan apprised Saffir when and where it was to occur. At the meeting itself, the Secretary stated that he wanted to work out an arrangement with LaChance to insure short-term delivery of

the newspaper pending a Trib-NMDU meeting within a few days to determine whether a long-term union contract could be hammered out. However, as the Algonquin meeting progressed, an associate of Saffir entered the Algonquin and served LaChance with the temporary restraining order. This infuriated LaChance. Nonetheless, the newspapers were delivered and an agreement--at least a letter of intent--was worked out between The Trib and the NMDU.

That was the sole occasion upon which Mr. Donovan met Douglas LaChance.

ii. May 10, 1982

During his May 10, 1982, interview with the Special Prosecutor, Secretary Donovan stated, inter alia, that in response to a solicitation from Leonard Saffir, he and Ronald Schiavone each made an investment of either \$10,000 or \$20,000 in return for a minor portion of Trib stock. Subsequently, in response to a later solicitation from Saffir, Messrs. Donovan and Schiavone increased their investment to a total of approximately \$300,000, in return for which they received something less than ten percent of Trib stock.

On the day following the Trib's first publication, Leonard Saffir informed Mr. Donovan that the NMDU would not distribute the newspaper and that Saffir was seeking to serve process upon Douglas LaChance, NMDU President, to compel distribution. Saffir, in Mr. Donovan's view, was "playing hard-nosed." Mr. Donovan asked Saffir if it would be of any

assistance if Mr. Donovan spoke with LaChance in an attempt to persuade him not to "smother the infant in the crib." Saffir had no objection. It was Mr. Donovan's belief that Saffir recognized that the union issue eventually needed to be confronted.

Following his conversation with Saffir, Mr. Donovan contacted William Finneran to ascertain whether Finneran knew LaChance and could arrange a meeting between Mr. Donovan and LaChance. Finneran responded that he did know LaChance through Kevin McGrath, Finneran's partner, who was general counsel to the NMDU. Finneran contacted McGrath who in turn telephoned Mr. Donovan and arranged a meeting between Messrs. Donovan, LaChance and McGrath later the same day at the Algonquin Hotel.

Mr. Donovan informed Saffir of the upcoming Algonquin meeting and stated that he had promised LaChance and McGrath a fair hearing. Mr. Donovan proceeded to the meeting in which he promised that, if LaChance agreed to deliver the newspapers, Mr. Donovan would ensure a fair hearing with The Trib concerning NMDU representation of the delivery drivers.

During the ensuing discussion, a Saffir aide entered the Algonquin, inquired which of them was LaChance, and dropped some legal papers on the table. LaChance was predictably upset while Mr. Donovan attempted to assure him that he had nothing to do with the service. Mr. Donovan managed to

convince McGrath of his good intentions, and McGrath in turn convinced LaChance not to leave the meeting. Eventually, LaChance agreed to remain in contact with Mr. Donovan later the same day, although he declined to agree to deliver the newspaper for any great length of time while The Trib and the NMDU negotiated. The three of them left the Algonquin together and Mr. Donovan returned to The Trib's offices, with the temporary restraining order.

He immediately confronted Saffir, stating: "You have my investment and my work, but you cannot have my reputation. What you have done is unforgiveable." Saffir responded that he was forced to choose between Mr. Donovan and the newspaper, and he chose the newspaper. Saffir further stated that he would meet with the NMDU but the union had to learn that "we'll not be pushed around."

Mr. Donovan recalled that he got the parties--LaChance, Saffir and the Empire principals--to come together, and a letter of intent was produced. This permitted the delivery of the newspapers.

The name, Charles Zorse, was unknown to Mr. Donovan. The Secretary did not believe that he met LaChance through Zorse.

Mr. Donovan stated that he absolutely did not give any monies or anything of value to LaChance, nor did he ever promise to do so. To his knowledge, no one associated with The Trib made any such payments.

b. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED..]

10. Trib Delivery Agreements

In the course of the investigation, the Special Prosecutor secured the following agreements relating to delivery of The Trib:

- a. A letter of intent from counsel to Empire News Inc., to the Newspaper and Mail Deliverers' Union expressing Empire's willingness to negotiate a collective bargaining agreement with the NMDU. This letter, though dated January 6, 1978, was actually provided to the NMDU in the offices of Kevin McGrath on January 10, 1982 (T. 4460-4461, 4467-4468 [McGrath]). (Obtained from McGrath.)
- b. Agreement of January 4, 1978, between Empire and The Trib New York Inc. under which, inter alia, Empire agreed that it would "pick up copies of The Trib at such printing plant or printing plants (within a 50-mile radius of New York City) at which The Trib was being published and deliver those copies of The Trib to the places designated by The Trib, at such time and in such manner as The Trib may direct, from time to time." (Obtained from D'Angelo and Learsey.)
- c. Agreement of January 12, 1978, between Empire and the NMDU incorporating by reference the terms and conditions of the outstanding agreement between the NMDU and the New York Times and New York Daily News, which were made applicable to delivery of The Trib by Empire. (Obtained from D'Angelo and Learsey.)
- d. Undated/unsigned agreement of November 1977 between Metropolitan News and The Trib New York Inc. for distribution of The Trib from the date of first

publication to January 1, 1979.
(Obtained from Learsey.)

- e. Agreement of July 31, 1977, between Somerset Publishing Company, Inc., and Saffir Publishing Corp. for printing of The Trib from the date of first publication for a period of five years.
(Obtained from Learsey.)

C. Conclusions

1. The Grand Jury

The grand jury on June 18, 1982, declined to indict Mr. Donovan with respect to his testimony before the grand jury concerning the LaChance allegation.

2. The Special Prosecutor

There is not sufficient credible evidence to conclude that the Secretary was untruthful when he testified before the grand jury as to the LaChance allegation. There are insufficient grounds for prosecution relating to that testimony.

VIII. ALLEGED ELECTION LAW VIOLATIONS

Allegations concerning possible violations of the election law by Mr. Donovan or SCC antedated his confirmation and were brought before the Senate. The allegations surfaced again in the course of the Special Prosecutor's inquiry, and they were investigated. No evidence of a violation of the federal election laws was discovered. Moreover, under the policies of the Department of Justice respecting enforcement of the federal election laws, even if an arguable technical violation occurred, no prosecution is warranted.

A. The Allegations

1. Pre-Confirmation Allegations

The FBI's letterhead memorandum of January 23, 1981, to the Senate Labor Committee reflected an alleged election law violation:

The staff advised that an anonymous caller on January 15, 1981, said that Jay Grey (phonetic), a former purchasing Agent for the Schiavone Company, who is now working for the Perini Association, told all of the vendors on the 63rd Street Subway job site that they had to contribute to the Reagan campaign. The source also said that all of the men on the job site had to go to a rally that was held for Reagan and were told that if they did not go their paychecks would be docked. On 1/23/81, the information possibly bearing on Federal Election Law violations was discussed with Robert Richter and Craig Donsanto, Departmental Attorneys, Public Integrity Section, Department of Justice. Richter stated that the allegations do not constitute specific information to trigger the Special Prosecutor provisions of the Ethics in Government Act of 1978 should Mr. Donovan be confirmed and sworn in as Secretary of the Department of Labor. Mr. Donsanto, Director, Election Crimes Branch, Department of Justice, advised that the information does not, under normal Department of Justice policy, constitute a sufficiently factual predicate to merit an investigation and none is warranted.

Hearings at 245; memorandum at 13.

2. CBS Radio News Report

On February 22, 1982, at 7:15 p.m. EST, CBS Radio carried the following news report, datelined Washington:

According to a former executive of a company which sold building materials to Donovan's Schiavone Construction Co., a Schiavone representative solicited cash contributions to the Reagan campaign. The former executive and a former salesman for the supplier say the approach was made by Schiavone purchasing agent J. Dawson Gray. One of Gray's bosses at the time was Ray Donovan, who also raised \$600,000 as Chairman of the New Jersey Reagan campaign. The

sources, who have never dealt directly with Donovan, said Gray did not apply strong pressure for contribution. But the former executive said there was implicit understanding that if the company did not comply, it might lose thousands of dollars in Schiavone orders. The executive, who does not want to be identified, said Gray received two cash contributions of \$500 each. Under Federal campaign laws, it is illegal to give or receive cash contributions of more than \$100. At his confirmation hearings, Donovan said Gray had been asked to seek contributions from over 500 Schiavone suppliers, and collected 30 or 40 checks. Donovan denied that the contributions were mandatory. Asked about the alleged cash contributions, a Donovan spokesman said the Secretary has nothing to add to his testimony. CBS News has been unable to contact Gray.

B. Results of Investigation

1. SCC Personnel

a. James Dawson Gray

i. Statements to the Special Prosecutor

On March 23 and 29, 1982, James (Jay) Dawson Gray was interviewed by agents of the Special Prosecutor. Gray stated, among other things, that he was employed by SCC as a procurement and logistics consultant from June 1977 until November 1979.

In approximately June of 1979, Gray received a telephone call from SCC Vice President Vito (Al) Paradise, who informed Gray that Raymond Donovan was supporting Ronald Reagan and that "Donovan wants us to raise campaign funds for Reagan" (or words to that effect). Paradise instructed Gray to contact Jack Frost, SCC purchasing manager, for further instructions; Gray was told that Frost had the information

concerning soliciting and collecting campaign contributions from subcontractors and vendors of SCC.

Contrary to Paradise's instructions, Gray did not contact Frost. Approximately one week later, Frost telephoned Gray and told him that a list of approximately one thousand SCC subcontractors and vendors was being assembled. From that list, about two hundred "prime subcontractors" were targeted for solicitation. Gray did not know by whom these targets were to be solicited.

Thereafter, Gray received a computer-generated list of all subcontractors and vendors. The approximately two hundred names were highlighted by some sort of color coding which signified which SCC employee was to contact which subcontractor or vendor. Approximately thirty to thirty-five were assigned to Gray.

Jack Frost's instructions to Gray made it clear that Gray was to solicit for contributions on SCC time. Gray was never told to solicit on his own time, nor did he do so. While engaged in the solicitation effort, Gray was paid his regular salary, without deduction.

At or about the time he received his first telephone call from Frost, Gray was telephoned by Raymond Donovan, who personally asked Gray to devote some time to the fundraising effort. Gray received follow-up calls from Vito Paradise, Jack Frost and Mr. Donovan to encourage Gray's soliciting efforts. The follow-up calls were received just

prior to the September 30, 1979, function at Fiddler's Elbow Country Club (the "Fiddler's Elbow function"). Moreover, during the solicitation effort, Mr. Donovan stopped by Gray's office in the S-I-C Joint Venture suite in Manhattan on what appeared to be a casual visit and inquired about the fundraising effort. Mr. Donovan, according to Gray, had never before stopped by Gray's office.

Gray estimated that the solicitation campaign by SCC personnel was conducted for approximately two months immediately prior to the Fiddler's Elbow function. Gray collected approximately \$12,000-\$13,000 in pledges. The pledged contributions ranged from \$25 to \$1,000. Gray does not know whether all of the pledges were actually collected upon. Photocopies of the subcontractor/vendor list, reflecting the pledges Gray received, were sent by Gray to Jack Frost or Raymond Donovan on four or five occasions.

Very little of Gray's time was devoted to the fundraising effort. He estimated that it amounted to approximately seven to nine hours, certainly no more than ten hours, over the two month period. Gray was never told by anyone at SCC to maintain records of the time he devoted to fundraising, and he did not do so.

Gray expressly denied that he either pressured anyone to contribute or used veiled threats to obtain pledges. Gray first stated that there were no suggested amounts for contributors, although he would provide a range of contributions

when asked. In later instructions he received from Jack Frost, Gray was told to suggest a \$1,000 contribution from those sub-contractors and vendors thought to be "heavy hitters" or the "big boys." In his telephone solicitation, Gray used that \$1,000 figure.

Gray's initial solicitation included remarks on the following order: "I have been asked to contact you. SCC is backing Ronald Reagan and Ray Donovan is a campaigner for him. You are on my list to contact. Will you contribute?" In some instances Gray made as many as three to four telephone calls to the same sub-contractor or vendor, the first being low-keyed (as above), the second on the order of a reminder and subsequent calls being less subtle. The later calls conveyed the impression that Gray was receiving pressure from his superiors at SCC to get results or, at least, to resolve the contribution status of the prospective donors.

Gray reported his progress to Jack Frost. There was no indication to Gray that SCC penalized any of those who declined to contribute. Gray estimated that he contacted perhaps fifteen to twenty SCC vendors and had an overall pledged amount of approximately \$12,000.

At the conclusion of the fundraising efforts, Gray's list of prospective donors was returned to SCC in Secaucus. Gray visited the Secaucus office with the last of his contributions and gave them personally to Mr. Donovan. Gray also reviewed with Mr. Donovan the status of those

vendors he had contacted, some of whom had made pledges but from whom no funds had been received. The Secretary told Gray that he had done a good job.

The vendors and subcontractors whom Gray solicited, to the best of his recollection, were: John Sussek of Boro Lumber Company ("Boro Lumber"); George Karr of George Karr Company; Robert Gerosa of Gerosa Crane Service Co., Inc.; Pat Armentano of Patsems Incorporated ("Patsems"); Howard Levy of Hunters Point Steel Company ("Hunters Point"); Peter Rosenblatt of Hunters Point; Lewis Fine of M. Fine Lumber Company ("M. Fine"); Richard Albert of Albert Pipe Company ("Albert Pipe"); Stewart Oltchick of Thyping Steel Company, Inc. ("Thyping Steel"); Archibald Blandford of Blandford Land Clearing Company; Stewart Krueger of Davidson Pipe Company ("Davidson Pipe"); George Fox of Tunnell Grow Corporation ("Tunnell Grow"); Alan Schreer of Vernon Steel Processing Company ("Vernon Steel"); Robert DeFilippis of DeFilippis Crane; Robert Feldman of S. Feldman Lumber Company ("S. Feldman"); Sam Consolazio of Consolazio Sharpening Service ("Consolazio Sharpening"); Robert Schutte of H.O. Penn Caterpillar Equipment Company ("H.O. Penn"); William Masselli; and a few others.

The SCC personnel known to Gray to have been involved in the fund raising effort were Ronald Schiavone, Raymond Donovan, Vito Paradise, Jack Frost, Jerry Santangelo,

John Altomare, Robert Genuario and Stephen Leach.429

ii. Grand Jury Testimony

James Dawson Gray testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

b. John (Jack) Frost

On April 28, 1982, John (Jack) Frost testified before the Grand Jury. [GRAND JURY MATERIAL DELETED.]

c. Vito (Al) Paradise

On May 3, 1982, Vito A. (Al) Paradise, SCC Vice President and Treasurer, was interviewed by an agent of the Special Prosecutor. Among other things, Paradise stated that he was a registered Republican who long believed in Ronald Reagan and, as such, he volunteered to assist in the fundraising effort for Mr. Reagan's campaign.

While Paradise did not recall precisely when he became involved in the fundraising effort, he dated it to some time shortly before the Fiddler's Elbow function. During the course of his regular contacts with friends and business associates, Paradise advised them that SCC was endorsing Ronald Reagan for President and he encouraged them to contribute

429 J. Dawson Gray left SCC in late 1979 under a cloud. Gray agreed to make payments to SCC following his termination in respect of certain "consulting fees" which he said that he earned during the course of his employment. In early 1982, after the appointment of the Special Prosecutor, Gray was contacted by Vito Paradise of SCC, who inquired after Gray, referred to Gray's campaign solicitations, and intimated that Gray might find employment at SCC in the future.

to the campaign by attending certain fundraising functions sponsored by the New Jersey Finance Committee of Reagan for President (the "New Jersey Committee"), which Raymond Donovan chaired. Paradise also signed a letter which was prepared by someone serving on the New Jersey Committee in early 1980 and which was mailed to various friends and business associates inviting them to attend a function at Mr. Donovan's residence [on April 7, 1980].

To Paradise's knowledge, there was no organized effort on SCC's part to raise funds for the Reagan campaign. Every time that Paradise participated in the fundraising effort, it was in response to a formal request from the New Jersey Committee. Paradise emphasized that no pressure, either subtle or overt, was employed in connection with his fundraising efforts. Although he considered it very problematic to estimate the amount of time he devoted to the fundraising efforts, his best estimate was a total of approximately 20 hours over many months. He later stated that the 20 hour estimate was excessively high.

Paradise admitted that, at some point during the campaign, he probably requested that SCC employees involved with equipment purchasing solicit contributions from the individual vendors with whom they dealt on a day-to-day basis. He probably asked Gennaro Santangelo, Robert Genuario, John Altomare, Jack Frost and Jay Gray to engage in such solicitations. He stressed that he did not instruct the SCC employees

to work on the campaign, but, rather, asked them if they would do so on a voluntary basis. In addition to the other SCC employees named, Paradise's secretary also assisted in the fundraising effort by handling certain checks which she received from various contractors; her role was very limited.

d. Richard C. Callaghan

SCC Senior Vice President and Chief Engineer, Richard C. Callaghan, testified before the grand jury. [GRAND JURY MATERIAL DELETED.]

e. Gennaro Santangelo

An agent of the Special Prosecutor interviewed Gennaro (Jerry) Santangelo, Assistant Equipment Manager of SCC, on May 3, 1982. Santangelo was uncertain of the date, but he recalled that he was asked by Al Paradise and, later, by Raymond Donovan, if he would object to assisting in fund-raising efforts. Paradise asked whether Santangelo would contact some of his friends and business associates in an attempt to solicit a contribution from them for the Reagan campaign. Paradise told Santangelo that the amount of the contribution should be left to the discretion of the contributor, all contributions to be solicited on a strictly voluntary basis.

Santangelo was not told whom he should contact or how he was to approach anyone. The only instructions he received were that the checks were to be personal and to be made payable to the Committee for Ronald Reagan for President.

He was also directed to tell each contributor that his contribution was not tax deductible.

Because Reagan was Santangelo's personal choice for President, he was happy to request contributions from his friends and the suppliers with whom he dealt on a regular basis. Over a period of approximately seven to ten days, Santangelo requested contributions from thirty to thirty-five vendors. He approached each vendor only once. He kept no records concerning his fundraising efforts and had no way of determining how many of the vendors he contacted actually contributed. Santangelo estimated that a total of approximately two hours of his time was devoted to the fundraising effort.

Shortly after Santangelo's initial meeting with Vito Paradise, Mr. Donovan independently inquired whether Santangelo was willing to assist with the campaign solicitation effort, and Santangelo stated that he was. Mr. Donovan was evidently aware that Paradise and Santangelo had spoken a day or two previously, and he did not discuss the matter in detail with Santangelo. While Mr. Donovan gave no specific instructions, he told Santangelo to try his best and not pressure anyone to contribute. Santangelo did not recall again discussing the matter with Mr. Donovan until the campaign had concluded. Mr. Donovan then thanked Santangelo for his participation.

Santangelo asked one of his subordinates, John Altomare, if Altomare would ask those vendors with whom Altomare dealt

regularly if they cared to contribute. Santangelo also told Altomare that the contributions were to be made on a strictly voluntary basis and that Altomare was not to let the fundraising effort interfere with his regular work duties. Altomare readily agreed to assist in the effort.

f. John Altomare

SCC purchasing agent John Altomare was interviewed by an agent of the Special Prosecutor on May 3, 1982. Among other things, Altomare stated that at some unspecified time he was asked by Gennaro Santangelo to solicit campaign contributions from those vendors with whom Altomare regularly dealt. Santangelo told Altomare that if, during the course of the day, Altomare were speaking to any such vendor, he should inquire whether that vendor would be willing to contribute. No one other than Santangelo, including Mr. Donovan, ever discussed fundraising with Altomare.

Altomare subsequently spoke with approximately ten of the vendors whom he knew best. During the course of his routine conversations, he asked to speak to the boss of each of the vendors. He told them that any contribution was strictly voluntary. No pressure of any sort was applied. Altomare estimated that he spent a total of four hours during a two-week period on the fundraising effort. He asked each vendor only once for a contribution and he made no follow-up calls to them. It was Altomare's belief that four or five of the vendors actually contributed to the campaign.

g. Robert F. Genuario

Agents of the Special Prosecutor interviewed Robert F. Genuario, the Comptroller of the S-I-C and other SCC joint ventures, in the presence of counsel. Among other things, Genuario stated that he solicited campaign contributions from two or three SCC suppliers, during the course of ordinary business conversations with each of them. Genuario did not recall by whom he was asked to solicit campaign contributions, but he was certain that it was not Mr. Donovan. He was provided no list nor was he requested to contact certain vendors.

Approximately eight to fourteen persons worked under Genuario at the time that he was involved in the solicitation effort. He authorized none of them, except Stephen Leach, to participate in the solicitation effort.

Genuario never felt any pressure to solicit campaign contributions. He did not know of any others associated with SCC, apart from Jay Gray, Jerry Santangelo, Jack Frost and Stephen Leach, who similarly solicited.

Genuario spoke to only two or three vendors, all in advance of the Fiddler's Elbow function. Later, in connection with the cocktail party at Mr. Donovan's home [on April 7, 1980], Genuario again contacted only two or three vendors. He generated no campaign contributions in the latter effort.

h. Stephen G. Leach

An agent of the Special Prosecutor interviewed Stephen G. Leach, currently an office manager of SCC's

Boston, Massachusetts, project, in the presence of counsel on May 7, 1982. Leach stated, inter alia, that in the summer of 1980, a few months before the presidential election, Genuario asked him if he would request a campaign contribution from the subcontractors and material suppliers with whom Leach was then dealing on a regular basis. Leach voluntarily agreed to do so; he felt no compulsion to agree.

During regular working hours, Leach spoke to certain subcontractors. He recalled two particularly and believed he might have spoken to one or two others. He estimated that he spent approximately one half-hour of his time over the course of a week in this fundraising effort. He made no specific appointments to see the subcontractors whom he contacted. No records were kept of the time he devoted to the fundraising effort.

i. Ronald A. Schiavone

[GRAND JURY MATERIAL DELETED.]

j. Joseph A. DiCarolis

[GRAND JURY MATERIAL DELETED.]

k. Constance Banziger

On March 16, 1982, the Special Prosecutor interviewed Constance Banziger in the presence of her husband and counsel. Banziger stated, among other things, that during the 1980 campaign Mr. Donovan was out of the office approximately one quarter of the work week. She received perhaps four or five calls per day for Mr. Donovan relating

to campaign activities. In addition to those calls which she received, other calls were taken by Kathryn Alexis. No copies of any records of telephone messages exist, she said.

Twice during the Reagan candidacy, Mrs. Banzinger volunteered to answer telephones for the New Jersey Committee. Neither of those episodes, however, occurred during office hours. Many others at SCC, she observed, volunteered to assist in the campaign. For example, workers in SCC's garage drove cars and directed traffic at various activities.

2. Certain Vendors or Subcontractors
Approached by SCC Personnel

a. John Sussek

i. Statement to the
Special Prosecutor

On March 19, 1982, agents of the Special Prosecutor interviewed John Sussek, President of Boro Lumber, a subcontractor to SCC supplying lumber products since approximately 1977. During the 1980 presidential election campaign, at a time that Boro Lumber was doing approximately \$250,000 of business annually with SCC, J. Dawson Gray of SCC requested a campaign contribution from Sussek. Gray told Sussek that he had been assigned to raise money for the Reagan candidacy from subcontractors and vendors to SCC.

Sussek wanted to contribute as little as possible, and he mentioned a figure of \$500.00 to Gray. Gray, however, indicated that a larger contribution was expected from Sussek, more in the vicinity of \$1,500. Gray intimated that

a lesser contribution might cost Boro Lumber business. Sussek characterized Gray's approach as "putting the arm" on Sussek for a campaign contribution. Sussek weighed the cost of a campaign contribution against the large subcontract that Boro Lumber had with SCC. Sussek believed that he ultimately contributed \$1,500, divided among a number of family members.

ii. Grand Jury Testimony

John Sussek testified before the grand jury. [GRAND JURY MATERIAL DELETED.]

b. George Karr

i. Statement to the Special Prosecutor

On March 19, 1982, agents of the Special Prosecutor interviewed George Karr, owner of the George Karr Company. Karr stated, inter alia, that from approximately 1978 to 1981, Karr's company was a subcontractor to SCC and that he dealt with J. Dawson Gray, an SCC purchasing agent.

In approximately 1979, Jay Gray solicited a campaign contribution from George Karr on behalf of Ronald Reagan's candidacy. Karr delayed as long as possible, but Gray did not let the matter slide. Karr stated that he gave a \$500 contribution in person, either at Gray's or Karr's office. It was Karr's recollection that Gray insisted on a contribution of not less than \$500, even though Karr offered to contribute a lesser sum. Gray intimated to Karr that, if a contribution were not forthcoming, it could spell the end of Karr's business with SCC. Gray also told Karr not to ask too

many questions about the contribution. Karr's conversation with Gray occurred during normal business hours.

ii. Grand Jury Testimony

George Karr testified before the grand jury. [GRAND JURY MATERIAL DELETED.]

c. Robert L. Gerosa

Agents of the Special Prosecutor interviewed Robert L. Gerosa, Executive Vice President of Gerosa Incorporated, which has leased heavy equipment to SCC since approximately 1967. Gerosa stated, inter alia, that he did not recall having been telephoned by anyone at SCC in conjunction with the 1979-1980 campaign efforts of Ronald Reagan. However, upon a review of his checking accounts, he discovered a check dated June 7, 1979, made payable to the R. Reagan Fund in the amount of \$1,000 signed by Gerosa's father, Frank, Board Chairman of Gerosa Incorporated who has since semi-retired.

Gerosa did not recall any telephone calls or visits from J. Dawson Gray in connection with the Reagan candidacy. He added that he and his organizations receive many telephone calls and letters concerning political and charitable contributions throughout the year. Gerosa further said that they do donate to most charities but are selective on political contributions. Gerosa did not recall having been pressured by anyone to contribute to any political party or candidate. His company, he stated, is in any event too big to succumb to any type of pressure from contractors in the New York City area.

d. Pat Armentano

Agents of the Special Prosecutor interviewed Pat Armentano, President of Patsems, on March 30, 1982. Armentano advised, among other things, that Patsems has done business as an SCC subcontractor for several years. Armentano recalled having been solicited for campaign contributions by SCC in the period June through October 1979. It was Armentano's recollection that he received a letter requesting a donation for the Ronald Reagan Campaign Fund. He did not remember any telephone call from SCC personnel; he allowed, however, that if he had been telephoned, it would most likely have been by J. Dawson Gray, the 63rd Street job purchasing agent for SCC. Armentano felt no pressure in connection with whatever solicitation was made.

Armentano further stated that he was the recipient of numerous solicitations for charitable and political contributions throughout the year and that he contributed to the latter in accordance with his political convictions. Armentano wanted to contribute to any fund supporting Reagan's candidacy. He added that, if he had not supported Ronald Reagan, he would not have contributed to any solicitation by SCC or any firm with whom he was doing business.

e. Howard J. Levy

On March 30, 1982, Howard J. Levy, President of Hunters Point Steel was interviewed by agents of the Special Prosecutor. Levy stated, among other things, that in 1979

Hunters Point was, as it had been for the preceding decade, a vendor to SCC and that it did approximately \$150,000 worth of business with SCC in 1979.

Levy dealt in 1979 with J. Dawson Gray, then an SCC purchasing agent for the 63rd Street job. Levy believed that neither Jay Gray nor anyone else associated with SCC telephoned him for a contribution to the Reagan campaign; rather, Levy received a letter solicitation from an SCC employee. Levy did not interpret that solicitation as importing any pressure on him from SCC to contribute. Levy, staunchly pro-Reagan, contributed because Reagan was his candidate.

f. Peter Rosenblatt

Peter Rosenblatt, General Sales Manager for Hunters Point Steel, was interviewed by agents of the Special Prosecutor on March 31, 1982. Rosenblatt stated, inter alia, that between June and October 1979 he was advised by his brother-in-law, Howard Levy, that Levy had received a communication from SCC soliciting contributions for the Reagan campaign. As both Rosenblatt and Levy were Reagan supporters, Rosenblatt made a contribution.

Rosenblatt remarked that he dealt primarily with J. Dawson Gray at SCC in 1979. He did not recall that Gray had ever telephoned him concerning any political contributions.

g. Louis Fine

Louis Fine, President of M. Fine, a lumber supplier to SCC since the early 1970s, was interviewed by agents of

the Special Prosecutor on March 30, 1982. Among other things, Fine stated that he did not recall having been telephoned by anyone from SCC in connection with Ronald Reagan's candidacy for President in 1979-1980. However, Fine did remember vaguely something about Reagan fundraising. In any event, Fine did not contribute and recalled nothing in the way of threats or repeated solicitations, which he thought he would remember had they occurred.

h. Richard G. Albert

Richard G. Albert of Albert Pipe was interviewed by agents of the Special Prosecutor on March 30, 1982. Albert stated, among other things, that in 1979 Albert Pipe was a vendor doing very limited business with SCC in connection with the 63rd Street job. Albert did not recall any telephone campaign solicitation from anyone at SCC, including J. Dawson Gray, on behalf of Ronald Reagan.

i. Stuart Oltchick

Thyping Steel Company Executive Vice President, Stuart Oltchick, was interviewed by agents of the Special Prosecutor on March 30, 1982. Oltchick stated, inter alia, that Thyping Steel had done business with SCC since approximately 1975. In 1979, Oltchick was doing business principally with J. Dawson Gray, SCC's purchasing agent on the 63rd Street job.

Gray did telephone Oltchick requesting a campaign contribution for Ronald Reagan. Indeed, Oltchick believed that he may have received several calls from Gray requesting

such a contribution. Eventually, Oltchick sent Gray a \$25 check.

According to Oltchick, Thyding Steel Company would not succumb to any threats or pressure for political contributions. He contributed the \$25 to Ronald Reagan because he believed Reagan to be the best candidate for the job and he agreed with Reagan's political philosophy. He did not recall Gray exerting any pressure, other than the fact that he continued to call requesting a donation and stated that he needed that donation in order to complete his list of the various vendors he was contacting on behalf of SCC.

j. Archibald Blandford

On March 31, 1982, Archibald Blandford, President of Blandford Land Clearing Company, was interviewed by agents of the Special Prosecutor. Among other things, Blandford stated that, while he could not recall the identity of the caller, someone from SCC solicited a campaign contribution on behalf of Ronald Reagan from him in 1979. Blandford remembered having been asked whether he supported Reagan, which he did, and he agreed to forward a donation. He made a contribution of \$100 by check dated September 27, 1979. Blandford felt no pressure to contribute. He noted that, as a subcontractor to SCC, his contractual relationship with SCC would have remained unaffected even if he had failed to contribute.

k. Stuart Krueger

Stuart Krueger, Treasurer of Davidson Pipe Company,

was interviewed by agents of the Special Prosecutor on March 31, 1982. Krueger stated, inter alia, that he remembered receiving a telephone call from J. Dawson Gray soliciting a campaign contribution for Ronald Reagan sometime before Reagan formally announced his candidacy. Krueger informed Gray that it was against his company policy to make such a contribution and he declined to do so. Krueger did not recall that Davidson Pipe's business with SCC suffered due to his failure to contribute, although he felt that such a potential business effect was implicit in Gray's solicitation.

1. George A. Fox

On March 31, 1982, George Fox, a partner in Tunnell Grow Corporation, was interviewed by agents of the Special Prosecutor. Fox stated, among other things, that he had never been a vendor or subcontractor to SCC. On the contrary, he was generally a competitor for tunnel work, although he had worked with SCC in various New York City construction projects.

Fox received no solicitations from anyone at SCC concerning the Ronald Reagan candidacy for President. Had he been solicited, Fox would not have contributed: he was a Carter supporter throughout the campaign.

m. Alan Schreer

Alan Schreer, a salesman for Vernon Steel Processing Company, was interviewed by agents of the Special Prosecutor on April 2, 1982. Schreer stated, among other things, that

in 1979 he was president of Evergreen Steel Company, a long defunct business which was a sizeable vendor to SCC in connection with the 63rd Street job. Schreer dealt by telephone with SCC purchasing agents Jay Gray and Jack Frost.

In 1979, during business hours, Schreer received a telephone call from Gray who solicited a campaign contribution on behalf of Ronald Reagan. In response to Schreer's query: "How much?", Gray stated that the contribution could be whatever Schreer could afford. Schreer contributed \$500. Schreer stated that he made political contributions very frequently, although he had never previously been solicited by SCC. Ronald Reagan was Schreer's personal choice for President, and he felt no pressure to give because the solicitation was from a major customer. Schreer contributed solely because he was a Reagan supporter.

Previously, Schreer noted, he had refused to contribute to charitable solicitations from SCC without any repercussions on his business with SCC. In Schreer's experience, SCC did business on a bid basis; the only thing that mattered was the price quoted. He did not feel that a failure to contribute to the Reagan candidacy would have had any impact on his business with SCC.

n. Robert DeFilippis

On April 2, 1982, Robert DeFilippis of DeFilippis Crane was interviewed by agents of the Special Prosecutor. DeFilippis stated, inter alia, that in 1979 DeFilippis Crane

leased a large amount of equipment to SCC. DeFilippis remembered having received a letter from someone at SCC during 1979 soliciting contributions for Ronald Reagan. DeFilippis did not contribute as he was not close to any SCC people. He did not recall having received any telephone calls and did not remember a \$500 contribution.

Upon further reflection, DeFilippis stated that, rather than a letter, he may have received a telephone message from someone in his office who took a call from SCC. In any event, DeFilippis never responded to whatever message he received from SCC requesting a contribution. He received no follow-up solicitations.

o. Robert Feldman

Agents of the Special Prosecutor interviewed Robert Feldman, President of S. Feldman Lumber Company, on April 5, 1982. Feldman stated, among other things, that in 1979 S. Feldman was a vendor to SCC, although the business was not substantial. He recalled having received a telephone call during normal business hours from someone at SCC, most likely Jay Gray, soliciting campaign funds for Ronald Reagan. Feldman responded with a personal check in the amount of \$1,000, subjectively hoping that the contribution might help his business with SCC; he was not, however, told by anyone that it would. Feldman's contribution was entirely voluntary, Feldman being a Republican who was favorably disposed to Ronald Reagan.

Feldman saw no increase in his company's business with SCC after the contribution. His supply of materials to SCC was strictly on the basis of bids and prices. The campaign contribution had no influence on that process.

p. Sam Consolazio

On April 22, 1982, Sam Consolazio, President of Consolazio Sharpening Service, was interviewed at his office by an agent of the Special Prosecutor. Among other things, Consolazio stated that in 1979, Consolazio Sharpening Service was a substantial vendor to SCC. Consolazio had only an uncertain recollection of having been solicited on behalf of Ronald Reagan by anyone at SCC. He believed that he may have received such a solicitation by mail and that he responded with a political contribution of approximately \$250.

Consolazio viewed his contribution as a form of advertising and did not feel pressured to contribute. Consolazio leaned to the Republican party and more conservative candidates. The contribution to Reagan was consistent with his philosophy.

q. Robert Schutte

Robert Schutte, Sales Manager of H.O. Penn Caterpillar Equipment Company, was interviewed by an agent of the Special Prosecutor on April 7, 1982. Schutte stated, inter alia, that during 1979, H.O. Penn leased heavy Caterpillar equipment to SCC. Schutte recalled that after normal business hours one evening, he and Jerry Santangelo dined together. Santangelo asked Schutte if Schutte would care to contribute

to the Reagan campaign. Approximately one week later, Schutte sent Santangelo a personal check in the sum of \$500. Schutte felt no pressure to contribute. Had the solicitation been on behalf of Jimmy Carter, no contribution would have been made, he said. Moreover, he received no increase in business with SCC as a result of the contribution.

r. William Masselli

[GRAND JURY MATERIAL DELETED.]

3. Raymond J. Donovan

a. Testimony Before the Senate

During his confirmation hearings before the Senate Labor Committee, Mr. Donovan testified concerning an election law allegation in response to a series of questions from Chairman Hatch:

THE CHAIRMAN. The FBI report says that the committee staff advised that an anonymous caller on January 15, 1981, said that John [sic] Gray, a former purchasing agent for the Schiavone Co., who is now working for the Perini Co., told all the vendors at the 63rd Street jobsite that they had to contribute to the Reagan campaign.

* * *

Could you give us your explanation of whether or not that took place, if it did take place?

MR. DONOVAN. I emphatically deny . . . [that] allegation. Mr. Gray, who was a purchasing agent, was asked to ask the vendors on that project to support the candidacy of Governor Reagan. He reported back to me. He contacted over 500 purveyors and collected checks from 30 or 40 of the 500. If that strikes you as being pushy, I would be surprised.

* * *

THE CHAIRMAN. Did you personally contact any of these vendors yourself?

MR. DONOVAN. I did not.

THE CHAIRMAN. You are saying of more than 500, about 30 or 40 actually contributed to the Reagan campaign?

MR. DONOVAN. That is what Mr. Gray told me.

THE CHAIRMAN. We may have had more luck with the hard hat people than with the vendors.

MR. DONOVAN. It seems so.

Hearings at 312-313.

b. Statement to the
Special Prosecutor

In his second interview with the Special Prosecutor, on May 10, 1982, Secretary Donovan described the background and circumstances of his involvement in the Ronald Reagan campaign of 1979-1980. Approached by Helene von Damm and Lynn Nofziger, Messrs. Donovan and Schiavone became active in raising funds for the Reagan candidacy. In April or May 1979, Nofziger and von Damm met with the two SCC principals at Fiddler's Elbow for lunch and asked them to stage some sort of fundraising event. The meeting resulted in the September 30, 1979, Fiddler's Elbow function.

Within SCC, Mr. Donovan personally asked Joseph DiCarolis, Albert Magrini and Richard Callaghan to assist in his efforts on behalf of Ronald Reagan's campaign. Mr. Donovan stated that the solicitation of SCC vendors did not occur prior to the Fiddler's Elbow function and that SCC employees did not solicit contributions for tickets to that

affair. The other SCC officers assisted Mr. Donovan after he told them that they were "on the line to raise \$100,000." Mr. Donovan's best recollection was that no employees other than SCC officers were involved in soliciting for the Fiddler's Elbow function.

Of the 300 tickets sold for the Fiddler's Elbow benefit, SCC was responsible for selling approximately half of them. Mr. Donovan personally solicited approximately 75 ticket sales between May and September 1979. His solicitation activities did not interfere with his regular duties. He made the calls during the day, the evening and on weekends. He was by far the most successful fundraiser at SCC.

The expenses of the Fiddler's Elbow function were billed to the Dinner Committee and paid for by that committee. No one at SCC other than he and Ronald Schiavone worked on the dinner, although Mr. Donovan's secretary, Constance Banziger, took messages for Mr. Donovan. The Fiddler's Elbow function grossed between \$160,000 and \$170,000.

Between September and November 1979, Mr. Donovan devoted only a few days, perhaps a Saturday and evenings during the week, to assist in arrangements for the November dinner at which Mr. Reagan announced his candidacy. Throughout this period, Mr. Donovan performed his regular duties at SCC. Mr. Donovan, Ronald Schiavone and other officers at SCC assisted in fundraising for the announcement dinner. Mr. Donovan personally sold 50 tickets at approximately \$500 per ticket.

Mr. Donovan was emphatic that he used no pressure tactics and did not demand that tickets to the dinner be sold by volunteer employees at lower levels of the SCC organization. The dinner was not "their market." The volunteers within SCC were motivated because they wanted Governor Reagan to succeed and wanted to contribute to the campaign. It was not due to any pressure, he said.

The solicitation of vendors by SCC personnel was not, Mr. Donovan said, connected to any specific benefit. Moreover, few participated in the solicitation effort. Those who did had been asked to assist in the effort. Mr. Donovan knew of no lists of subcontractors or vendors that were prepared or used in conjunction with the solicitation. All calls placed by SCC employees were made in the normal course of the employees' duties in contacting the vendors. The only persons at the SCC, other than principals, to whom Mr. Donovan recalled speaking about the campaign solicitation efforts were Jack Frost and Vito Paradise; not Jay Gray or Jerry Santangelo.

Frost and Paradise were told to see what they could do to raise money for Ronald Reagan. The employees who were involved in the solicitation were instructed in the rules that applied--i.e., the \$1,000 per person limit, the requirement that the checks be personal rather than corporate, and of the non-deductibility of the contribution.

Mr. Donovan did not know if anyone at SCC ever intimated or hinted to or threatened, subcontractors or vendors that, in the absence of a contribution, their business with SCC might be adversely affected. Mr. Donovan doubted that that happened as it was, in his words, "not SCC's style."

c. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

4. Conclusion of the Special Prosecutor

The Special Prosecutor's investigation developed no evidence of any prosecutable violation of the federal election laws. The Federal Election Campaign Act of 1971, 2 U.S.C. § 431, et seq. (the "Act"),⁴³⁰ generally prohibits a corporation from making any "contribution" to a federal campaign,⁴³¹ including the value of the unreimbursed services of its employees and use of its facilities. Moreover, the Act prohibits any corporate officer or director from consenting to a prohibited contribution or expenditure.⁴³²

430 The Act was amended in 1974, 1976 and 1979. The 1979 Amendments became effective on January 8, 1980, after the occurrence of any possible violations in conjunction with the Fiddler's Elbow function. The citations in this report are to the Act and regulations as codified prior to the effective date of the 1979 amendments.

431 2 U.S.C. § 441b(a)(1976); see also 11 C.F.R. § 114.2(b). The term "contribution" includes "anything of value." 2 U.S.C. § 441b(b)(2); see also C.F.R. § 114.1(a).

432 2 U.S.C. § 441b(a)(1976); see also 11 C.F.R. § 114.2(d).

However, a corporation does not make a "contribution" within the Act by paying his salary to an employee who, within a reasonable period, makes up any time devoted to campaign efforts and is paid only for work he actually performs.⁴³³ Further, corporate stockholders and employees may "make occasional, isolated, or incidental use of the facilities of a corporation for individual volunteer activity in connection with a Federal election," provided that they reimburse the corporation for the actual amount that overhead or operating costs are increased.⁴³⁴ "Occasional, isolated, or incidental" use is that which, among other things, does not prevent the employee from completing the normal amount of work for which he is responsible nor interferes with the corporation's normal activity.⁴³⁵ Campaign activity which does not exceed one hour per week or four hours per month "shall be considered as occasional, isolated, or incidental use of the corporate facilities."⁴³⁶

The record reflects a pattern of campaign activity which generally fits within these legal parameters. There is, moreover, no provable case that coercion was used in connection with the SCC personnel's solicitation efforts. Finally,

433 11 C.F.R. § 100.4(a)(5).

434 11 C.F.R. § 114.9(a)(1).

435 11 C.F.R. § 114.9(a)(1)(i).

436 11 C.F.R. § 114.9(a)(1)(iii).

under DOJ prosecutive guidelines, any transgression which might have occurred would not be one for which an indictment would be sought by the Department of Justice in ordinary circumstances. The Special Prosecutor, in the exercise of his prosecutorial discretion, determined to follow the written prosecutive policy of the Department of Justice, in accordance with 28 U.S.C. §594(f), and declined prosecution.

As set forth in Federal Prosecution of Election Offenses, prepared in October 1980 by the Election Crimes Branch of the DOJ Criminal Division's Public Integrity Section:

It is the policy of the Criminal Division to prosecute campaign finance crimes under the [Act's] penal sanction only in cases where the offense was either committed secretly and involved an extremely large sum of money, or where it was part of a larger and more aggravated crime. All other campaign finance matters are routinely referred to the Federal Election Commission ["FEC"] for the imposition of appropriate noncriminal penalties pursuant to the Act's Civil enforcement mechanisms.

Id. at 42.

On May 6, 1982, Gerald McDowell, Chief of the Public Integrity Section of the Department of Justice; Craig Donsato, Chief of the Election Crimes Branch; and Robert Richter, a Staff Attorney in the Election Crimes Branch, met with an Assistant Special Prosecutor. Presented with a hypothetical case which included the salient facts developed in the Special Prosecutor's investigation, the DOJ attorneys concluded that a criminal prosecution would be clearly unwarranted

under DOJ guidelines.⁴³⁷ The hypothetical aside, there is insufficient evidence that Mr. Donovan was aware that any conduct engaged in by SCC employees violated the federal election laws. Moreover, there was no surreptitious action committed to evade the Act nor a larger criminal scheme of which any violation was part.

Secretary Donovan should not be subjected to criminal prosecution for acts which were committed as a private citizen and for which, if he were a private citizen, he would not be prosecuted.⁴³⁸ Further, in view of the, at worst, trivial nature of any derelictions which may have been committed, and the unlikelihood that any prosecution would be successful, the Special Prosecutor concludes that no prosecution on the election law allegations is warranted. Pursuant to DOJ policy, the matter is being referred to the FEC to determine whether any action within its jurisdiction is appropriate.

IX. GALKE/HAYES ALLEGATIONS

On or about February 15, 1982, the Special Prosecutor received an affidavit executed by Edmund L. Galke, who alleged that, while he was a Fitzpatrick-Schiavone joint venture employee in the early 1970s, SCC paid him wages for one week he spent not on the job but installing panelling at the home of his

437 The DOJ attorneys remarked that, since the courts in their view have been hostile to election law cases, DOJ would not, as a result, bring such a case unless it involved patently offensive conduct.

438 Cf., 28 U.S.C. § 594(f).

lead engineer (shop steward) who was allegedly a union officer. The thrust of the allegation, therefore, was that SCC made an illegal payoff to the shop steward/union officer by paying for personal labor services. The Special Prosecutor investigated the allegation, determined that the shop steward was not at the time an officer of the relevant local and that there existed a substantial question whether Galke performed the alleged services on SCC time, and in any event, found no evidence of any involvement by Secretary Donovan in the matter. The grand jury declined to indict.

In addition to the Galke allegation, the Brooklyn Strike Force brought to the attention of the Special Prosecutor the claim of another dissident member of the same union, Local 138 of the International Union of Operating Engineers ("Local 138"), George Hayes. Hayes claimed that he might have been assigned by Local 138 to an SCC joint venture project in the early 1970s--coincidentally, the same project on which Galke worked--for the purpose of disrupting the performance of a company which he believed to be a rival of SCC. The Special Prosecutor determined that the ostensible "rival," which did in fact default in its performance, was an SCC subcontractor. Moreover, the allegedly union-inspired default of that firm put several Local 138 members out of work for approximately two months. There was, moreover, no evidence that Hayes had been assigned for disruptive purposes as he guessed. Finally, there was no evidence of any criminal offense involving the Secretary.

A. The Allegations

1. Edmund Galke

a. Affidavit of February 14, 1982

Under a cover letter dated February 15, 1982, the Special Prosecutor was forwarded an affidavit dated February 14, 1982, and executed by Edmund L. Galke, a Long Island resident and member of Local 138.⁴³⁹ In pertinent part, the Galke affidavit recited:

3. In 1972 I was working for Schiavone Construction Company, as an oiler on a pipe layer, on a job Schiavone was doing in Seaford, New York. Schiavone was installing an outfall pipe for a sewage system underneath the bay (I don't recall the exact name of the bay).
4. I worked for Schiavone on this job for about a year and one-half.
5. As far as I know this job was one of the first jobs that Schiavone did on Long Island.
6. Several months after I began working for Schiavone Herbert Parmenter, the lead engineer (shop steward) for Local 138 on the job asked me if I would go to his house and do some paneling. At the time Herbert Parmenter was also a member of the Executive Board of Local 138. I don't recall the exact date that I was asked to do this work but I believe that it was either in the fall or in the spring.
7. I agreed to do the work that Parmenter requested and for five or six days I worked at Parmenter's house and put paneling up in two of his upstairs bedrooms. Parmenter's house was located in Northport, New York. Parmenter told me that he would take care of me and make sure that I got paid by Schiavone for the time I

439 A copy of the affidavit (the "Galke affidavit") is annexed as Exhibit 81.

spent at his house. In fact, I did get paid by Schiavone for the entire period that I worked on Parmenter's house, even though I never showed up on the job.

8. Schiavone's superintendant on the job was a man named Joe Vergari. Although I never spoke to Vergari about what I had done for Parmenter I would assert [sic] that it would be quite difficult for him not to have known that I was absent from work for five-six days.

Exhibit 81 at ¶¶ 3-8, pp. 1-2.

b. Statement to the
Special Prosecutor

Agents of the Special Prosecutor interviewed Edmund L. Galke on March 15, 1982. Galke stated, inter alia, that he had been a member of Local 138 since 1946. In approximately 1972, he commenced employment for a Seattle-based company Garrison 8/Mottner & McCutchen ("Mottner & McCutchen"). Mottner & McCutchen had contracted to lay pipeline for a sewage system underneath Great South Bay in Nassau County (the "Great South Bay job"). Galke was employed as an oiler who fueled certain machinery, warmed it up in the morning and shut it down in the evening. It was Galke's understanding that Mottner & McCutchen were in a joint venture with Fitzpatrick-Schiavone in the sewage system project. Following difficulties encountered by Mottner & McCutchen on the job, resulting in their missing a contractual deadline, their work was assumed by Fitzpatrick-Schiavone.

Approximately eight or nine months following Fitzpatrick-Schiavone's assumption of the Mottner & McCutchen

work, Galke was approached by Herbert Parmenter, Local 138's shop steward and lead engineer on the Great South Bay project. Parmenter, who was aware that Galke was skilled in carpentry, asked Galke to perform some panelling work on Parmenter's home. Parmenter stated that, if Galke agreed, Galke would be taken on the construction project. For five or six days, Galke went to Parmenter's home in Long Island and panelled two upstairs bedrooms. According to Galke, Parmenter had purchased light colored panelling (white with a green stripe) as well as wood grain panelling. Galke was paid his wages plus overtime from Fitzpatrick-Schiavone for the days he spent at Parmenter's house.

Parmenter, as the lead engineer/shop steward for Local 138, recorded the hours worked by Local 138 members on the Great South Bay job and submitted them to the job superintendent, Joseph Vergari. Galke assumed that Vergari would "have to have known" that Galke was not present for the days that he was paneling Parmenter's bedrooms. However, Vergari never so stated to Galke. Nor did Galke know whether any other SCC official was aware of what he had done. To the best of Galke's knowledge, no other individual was paid for work that was not performed at the Great South Bay project.

c. Grand Jury Testimony

Edmund L. Galke testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

2. George Hayes

Agents of the Special Prosecutor interviewed George Hayes on March 15, 1982. Hayes stated, among other things, that he had been a member of Local 138 since 1947. In 1972, Hayes believed that Garrison 8/Mottner & McCutchen was engaged in a joint venture with Fitzpatrick-Schiavone on the Nassau County sewer crossing in the Seaford, Long Island, area. According to Hayes, Mottner & McCutchen incurred tremendous opposition from Nassau County officials and various trade unions, including Local 138. Additionally, Hayes believed, when Fitzpatrick-Schiavone realized how lucrative the sewer project was, they wanted to get rid of Mottner & McCutchen in order to assume control over the entire project. Eventually, Mottner & McCutchen failed to meet a contractual deadline, which required that a certain length of pipeline have been laid by a specified date, and was removed from the Great South Bay job.

As a result, Hayes said, Fitzpatrick-Schiavone assumed responsibility for the entire project. Hayes believed that Fitzpatrick-Schiavone was "behind" the opposition to Mottner & McCutchen. Local 138 acted to hamper Mottner & McCutchen's progress by assigning Hayes to the project. At one point early in the job, Local 138 President James Duffey told George Hayes that they "ha[d] to get rid of these Seattle people" and "all trade unions have to stick together." Duffy told Hayes that he wanted Hayes, a maintenance man,

to "rattle their cages" on the Mottner & McCutchen portion of the job.

Hayes stated that he enjoys a reputation as a strong union man who could cause trouble on the job. His instructions from Duffy were "to do [his] thing" and to insist upon strict enforcement of all contractual requirements. As a result of Hayes' hardline attitude and behavior, many of the Seattle-based workers quit the job and returned to Seattle.

Initially, Duffy gave Hayes no indication who was behind this opposition to Mottner & McCutchen. He was satisfied to follow Duffy's instructions. Later, however, it became obvious to Hayes that Mr. Donovan was the source of the mischief. After Duffy had met Mr. Donovan on the Great South Bay job site one day, Duffy told Hayes: "We're finally going to get this job back." Duffy also made reference to the fact that "we all stuck together" and said: "We're going to get rid of these people from Seattle." Hayes was also told that he would be terminated from the Great South Bay job after Fitzpatrick-Schiavone assumed responsibility for Mottner & McCutchen's work.

Shortly thereafter, Duffy invited Hayes out for a drink. Hayes declined, explaining that he was experiencing marital and financial difficulties. Duffy then pulled out a large amount of cash from his pocket and handed Hayes \$1,000. Hayes said that he was at first reluctant to accept, but he

ultimately did so, after stating that it was to be considered a loan. When, approximately six or eight months later, Hayes attempted to repay \$500 to Duffy, Duffy would not accept the money.

It was apparent to Hayes, he said, the \$1,000 was in return for Hayes' role as a "hell raiser" on the Great South Bay job. Hayes had no knowledge whether Duffy was paid by Fitzpatrick-Schiavone to create havoc on that project.

Hayes did not know whether Secretary Donovan had anything to do with the foregoing. He never saw Mr. Donovan on the job site or anywhere else. However, Joe Vergari, the Fitzpatrick-Schiavone project manager, once told Hayes that "Schiavone made nothing but money" on the project after it took over responsibility for the entire job.

B. Results of Investigations

1. Herbert Parmenter

a. Statement to the Special Prosecutor

On March 29, 1982, agents of the Special Prosecutor interviewed Herbert Parmenter. Among other things, Parmenter stated that he had been a member of Local 138 for 32 years and an elected officer since 1974. Prior to 1974, he held no elective office in the union, although he served on the appointed board for examining apprentices.

The Great South Bay job, on which Parmenter worked in the early 1970s, was a Fitzpatrick-Schiavone project on which Garrison 8/Mottner & McCutchen were subcontractors.

The project involved laying pipeline under Great South Bay. Parmenter was employed by Fitzpatrick-Schiavone as a master mechanic. His duties entailed overseeing the erection, operation and dismantling of all equipment. At least 30 Local 138 members worked on that project at any given time.

Because of the problems inherent in laying outfall pipe across the Bay, Mottner & McCutchen designed a custom-tailored rig, including a derrick boat, which enabled the workers to lay six pipes at a time. Parmenter was unaware of any problems that Mottner & McCutchen experienced on the job. The fact that Seattle-based people worked that project was irrelevant to the Local 138 members. While Parmenter was aware that certain Mottner & McCutchen employees quit, he knew no reason why that occurred. In fact, even after Fitzpatrick-Schiavone assumed the subcontract from Mottner & McCutchen, certain Mottner & McCutchen supervisors remained on the job. James Duffy, Local 138's President never said anything to Parmenter suggesting that he preferred not to work with Mottner & McCutchen. Nor did Duffy ever instruct Parmenter to disrupt the job.

In response to the Galke allegation, Parmenter labelled Galke a "liar." Galke came to work for Parmenter on that project as an apprentice engineer. From the very beginning, Parmenter recounted, he had trouble with Galke, whose abilities were those of a carpenter, not an operating engineer. Parmenter admitted that he invited Galke to his home

one night after work to measure the dormer space on the top floor of Parmenter's house. Galke spent approximately one and one-half hours doing so. That, however, was the sole occasion on which Galke was in Parmenter's house.

Parmenter expressly denied that Galke ever performed panelling work on Parmenter's house. The panelling, Parmenter asserted, was done by a neighbor, Harry Reichert. One bedroom was panelled in 1972 in brown wood grain panelling; the other room was panelled in white in 1976.

To Parmenter's knowledge, Galke was on the job everyday he was scheduled.

b. Grand Jury Testimony

Herbert Parmenter testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

2. Harry Reichert

An agent of the Special Prosecutor interviewed Harry Reichert, a self-employed carpenter, on April 28, 1982. Among other things, Reichert stated that he had known Herbert Parmenter for approximately 20 years, although he had not seen Parmenter in the four or five years preceding his interview. Approximately 10 to 12 years ago, Reichert said, at Parmenter's home in East Northport, Reichert performed work for Parmenter, placing a roof over a breezeway and installing hatcher woodgrained panelling. Reichert worked with Parmenter on the project for approximately three Saturdays. He did not charge Parmenter, whom he considered a friend.

Approximately one year later, Reichert assisted Parmenter in installing panelling in Parmenter's bedroom. Once again, Reichert did the work at no charge. He did not recall the type of panelling he installed.

3. James Duffy

a. Statement to the Special Prosecutor

An agent of the Special Prosecutor interviewed James J. Duffy, President of Local 138, on April 1, 1982, in the presence of Duffy's counsel. Among other things, he stated that Local 138 manned the Great South Bay outfall pipeline project of Fitzpatrick-Schiavone. Herbert Parmenter served as local 138's lead engineer. Garrison 8/Mottner & McCutcheon, a West Coast firm with specialized pipeline equipment and expertise, was a subcontractor to Fitzpatrick-Schiavone on that project.

Parmenter and the Local 138 members assisted Mottner & McCutchen in constructing and operating the underwater pipelaying machine. Mottner & McCutchen encountered significant problems on the job, delays as a result of pipes not fitting properly, which ultimately resulted in the firm's falling behind its performance schedule and the County's halting the job. The County referred the work to the bonding company who, in turn, referred it to Fitzpatrick-Schiavone for completion. Duffy had no direct knowledge of the problems encountered by Mottner & McCutchen that led to its failure to meet its performance schedule and fulfill its subcontractual

obligations. Duffy's understanding was that the problems were technical in nature and not caused by union performance or the result of labor difficulties.

George Hayes was a member of Local 138 who held neither title nor office in the union. Hayes was not brought on the Great South Bay job for any specific purpose but was assigned by a dispatcher, through Local 138's hiring hall, solely on the basis of his availability, capability and seniority. Duffy never took a worker off one job to place him on another unless there was a compelling need to do so. Hayes was not assigned to the Great South Bay job to create trouble.

The circumstances surrounding George Hayes' leaving the Great South Bay job were unknown to Duffy, who neither assigned Hayes to, nor removed Hayes from, that project. Duffy recalled no conversation with Hayes. He knew nothing about any marital or financial problems Hayes may have been experiencing. Moreover, Duffy did not recall having made a \$1,000 loan or payment to Hayes. Quite the contrary, Duffy asserted that he never lent Hayes any money. Nor did he have any conversations with Hayes at any time about creating labor problems, or any other difficulties, for Mottner & McCutchen. Duffy knew of no attempt to run Mottner & McCutchen off the Great South Bay project. Duffy was not aware of any conspiracy or collusion to prevent Mottner & McCutchen from fulfilling its subcontract.

Duffy stated that Hayes was trouble and that Hayes could not keep a job for more than three weeks because of his personality. Hayes opposed Duffy for the presidency of Local 138 because Duffy refused to appoint Hayes as a lead engineer.

The Galke allegation first came to Duffy's attention when he read a New York Times article which reported it.⁴⁴⁰ As lead engineer, Parmenter had no authority to send a union member off the job and nonetheless insure that he was paid. Duffy had no direct knowledge of the panelling allegation.

b. Grand Jury Testimony

James J. Duffy testified before the grand jury.

[GRAND JURY MATERIAL DELETED.]

4. Alan B. (Mike) McCutchen

At the request of the Special Prosecutor, FBI agents interviewed Alan B. (Mike) McCutchen on April 20, 1982, in Denver, Colorado. According to the report of interview,⁴⁴¹ McCutchen stated, inter alia, that he was self-employed as a partner of Mottner & McCutchen, Inc. ("Mottner & McCutchen"), which specialized in heavy engineering construction--principally building dams, power-houses and marine constructions.

In the early 1970s, Mottner & McCutchen became involved in the Great South Bay job as a joint venture partner

⁴⁴⁰ M. Oreskes, "Donovan's Company Is Cited Anew," New York Times, Feb. 17, 1982 at B5, col. 1.

⁴⁴¹ S.P. nos. 103066-10368.

of Garrison 8 and in conjunction with Fitzpatrick-Schiavone. Fitzpatrick-Schiavone never attempted to sever relations with, or otherwise secure the removal of, the Garrison 8/Mottner & McCutchen joint venture from the Great South Bay job. To the best of McCutchen's recollection, there was never any opposition to Mottner & McCutchen from the trade unions. Prior to the start of construction, Mottner & McCutchen had obtained a \$2.2 million bond. Due to ignorance of local New York union rules and regulations, the job was severely underbid. In approximately May 1972 Mottner & McCutchen was forced to request financial assistance from Fitzpatrick-Schiavone because it could not meet its payroll. Fitzpatrick-Schiavone provided Mottner & McCutchen with \$600,000 to \$700,000 which, in violation of the bond contract, effectively reduced the face value of the bond. Mottner & McCutchen subsequently bought out of the bond for \$440,000; their liability could have been \$1,000,000 to \$1,500,000.

To the best of McCutchen's knowledge, his dealings with Raymond Donovan were fair, acceptable and totally above-board.

5. Local 138 Documentation

The Special Prosecutor subpoenaed the pension fund records of Local 138 to ascertain that period of time during which Parmenter and Galke were contemporaneously employed on the Great South Bay job. Those records reflected, among other things, that Parmenter was employed by the Fitzpatrick-

Schiavone Joint Venture from March 9, 1972 until October 4, 1973.⁴⁴² Edmund Galke was employed by Garrison 8/Mottner & McCutchen from September 21 through November 30, 1972.⁴⁴³ Galke was on Fitzpatrick-Schiavone's payroll from November 30, 1972 through October 11, 1973.⁴⁴⁴ They were contemporaneously on the project, therefore, from September 21, 1972, to October 4, 1973.

6. Raymond J. Donovan

a. Statement to the
Special Prosecutor

During the May 10, 1982, interview with the Special Prosecutor, Secretary Donovan stated that he did not know and had never met Edmund Galke, George Hayes or Herbert Parmenter. Mr. Donovan was familiar with the Fitzpatrick-Schiavone joint venture's involvement in the Great South Bay job which was undertaken subsequent to SCC's acquisition of Fitzpatrick. Mr. Donovan had no knowledge whether Fitzpatrick-Schiavone paid Galke one week's pay while Galke was performing carpentry work at Parmenter's home.

Fitzpatrick-Schiavone did not assume increased responsibility for the Great South Bay job following the failure of Garrison 8/Mottner & McCutchen. Rather, Fitzpatrick-Schiavone

442 S.P. nos. 466072-466073.

443 S.P. no. 446062.

444 S.P. nos. 466062-466063.

already bore responsibility for Mottner & McCutchen's performance since that firm was a subcontractor. Some of the Mottner & McCutchen supervisors remained with the project on Fitzpatrick-Schiavone's payroll after the firm failed, the Secretary noted. Mr. Donovan was acquainted with Alan B. (Mike) McCutchen of Mottner & McCutchen.⁴⁴⁵

b. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

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- 445 During his April 20, 1982, interview with agents of the FBI, Alan B. (Mike) McCutchen stated that in March or April, 1972, he and a representative of Garrison 8 moved to New York City in connection with the Great South Bay job. McCutchen was subsequently introduced to Raymond J. Donovan. Prior to the start of pipelaying, McCutchen recalled, he was specifically told by Mr. Donovan that if anyone was approached for a payoff or subjected to any type of coercion or labor threats, they were not to yield to the demands but were to come instead to Mr. Donovan immediately. Mr. Donovan told McCutchen that the only exception to this was that it was permissible to pay the state crane inspector \$10 for inspecting each of the cranes. McCutchen did not know whether the crane inspector was paid but assumed that he was inasmuch as the cranes were used on the job. S.P. nos. 103067-103068.

During his May 10, 1982, interview, Mr. Donovan stated, inter alia, that did not recall having told McCutchen, at or about the start of the Great South Bay job that, if any union or other person approached him for payoff, that person should be sent to Mr. Donovan. Mr. Donovan could not imagine having made those remarks. Moreover, he absolutely denied having told McCutchen that the crane inspector was the one exception to a no-payoff policy and that the crane inspector could be paid \$10.00 per crane. Mr. Donovan advised that he would not have been involved in such matters, which were operational in nature. [GRAND JURY MATERIAL DELETED.]

C. Conclusions

1. Grand Jury

The grand jury on June 22, 1982, declined to indict Mr. Donovan with respect to his testimony before the grand jury concerning the Galke allegation.

2. Special Prosecutor

There is no prosecutable offense stated in the Galke allegation. Galke initially presented the charge couched in terms of an indirect payoff by Fitzpatrick-Schiavone to an alleged union representative, Herbert Parmenter. As it developed, however, Parmenter was not a union officer at the time that the alleged payoff was made. In any case, assuming there was such a payoff, and assuming that, as lead engineer, Parmenter was an employee representative, there was no evidence that anyone associated with Fitzpatrick-Schiavone, much less Secretary Donovan, knew anything about it. There is nothing in the record to warrant prosecution of the Secretary.

The Hayes allegation was not put before the grand jury because it did not state facts amounting to any criminal offense. There is no evidence that there was any union-caused disruption on the Great South Bay job and, even if there were, there surely is no evidence that would sustain a prosecution of the Secretary on that score.

X. ENTERTAINMENT OF UNION OFFICIALS

During Secretary Donovan's confirmation hearings, there surfaced an allegation that Fiddler's Elbow Country Club, an SCC subsidiary, was used by SCC to entertain various union officials in violation of Section 302(a) of the Taft-Hartley Act, 29 U.S.C. § 186(a). The allegation before the Senate centered on an occasional practice of SCC employees entertaining union officials as, for example, at business lunches.

Investigating SCC's use of Fiddler's Elbow for union entertainment purposes, the Special Prosecutor found no prosecutable violation of Section 302(a). Further, under current DOJ prosecutive guidelines, the facts developed by the Special Prosecutor would not lead to institution of a criminal prosecution if the case fell within the jurisdiction of DOJ rather than the Special Prosecutor. The Special Prosecutor exercised his prosecutorial discretion in electing not to present this matter to the grand jury.

A. The Allegations

Chairman Hatch questioned Secretary-designate Donovan concerning the allegation that SCC improperly used Fiddler's Elbow to entertain Union officials (the "Fiddler's Elbow allegation") in the following exchange:

THE CHAIRMAN. There was an allegation that I haven't brought up yet, and that is that business agents, their wives and friends--business agents meaning union business agents--were encouraged to have meals at the Fiddler['s] Elbow Country Club owned by Schiavone Co. and that Schiavone picked up the checks. That's how picky some of these

allegations have been, but give us your answer with regard to that.

MR. DONOVAN. Fiddler's Elbow Country Club is a wholly owned subsidiary of our company. It is used for the entertainment of our families and our business associates, and some union leaders, I'm certain. Are they encouraged to go there? No; they come by invitation only.

THE CHAIRMAN. And you have entertained business agents from the unions just like you have, I take it, business leaders from business with whom you do business"

MR. DONOVAN. Obviously.

THE CHAIRMAN. Do you see anything wrong with that?

MR. DONOVAN. I see a lot right about it.

Hearings at 345-346.

B. Results of Investigation

1. Fiddler's Elbow Documentation

The Special Prosecutor secured from SCC information concerning entertainment of union officials by any of the dozen most senior officers, including the stockholders, of SCC from 1977 through 1981. The records reflected that, during that five-year period, union officials were entertained on five separate occasions by Joseph DiCarolis, Vito Paradise or Charles Keener.⁴⁴⁶

More significantly, however, they also reflected that, on July 28, 1980, SCC entertained between 30 and 50 union business agents at a Union Appreciation Day at Fiddler's Elbow (the "Fiddler's Elbow outing" or "outing") at

446 S.P. nos. 354290-354296.

a total cost of \$3,606.27.⁴⁴⁷ As described in the April 22, 1980, memorandum from Joseph DiCarolis to SCC executives, project managers and project superintendents⁴⁴⁸ the outing was conceived to improve SCC/union relations:

The Executive Committee has decided to book Monday[,] July 28 at Fiddler's Elbow Country Club, and to use that date to invite to a social function those Business Agents of the various Unions in New Jersey and New York that our construction projects have had an association with over the past twelve months.

The Committee is hopeful that a function specifically set aside which would allow the Business Agents and our Supervisory Personnel to mix in a pleasurable surrounding, with no business discussions, will create an atmosphere where we can all get to know each other better.

The complete facilities of Fiddler's Elbow will be available to us for golf, tennis, cards or just relaxing.

The day would begin as early as 8:00, with golf and would finish about 10:00 p.m. after an excellent dinner.

* * *

Our Company personnel will be limited to Company Executives, Project Managers and Superintendents only.

Union personnel should be limited to only the Agents who are now or who have within the past year been associated with a Company project.

Exhibit 82. The records further reflected that Mr. Donovan participated in the golf outing.⁴⁴⁹

447 S.P. nos. 354287-354289.

448 A copy of which is annexed as Exhibit 82.

449 S.P. no. 354289 (third foursome).

2. Ronald A. Schiavone

[GRAND JURY MATERIAL DELETED.]

3. Raymond J. Donovan

a. Statement to the
Special Prosecutor

During his second interview with the Special Prosecutor, on May 10, 1982, Mr. Donovan stated, among other things, that he recalled the Fiddler's Elbow outing. Mr. Donovan did not recall participating in the decision to hold that outing although he presumed that he was present at any executive committee meeting that so decided. The executive committee did not maintain minutes of its meetings, he said.

Mr. Donovan attended the outing for several hours. It was primarily a golf outing. It was the first and only outing that SCC has held for union representatives.

The "entertainment" consisted of breakfast, golf, lunch and dinner. The total cost of the affair was approximately \$3,600. Asked whether SCC procured legal advice as to whether the outing constituted a violation of the Taft-Hartley Act, Mr. Donovan stated that he did not recall the legal issue having been raised, but SCC's house counsel was ordinarily present at executive committee meetings.

Mr. Donovan knew of no other entertainment of union officials by SCC, but he stated that it would not surprise him if such had occurred. Mr. Donovan had been to no other such outings and, to his knowledge, none had occurred. Mr. Donovan never golfed with a union official on any other occasion.

b. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

C. Conclusion of the Special Prosecutor

Section 302(a) renders it unlawful for any employer "to pay, lend, or deliver, or agree to pay, lend, or deliver, any money or other thing of value (l) to any representative of any of his employees. . . ." The statute was enacted to prevent tampering with the loyalty of union officials and thereby to protect employees' interests. United States v. Roth, 333 F.2d 450, 453 (2d Cir.), cert. denied, 380 U.S. 942 (1964). Consistent with that purpose, "thing of value" is defined as that which might "turn the edge of [a union officer's] allegiance." Id. at 453.

No clear definition of a "thing of value" has emerged from the decisions; value, for Section 302 purposes, "is usually set by the desire to have the 'thing' and it depends upon the individual and the circumstances" United States v. Roth, supra, 333 F.2d at 453. Whether a particular item constitutes a "thing of value" turns upon whether it is ultimately in the interest of employees to proscribe it because it will adversely impact on collective bargaining negotiations or creates conflicts of interest for the union officials. The provision of the golfing facilities and meals does not satisfy these criteria nor is it the sort of behavior the statute was intended to bar.

However, even if there were a technical violation of the statute, application of DOJ prosecutive policies would clearly lead to a decision not to prosecute on these facts. In a meeting with an Assistant Special Prosecutor on May 6, 1982, David Margolis, Chief of the Organized Crime and Racketeering Section of the Department of Justice; Paul Coffey, Deputy Chief; and Gerald Toner, DOJ expert on Taft-Hartley Act violations, they stated that the Department looks, in Section 302 cases, for egregious conduct that renders the act sufficiently "bad" to warrant a criminal investigation. In that regard, great emphasis is placed on a criminal intent for the particular transaction. DOJ looks for some quid pro quo in Taft-Hartley cases before recommending prosecution. The mere fact that an employer might buy lunch for a business agent over the years would not be prosecuted even if that were a technical violation of the statute, which they doubted.

A hypothetical situation reflecting the salient facts was presented to the DOJ lawyers. They unanimously agreed that a golf outing, which involves no solicitation for funds by the labor official or any offer of funds by the employer to influence a particular event or decision, is not an event which would be prosecuted by the Department, even if it were a crime.

No prosecution of Secretary Donovan is warranted for acts which he performed as a private citizen and for which, if he were still a private citizen, no prosecution

would be instituted. It is highly dubious that any crime was committed; no successful prosecution could, moreover, likely be sustained. No prosecution is, accordingly, warranted.

PART THREE: CONCLUDING MATTERS

XI. ACKNOWLEDGMENTS

The Special Prosecutor's investigation and this Report could not have been completed but for the devoted efforts of the members of the Special Prosecutor's staff. The staff logged long and arduous hours throughout the investigation, and each member contributed significantly to the outcome.

The Federal Bureau of Investigation, through Director William A. Webster, provided unstinting cooperation throughout the investigation. Three Special Agents, Ronald Wetherington, Thomas R. French and Alan V. MacDonald, served on the Special Prosecutor's staff, on detached service from the Bureau, for more than five months. They pursued the literally hundreds of leads which surfaced during the course of the investigation and did so in a thorough and highly professional manner. They were assisted in their efforts by Special Agents at various FBI offices throughout the country and in Europe; the Newark, New York and Miami/Fort Lauderdale offices, as well as the headquarters staff, deserve particular commendation. Nothing that the Special Prosecutor requested of the Bureau was denied; the Bureau's responses were exceedingly prompt and uniformly positive.

The Special Prosecutor also wishes to acknowledge his indebtedness to the Internal Revenue Service, which supplied two Criminal Investigation Division investigators, Raymond J. Lee, Jr., and Michael J. O'Brien, who also

devoted extensive time and effort both as general investigators and in applying their expertise as IRS investigators. The effective services of James McShane, a private investigator should also be noted. He not only participated in major portions of the Special Prosecutor's investigation but also effectively organized a staff of other private investigators for special projects. These investigators, Edward Ancin, Ambrose Conroy, James Davidson, Lawrence Doyle, Francis Dwyer and Thomas Krall, performed important services for the Special Prosecutor.

The invaluable services of Teresa W. Duggan, Administrative Assistant, merit particular attention. Her selfless dedication and superb performance have been keenly appreciated.

In addition, special commendation should be given to Richard H. Weare, the Clerk of the District Court for the Eastern District of New York and Robert Heinemann, Deputy Clerk for their assistance in making available the Clerk's office at considerable effort and for meeting the logistical demands for interviewing witnesses during sittings of the grand jury.

The Marshal's Staff in The Eastern District of New York took the brunt of delivering prisoners to the grand jury under appropriate security arrangements and adjusted their work arrangements to meet the needs of the Special Prosecutor and the grand jury. They discharged the increased burdens created by the investigation with efficiency and good humor.

The Special Prosecutor owes much to Chief Judge Jack Weinstein who cheerfully provided the space in the Federal Courthouse utilized by the Special Prosecutor and the grand jury and succeeded in making our unpaid tenancy trouble free.

The law firm of Fried, Frank, Harris, Shriver & Jacobson, of which the Special Prosecutor is a member, merits special recognition. The investigation was managed out of the law firm's offices. Three of the four lawyers, including the Special Prosecutor, involved in the investigation practice with the firm. The services of two of them were donated to the investigation by the firm. In addition, the firm donated the services of several paralegals and numerous support personnel and facilities. The cost to the firm of the investigation exceeded \$500,000.

The Special Prosecutor also wishes to express his appreciation to the law firm of Kasanof Schwartz Iason for having seconded Bart M. Schwartz to the staff of the Special Prosecutor at considerable sacrifice to that firm.

XII. REFERENCES TO JUSTICE DEPARTMENT AND FEC

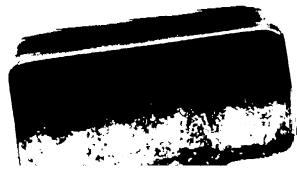
The Special Prosecutor is referring for further action all information and leads developed in connection with the investigation of no show employees on SCC's Vernon Boulevard job, and possible perjury charges in connection with the no show allegations. The Special Prosecutor is also referring to the Department of Justice the results of the FBI's

ongoing investigation into the death of Frederick S. Furino and specifically whether Furino's death represented an obstruction of justice or other Federal criminal violation in connection with the Special Prosecutor's investigation.

Finally, pursuant to written DOJ prosecutive guidelines, the Special Prosecutor is referring to the Federal Election Commission evidence garnered in connection with the campaign financing allegation to permit that body to determine whether any action within its jurisdiction is appropriate.


LEON SILVERMAN
SPECIAL PROSECUTOR

June 25, 1982



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