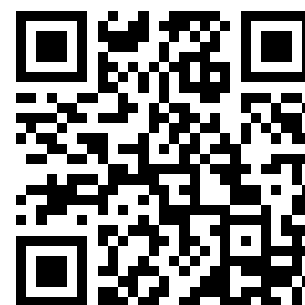

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UNITED STATES COURT OF APPEALS
FOR THE DISTRICT OF COLUMBIA CIRCUIT

No. 81-2

September Term 1981

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

REDACTED

SUPPLEMENTAL REPORT OF THE SPECIAL PROSECUTOR

September 10, 1982

Leon Silverman
Special Prosecutor



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Silverman
Report of the special
prosecutor

NOTICE

This is the edited version of the 111-page Supplemental Report of the Special Prosecutor, released pursuant to Court Order. All grand jury material and certain informant information--including entire allegations and exhibits--which, if disclosed, could jeopardize the lives of the informants, has been deleted. None of the conclusions has been modified in substance.

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INTRODUCTION

Subsequent to the preparation of the four volume Report of the Special Prosecutor filed with the Court on June 26, 1982, a series of allegations concerning Secretary Donovan was received by the Special Prosecutor. Pursuant to decretal paragraph 3 of the December 29 Order, the Special Prosecutor investigated all of the allegations, some of which were in part duplicative of, or strongly resembled, allegations set forth in the Report. In each instance, the Special Prosecutor concluded that there was insufficient credible evidence to support a prosecution of Secretary Donovan for any of the alleged wrongdoing or for his statements concerning such allegations. The allegations and the attendant investigation are described in this Supplemental Report.

I. THE JUNE 14 ALLEGATIONS

On June 14, 1982, the Special Prosecutor received in writing allegations ("the June 14 allegations") consisting of (a) information set forth in a January 10, 1981, internal FBI memorandum (the "January 10 information"),¹ and (b) information

¹ It should be noted that, months prior to June 14, 1982, the FBI had furnished to the Special Prosecutor two summary teletypes dated January 11, 1981, reflecting much of the January 10 information. The January 10 information came to the attention of the FBI following a review of files in connection with the Bureau's investigation into the death of Frederick S. Furino. See Report, vol. 2, p. 572 [redacted version, vol. 2, p. 425]. [MATERIAL DELETED.]

received by the FBI from a subject of a pending public corruption investigation (the "'Subject' information").²

[MATERIAL DELETED.]

A. The January 10 Information

1. The Allegations

The January 10 information comprised the following:

The source stated that RAYMOND DONOVAN (Labor Secretary designee) is employed as a corporate representative for Schiavone Construction Company, New Jersey. According to the source, DONOVAN is responsible for representing Schiavone's interests during pre-job conferences with the heads of the various building trades. Because of his role described above, the source advised that the word on the street is that DONOVAN does associate with "connected" Teamsters and organized crime figures. The source knows for a fact that Donovan has had dealings with JOHN MESSINGER, Local 14, Operating Engineers.

The source continued by advising that DONOVAN is an anti-labor type who is only interested in big business.

During his recent campaign drive, RONALD REAGAN personally appeared at the 34th Street [sic] subway job being constructed by Schiavone Construction. This visit was apparently accepted negatively by the assorted trades at the project inasmuch as organized labor supported President CARTER for the nomination.

The source added that Schiavone Construction has been the principal contractor on all

² The Special Prosecutor on June 25, 1982, informed the Court of the June 14 allegations and that the Special Prosecutor's investigation of those allegations (as conducted through June 25) changed none of the conclusions in the Report dated June 25 and filed June 26, 1982.

subway projects in the metropolitan area. "Big J" Construction Company, an excavating firm located in Brooklyn, is Schiavone's main sub-contracting firm. The source said that the word on the street is that nothing goes to Big J unless a substantial kickback to Big J is involved. The source claims that Big J is a mob-controlled outfit.

The source advised that DONOVAN is known to have several "dummy" companies (names unknown) which he successfully utilizes to launder money.

The source concluded by stating that Schiavone has strong ties to Italy, which were evident during a past financial crisis experienced by Schiavone. According to the source, Schiavone financially overextended himself and received financial help from Fiat Motors, Italy.

January 10, 1981, internal FBI memorandum (in pertinent part).

2. The Investigation

a. SCC

From SCC and its counsel, the Special Prosecutor learned on June 24, 1982, the Big J Demolition and Excavation Co., Inc. ("Big J"), was never a subcontractor to SCC. Rather, Big J rented certain equipment to the S-I-C joint venture in approximately 1976-1977.

On June 25, 1982, the Special Prosecutor procured from SCC records of all payments made to or for the benefit of Big J by S-I-C or any other SCC subsidiary or joint venture. The records reflected a total of \$125,096.39 in payments

between October 26, 1976, and September 19, 1978.³

The data provided by SCC thus contradicted the January 10, 1981, source's information that Big J was SCC's "main sub-contracting firm," or otherwise a principal vendor, on the half-billion dollars worth of SCC's subway construction projects in New York City.

b. Ronald A. Schiavone

On June 24, 1982, the Special Prosecutor questioned SCC Chairman Ronald A. Schiavone whether SCC had "received financial help from Fiat Motors,⁴ Italy . . . during a past financial crisis experienced by Schiavone [Construction Company]." Schiavone stated that neither directly nor through the S-I-C joint venture had Fiat ever provided financial assistance to SCC or any of its affiliates or subsidiaries. Schiavone further advised that SCC had not had any financial problems for at least 25 years.⁵

c. John J. Messinger

An agent of the Special Prosecutor interviewed John

³ A ledger sheet summarizing such payments is annexed as Exhibit 90.

⁴ It should be recalled that one of SCC's partners in the S-I-C joint venture, Impregilo, comprises three participating companies. One of those, Impresit, is a subsidiary of Fiat S.P.A. Holding Company ("Fiat"). See Report vol. 4, note 5, p. 975 (vol. 1, note 5, p. 17 of the redacted version).

⁵ SCC's relationship to Fiat dates back less than a decade. See the immediately preceding footnote and the reference cited therein.

J. Messinger, Business Manager and Financial Secretary of Locals 14 and 14B of the International Union of Operating Engineers, on June 23, 1982. Among other things, Messinger stated that Local 14 operating engineers currently are, and for many years have been, employed on SCC projects. However, Messinger dealt with Joseph DiCarolus, not Raymond Donovan, in connection with Local 14's work with SCC. Mr. Donovan was not involved in pre-job conferences with labor unions, to Messinger's knowledge.⁶

Messinger acknowledged that he knew the Secretary, initially having met Mr. Donovan at industry functions and subsequently working with him in political activities ranging from Westway support to the unsuccessful re-election campaigns of Senator James Buckley and President Gerald R. Ford. Messinger stated that he had no knowledge of any relationship between Secretary Donovan and any organized crime figures.⁷ Messinger also stated that, in his view, Mr. Donovan was not "anti-labor."

⁶ Mr. Donovan's lack of involvement in SCC's relations with labor unions was confirmed by Secretary Donovan in his January 18, 1982, interview with the Special Prosecutor and by Messrs. Schiavone and DiCarolus in the January 13 Schiavone interview and the January 15 DiCarolus interview. [GRAND JURY MATERIAL DELETED.]

⁷ In a June 22, 1982, telephone conversation, the FBI (headquarters) informed the Special Prosecutor's staff that Messinger's name did not appear on any of the Bureau's organized crime indices.

d. Secretary Donovan

On June 24, 1982, through his counsel, Secretary Donovan informed the Special Prosecutor that he had known John Messinger for an extended period of time, perhaps five to ten years. Mr. Donovan saw Messinger socially only at construction industry functions. He had never personally entertained or been entertained by Messinger. Moreover, the Secretary denied that he had any business dealings with Messinger, apart from SCC's employment of Local 14 operating engineers on various projects. Mr. Donovan had twice seen Messinger at public affairs since he was confirmed as Secretary of Labor.

Interrogated under oath by the Special Prosecutor on August 29, 1982, Secretary Donovan confirmed all of the foregoing.

3. Conclusion of the
Special Prosecutor

There is insufficient credible evidence to conclude that Secretary Donovan was involved in any wrongdoing with respect to the January 10 information.

B. The "Subject" Information

1. The Allegation

The "Subject" information, initially conveyed to the Special Prosecutor by telephone on June 24, 1982, concerned an alleged payoff made by Secretary Donovan in 1968 or 1969 to Nicholas Paterno, allegedly an organized crime figure, in Paterno's home, in the presence of Joseph LaValle and

one of the brothers of Anthony (Tony Pro) Provenzano. (The Subject was unable to identify which of the Provenzano brothers was present.) Secretary Donovan allegedly gave a brown envelope containing \$5000 to Paterno at that time.

2. The Investigation

a. Polygraph

At the request of the Special Prosecutor, the FBI sought to polygraph the Subject, who agreed to take the examination. However, while the Subject permitted the polygraph examination to begin, he interrupted the examination prior to its conclusion and has since refused to be polygraphed.

b. Prior Investigation

Prior to receipt of the Subject information, as the Report reflects, the Special Prosecutor had subpoenaed before the grand jury Anthony Provenzano's brothers, Nunzio and Sam. [GRAND JURY MATERIAL DELETED.]

c. Nicholas Paterno

At the request of the Special Prosecutor, the FBI interviewed Nicholas Paterno on June 25, 1982. Paterno, inter alia, denied ever having met Mr. Donovan or any knowledge of any payment to him.

d. Joseph LaValle

Interviewed on July 1, 1982, Joseph LaValle said that he had never met Raymond Donovan. (S.P. no. 103123.)

e. Federal Law Enforcement Official

On June 29, 1982, the FBI interviewed a federal

law enforcement official who had contact with the Subject in 1969-1970. The Subject told the FBI on June 23, 1982, that he had reported the incident to this official. (S.P. no. 103124.) The official stated that he had never heard anything relating to (a) the passing of any envelopes, (b) Mr. Donovan or (c) SCC. The official further said that he would have reported any information relating to any pass of envelopes, and no such report was ever made.

(S.P. no. 103125.) [MATERIAL DELETED.]

f. Peter Rush

Peter Rush, a Secret Service agent who worked with the Newark Strike Force and with the federal law enforcement official in 1969-1970, was also interviewed by the FBI. He, too, remembered the Subject. However, he did not recall the Subject ever having mentioned Raymond Donovan, of whom Rush first heard in 1979. (S.P. no. 103126-103127.)

g. Robert Richardson

The FBI also interviewed Robert T. Richardson, former deputy attorney-in-charge of the Newark Strike Force and currently Deputy Chief Counsel of the DEA. Richardson also remembered the Subject. He did not, however, recall that the Subject ever mentioned Mr. Donovan or SCC. (S.P. no. 103128.)

h. Secretary Donovan

On June 24, 1982, through his counsel, Secretary Donovan denied any knowledge of, or acquaintance with, Nicholas Paterno. [GRAND JURY MATERIAL DELETED.] The Secretary

had earlier testified that he met Sam Provenzano on one occasion only, at a political rally following Mr. Donovan's confirmation.⁸

During his August 24, 1982, interrogation by the Special Prosecutor, Secretary Donovan denied under oath that he had ever met Nicholas Paterno.

3. Conclusion of the Special Prosecutor

It remains the conclusion of the Special Prosecutor that there is insufficient credible evidence to conclude that the Secretary was untruthful in his testimony concerning Nicholas Paterno and the Provenzano brothers. It is also the conclusion of the Special Prosecutor that there is insufficient credible evidence to conclude that Mr. Donovan was untruthful in his denial of any acquaintance with Nicholas Paterno. Finally, there is insufficient credible evidence to sustain a successful criminal prosecution for any offense alleged in the "Subject" information.

II. THE CMUA ALLEGATION

A. The Allegation

On July 13, 1982, the Special Prosecutor was informed that a confidential source ("Source No. 1") "indicated

⁸ Report, vol. 3, p. 845 (vol. 2, p. 617, of the redacted version).

a possible familiarity with Raymond J. Donovan." Source No. 1 stated that, in 1976, Mr. Donovan attended a meeting at a particular restaurant (the "Restaurant") with the late James Joyce, then Chairman of the Camden County, New Jersey, Democratic Party; John J. Nero, Chairman of the Camden Municipal Utilities Authority ("CMUA") and Anthony Scotto, a New York City labor leader currently imprisoned. The alleged purpose of the meeting was to persuade Joyce, who reportedly controlled appointments to the CMUA, to use his influence to award contracts for the construction of a proposed sewer project in the Southern New Jersey area. Joyce was reportedly offered a kickback (the figure of \$500,000 was mentioned) to steer the multi-million dollar CMUA contract to one of the construction companies represented by Mr. Donovan, Anthony Scotto and a third man.

At the meeting, Mr. Donovan allegedly said that he controlled three bids but could furnish ten bids if required. Source No. 1 was unable to provide the names of any of the construction companies represented at the meeting and was unaware of the final outcome of the contracts for the proposed sewer project.

Some days after providing the foregoing information, Source No. 1 retracted his statement that John J. Nero was present at the meeting.

Thereafter, a second source reported that in approximately 1976 John J. Nero and certain Nero associates were

helicoptered by Ralph DeRose to Fiddler's Elbow Country Club to attend a meeting with SCC representatives concerning SCC's interest in construction projects being considered by the CMUA. [MATERIAL DELETED.]

B. The Investigation

1. Camden Municipal
Utilities Authority

a. Herman B. Englebert

At the request of the Special Prosecutor, the FBI contacted Herman B. Englebert, the Executive Director of the Camden Municipal Utilities Authority on July 14, 1982. The Bureau learned that the CMUA had no records of any contract ever having been awarded to SCC. Moreover, Englebert advised that from January 1975 through December 1977, no multimillion dollar contracts were awarded to any contractor.

b. James Joyce

The FBI proceeded to review its internal files concerning the late James Joyce. That file contained newspaper articles which reflected that, during 1976, up to \$2 million in unauthorized payments were made by the CMUA to another construction firm, Porter & Ripper. The articles did not refer to any payments to SCC.

c. CMUA Commissioners

At the Special Prosecutor's request, the FBI interviewed eight persons who served on the CMUA during pertinent periods of time. None of the CMUA members knew anything

of efforts by SCC or Mr. Donovan to obtain work from the CMUA.

i. Anthony C. LoPresti

Anthony C. LoPresti, a member of the CMUA from February 1975 to date, was interviewed by agents of the FBI on July 22, 1982. LoPresti was unaware of any attempt by Secretary Donovan or anyone else to obtain work for SCC from the CMUA.

ii. Anthony Melevin

The FBI interviewed Anthony Melevin, a member of the CMUA from March 1972 until February 1975, on July 22, 1982. Melevin was not aware of any communications or meetings involving CMUA and any official of SCC. Nor did he know of any efforts on anyone's behalf to obtain CMUA work for SCC.

iii. John Shorter

On July 22, 1982, agents of the FBI interviewed John Shorter, a member of the CMUA from October 1972 to date. Shorter knew of no efforts by anyone to obtain CMUA contracts for SCC.

iv. Raymond J. Marini

Raymond J. Marini, a member of the CMUA from March 1972 to date, was interviewed by agents of the FBI on July 22, 1982. Marini denied ever having met or known Secretary Donovan. Nor had he ever heard Mr. Donovan's name mentioned in connection with CMUA contracts. Finally, he was unaware of any SCC efforts to obtain contracts from the CMUA.

A. William B. Colsey, III

In the course of his interview, Marini stated that

the first time he had heard of Mr. Donovan occurred when William B. Colsey, III, remarked to Marini that Colsey was surprised at Secretary Donovan's appointment for various reasons. At the Special Prosecutor's request, William B. Colsey, III was interviewed by agents of the FBI. According to the teletype report of interview dated August 12, 1982, Colsey said that he lacked the necessary information to form a proper opinion as to Mr. Donovan's integrity and character but that, based upon his limited contact with the Secretary, Colsey had a favorable impression of him. Colsey denied any knowledge of any association by Mr. Donovan with persons connected with organized crime or of otherwise unsavory reputation.

v. Joseph Lisiewski

Joseph Lisiewski, a member of the CMUA from April 1977 through August 1979, was interviewed by agents of the FBI on July 22, 1982. Lisiewski denied ever having met or known Raymond J. Donovan or ever heard his name in connection with the CMUA. Nor was Lisiewski aware of any SCC efforts to obtain contracts from the CMUA.

vi. Carl Papenhausen

Agents of the FBI interviewed Carl Papenhausen, a member of the CMUA from July 1973 through February 1976, on July 21, 1982. Papenhausen was unfamiliar with SCC, other than reading its name in the press, and he had never met nor seen Raymond Donovan.

vii. Moses Jackson

Moses Jackson, a member of the CMUA from January 1976 to date, was interviewed by agents of the FBI on July 21, 1982. Jackson stated that he had never met or known Raymond J. Donovan, Ronald Schiavone, Joseph DiCarolus, Gennaro Liguori, Richard Callaghan, Charles Keener, Albert Magrini, Robert Pedersen or Vito (Al) Paradise. His only contact with SCC occurred approximately ten to twelve years prior to his interview and was unrelated to his CMUA activities, which did not begin until January 1976.

viii. Thomas M. Giangiulio

Thomas M. Giangiulio, a member of the CMUA from March 1975 through February 1977, was interviewed by agents of the FBI on July 20, 1982. He was unaware of any interest ever having been expressed by SCC to do any work for the CMUA.

2. SCC

On July 15, 1982, the Special Prosecutor interviewed Ronald A. Schiavone, in the presence of his counsel. Schiavone and his counsel informed the Special Prosecutor that SCC never had any contracts with the CMUA or any other governmental authority relating to work in Camden County. In the period 1975-1979, SCC bid on only one Camden County project, the State Street Bridge job, and placed seventh of eight. The contracting entity was not the CMUA.

SCC counsel further advised that no CMUA representatives were either helicoptered to⁹ or entertained at Fiddler's Elbow by SCC. However, Mr. Schiavone stated, on one occasion, he permitted Ralph DeRose, a Schiavone friend and frequent Democratic candidate in New Jersey, to entertain certain Camden County political figures at Fiddler's Elbow. Mr. Schiavone recalled that those included John Nero, possibly James Joyce and perhaps a third person. DeRose used the SCC helicopter to transport those individuals from Camden to Fiddler's Elbow for lunch. During the luncheon, Mr. Schiavone was introduced to DeRose's guests. Mr. Donovan was not present.

3. Ralph DeRose

On July 16, 1982, a member of the Special Prosecutor's staff interviewed Ralph DeRose. Among other things, DeRose confirmed that in approximately 1974 or 1975, with Ronald Schiavone's permission, DeRose used an SCC helicopter to transport John Nero and possibly James Joyce to Fiddler's Elbow for lunch. The purpose of the lunch was to impress Nero and Joyce and to maintain their political support for DeRose; it was in no way related to SCC's business. Mr. Donovan did not attend or make any appearance at the lunch. To DeRose's knowledge, Mr. Donovan did not know Nero or Joyce.

⁹ SCC's 1976 helicopter logs, as reviewed by SCC, did not reflect any helicopter trips to Camden, New Jersey.

4. Polygraph

Source No. 1 refused to submit to a polygraph examination.

5. New Jersey State Police Records

A New Jersey State Police officer who handled Source No. 1 during 1975 and 1976 reviewed his diary logs for that period. The officer found no report by Source No. 1 of any meeting at the Restaurant during that period of time.

6. John J. Nero

On July 16, 1982, at the request of the Special Prosecutor, agents of the FBI interviewed John J. Nero. Nero confirmed that he had been helicoptered to, and lunched at, Fiddler's Elbow with Ralph DeRose. Nero interpreted the lunch as an expression of appreciation for Nero's and Joyce's political support for DeRose's unsuccessful gubernatorial primary campaign against Brendan Byrne. Nero did not remember having met Mr. Donovan on that or any other occasion. That was, according to Nero, his sole visit to Fiddler's Elbow.

7. Anthony Scotto

At the request of the Special Prosecutor, the FBI attempted to interview Anthony Scotto, an imprisoned felon and former labor leader, in Danbury Federal Correctional Institution on July 19, 1982. In declining to be interviewed, Scotto denied that he had ever met or known Raymond Donovan or John J. Nero. He did acknowledge knowing the late James Joyce. Scotto said he had never been to the Restaurant.

8. Raymond J. Donovan

On July 16, 1982, through his counsel, Secretary Donovan stated that he did not know, and had never met, John J. Nero, James Joyce or Anthony Scotto. Nor did Mr. Donovan ever attempt to secure any construction work from the CMUA.

Interrogated under oath by the Special Prosecutor on August 29, 1982, Mr. Donovan confirmed the foregoing. He further said that he had never met or known Herman Englebert, Anthony LoPresti, Anthony Melevin, John Shorter, Raymond Marini, Joseph Lisiewski, Carl Papenhausen, Moses Jackson or Thomas Giangliulio.

C. Conclusion of the Special Prosecutor

There is insufficient credible evidence to conclude that the Secretary was implicated in any wrongdoing as alleged in the CMUA allegation or that his denials concerning that allegation were false.

III. SOURCE ALLEGATIONS

[ALLEGATIONS AND INVESTIGATION--INCLUDING
40 WITNESS INTERVIEWS AND INTERROGATIONS
--DELETED.]

IV. THE PIZZO ALLEGATIONS

A. The Allegation

On or about July 16, 1982, the FBI informed the Special Prosecutor of two allegations concerning an "association" between Mr. Donovan and Sam Cavalieri, Sr., Anthony Provenzano and Salvatore Briguglio (the "Pizzo allegations"). The FBI reported allegations,

UNITED STATES GOVERNMENT

SPECIAL PROSECUTOR

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September 11, 1982

Hon. Roger Robb
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Hon. Lewis R. Morgan
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Newnan, Georgia 30262

Dear Judges Robb, Lumbard and Morgan:

Your Honors will recall that when my report was filed with the Court on June 26, 1982, I informed the Court that I believed it timely to give the notification to the Attorney General provided for in 28 U.S.C. 596(b)(1) thereby terminating the Office of Special Prosecutor. It was suggested that I should delay notification to the Attorney General until all of the administrative details associated with the winding up of my office had been completed which it was anticipated would take between three and four weeks.

During the winding up period I received addition-

Hon. Roger Robb
Hon. J. Edward Lumbard
Hon. Lewis R. Morgan

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September 11, 1982

al allegations which, I believe, required me to reopen the investigation under the mandate contained in the Court's Order dated December 29, 1981. I informed the Court of that decision and immediately began this additional investigation.

I submit herewith a report of the investigation which, together with my report filed on June 26, 1982, will constitute my final report under 28 U.S.C. 595(b)(1) and (2). I shall, on Monday, September 13, 1982, submit to the Attorney General my notification pursuant to 28 U.S.C. 596(b)(1) that the investigation of all matters within my prosecutorial jurisdiction has been completed and that I have filed a report with the Court in full compliance with 28 U.S.C. 595(b). The office which I have occupied since December 29, 1981, will thereupon be terminated.

The Court will be aware that in connection with the murder of Nathan Masselli I requested the Federal Bureau of Investigation to conduct a full investigation into any possible federal criminal offense arising out of the murder. To date there has been developed no evidence of any relationship between Secretary Donovan and the murder of Nathan Masselli. I have therefore directed the FBI to report the results of this ongoing investigation to the Attorney General. If any evidence is subsequently developed indicating such a relationship and if the Attorney General shall apply to the Court for the appointment of a Special Prosecutor pursuant to 28 U.S.C. 592, and if the Court requests that I resume the Office of Special Prosecutor under those circumstances, I will be willing to accept such an appointment.

The Court should also be aware that, after my report was filed on June 26, the source of seventeen (17) of the allegations that I previously had investigated was interviewed and submitted to a polygraph examination. In the interview, the source admitted having deliberately lied about all of the allegations and stated that none of them was true. During the polygraph examination, the source stated that the source had deliberately fabricated the allegations and was now telling the truth in stating that the allegations had all been lies. In the opinion of the polygraph examiner, the source was truthful in so stating.

Hon Roger Robb
Hon J. Edward Lumbard
Hon. Lewis R. Morgan

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September 11, 1982

I cannot end my services without expressing to the Court my gratitude for the signal honor which you conferred on me by appointing me Special Prosecutor with respect to the matter concerning Secretary of Labor Raymond J. Donovan. This post was one of the most interesting and challenging experiences that I have had in the practice of law. I have learned much. It is given to few lawyers to perform public service in the way that has been permitted me and I am grateful for the opportunity.

Sincerely,

A handwritten signature in cursive script that reads "Leon Silverman".

Leon Silverman
Special Prosecutor

LS:bs

that Secretary Donovan has had some degree of association with Sam Cavalieri, Joe Pizzo (phonetic), Tony Provenzano, and Sal Briguglio. . . .

[The source] stated that Ray Donovan became associated with Sam Cavalieri in the early 1960s and through him, met Joe Pizzo. Within a short time, the report states Donovan was introduced to Tony Provenzano who in turn made the introduction to Sal Briguglio.

[It was further alleged] that Schiavone Construction records dating back several years should reflect consultant payments to Joe Pizzo . . . [and] that Anthony Grace has full knowledge of Donovan's association with Pizzo and Cavalieri and [that Grace] received an appointed position with the City of New York due to Donovan's backing.

The source did not claim to have firsthand knowledge of any of the foregoing information. [MATERIAL DELETED.]

B. The Investigation

1. Joseph Pizzo

The FBI ascertained that Joseph Pizzo died April 24, 1968.

2. Anthony Grace

On July 20, 1982, at the request of the Special Prosecutor, the FBI interviewed Anthony Grace, in the presence of Grace's counsel. Grace stated, inter alia, that he was a close friend of the late Joseph Pizzo. Grace stated that he did not know Sam Cavalieri or, to the best of his knowledge, Mr. Donovan. While Grace knew of Pizzo's labor relations consultancy business, he was unaware of any relationship between Pizzo or Cavalieri and Mr. Donovan. Finally, Grace said that he does not hold, and never has held, any

position with New York City.

3. SCC

The FBI, also at the request of the Special Prosecutor, reported that SCC advised that there were no records of any SCC payments to Pizzo.

4. Prior Investigation

As previously reported, the Special Prosecutor conducted an extensive investigation into any relationship between Secretary Donovan and Salvatore Briguglio or Anthony Provenzano; the results of that investigation were negative.¹⁰

[GRAND JURY MATERIAL DELETED.]

5. Secretary Donovan

Interrogated under oath on August 29, 1982, Secretary Donovan denied any acquaintance with, or knowledge of, Joseph Pizzo.

C. Conclusion of the Special Prosecutor

It remains the conclusion of the Special Prosecutor that there is insufficient credible evidence to conclude that Secretary Donovan was untruthful in his testimony concerning his lack of relationship with Salvatore Briguglio or Anthony Provenzano. Nor is there any evidence of a relationship between Mr. Donovan and Joseph Pizzo or Sam Cavalieri, Sr. There

¹⁰ Report, vol. 2, pp. 527-618 and 762-770 (vol. 2, pp. 392-463 and 569-572 of the redacted version).

are insufficient grounds to warrant a prosecution of Secretary Donovan with respect to the Pizzo allegations.

V. THE TONELLI ALLEGATION

A. The Allegation

On or about July 16, 1982, the FBI informed the Special Prosecutor of an allegation that Secretary Donovan attended various meetings with Joseph Tonelli, allegedly an organized crime figure. The allegation comprised the charge that,

during the national convention of the International Graphics and Communication[s] Union which took place at the Americana City Squire Inn, 79 Seventh Avenue, New York City, from September 13, 1976, through September 17, 1976, Raymond J. Donovan participated in a key meeting. Donovan . . . [allegedly] attended a penthouse suite meeting during the convention and acted as the representative of Joseph Tonelli (phonetic), President of the United Papermill Workers International Union, in a discussion with Saul [sic] Fishko, President of the International Graphics and Communication Union. The meeting was intended to discuss the proposed merger between the two unions.

. . . [Allegedly,] the parties concerned did not understand Donovan's involvement in the merger when it was learned that he was a construction company executive. At the time, . . . several members in attendance believed that Donovan was either an AFL-CIO representative or an attorney affiliated with Joseph Tonelli. The proposal was not accepted by virtue of the fact that those involved believed that Tonelli was a shark and a racketeer. . . . [Allegedly,] Tonelli was convicted of assorted federal charges in New York which included misuse of union funds and racketeering.

B. The Investigation

1. Eli Latkovic

On July 17, 1982, at the request of the Special Prosecutor, the FBI interviewed Eli Latkovic, a delegate to the September 1976 National Convention of the International Printing, Graphics and Communications Union ("IPGCU") in New York City. Latkovic denied involvement in any discussions at or about the time of that convention concerning the possibility of a merger between the IPGCU and the United Paperworkers International Union ("UPIU"). Latkovic also said that he had no knowledge of Mr. Donovan's having attended that convention or any such merger discussions.

2. John Kovach

John Kovach was interviewed by agents of the FBI on July 17, 1982, at the request of the Special Prosecutor. Kovach, like Latkovic, stated that he was a delegate to the IPGCU National Convention in New York City during September 1976. Kovach further stated that he was not involved in either pre-convention or behind-the-scenes discussions concerning a possible merger between the IPGCU and the UPIU. Finally, Kovach said that he was unaware whether Mr. Donovan had attended the September 1976 IPGCU National Convention or any IPGCU/UPIU merger discussions at or about that time.

3. Joseph Tonelli

At the request of the Special Prosecutor, Joseph Tonelli was interviewed by the FBI on July 19, 1982. Among

other things, Tonelli said that he knew nothing of any conference held at the Americana [now the Sheraton] City Squire Inn in New York City regarding a merger between the IPGCU and the UPIU. He further stated that he did not know Raymond Donovan and had never attended any function where Mr. Donovan was present.

4. Sol Fishko

Sol Fishko was interviewed by agents of the FBI on July 20, 1982, at the Special Prosecutor's request. Fishko, IPGCU President, stated that he had never met or spoken with Mr. Donovan prior to the Secretary's Cabinet appointment.

Fishko recalled that the 1976 IPGCU national convention was held at a Sheraton Hotel in New York City. He further recalled that during 1976 he had numerous discussions with Joseph Tonelli, UPIU President, concerning a proposed merger between the IPGCU and the UPIU. However, Mr. Donovan was not involved in those discussions.

5. Secretary Donovan

On July 20, 1982, Secretary Donovan, through his counsel, advised the Special Prosecutor that he never acted as any sort of mediator between the IPGCU and the UPIU. The Secretary said that his only contact with the newspaper business was his involvement with The Trib. Moreover, the Secretary said that he did not know and had never met Joseph Tonelli.

During his August 29, 1982, interrogation by the Special Prosecutor, Secretary Donovan repeated under oath

that he had nothing to do with the IPCGU or the UPIU, or Joseph Tonelli, at any time. The Secretary also denied having known or met Messrs. Fishko, Latkovic or Kovach.

C. Conclusion of the
Special Prosecutor

There is insufficient credible evidence to conclude that Secretary Donovan was untruthful, or engaged in any wrongdoing, in connection with the Tonelli allegation.

VI. THE \$20 MILLION ALLEGATION

A. The Allegation

The Special Prosecutor received from the FBI an allegation from an anonymous source that

Donovan participated in distributing \$20,000,000 which had been contributed by the International Brotherhood of Teamsters. The funds raised were reportedly funneled by Donovan to the Reagan campaign through various legitimate unions and other contributors. [The source] stated that in return for the \$20,000,000 contributed, Donovan would recommend, at the end of the first term of the current administration, that pardons be granted to Russell Bufalino and Anthony Provenzano.

B. The Investigation

1. The Source

Upon receipt of the allegation, the Special Prosecutor requested that the FBI obtain additional information concerning the allegation from the source. The source, however, refused to provide any such information except on unacceptable terms. Further, the source refused to submit to a polygraph examination. [MATERIAL DELETED.]

2. Other Informants

The FBI contacted 17 other informants to determine whether any had information relating to the \$20 million allegation. None had such information.

3. Teamsters Officials

The FBI interviewed a total of 33 Teamsters officials. None of them provided any information relating to fund raising efforts involving, directly or indirectly, Mr. Donovan.

4. FEC

The FBI reviewed the Federal Election Commission's October, 1981, publication entitled: FEC Reports on Financial Activity 1979-1980 Final Report (the FEC Report).

The FEC Report disclosed the following information:

A. Table AI, Receipts:	
entry for Ronald Reagan,	
contributions for candidate	
total individual contributions	13,885,357
Federal matching funds	7,294,458
exempt funds	2,576
refunds and rebates	1,246,824
net receipts	28,316,966
total receipts	28,316,966
B. Table A2 Contributions from Individuals:	
entry for Ronald Reagan,	
\$100 to \$499	1,708,548
\$500 to \$749	1,489,726
\$750 and up	4,222,713
unitemized	6,464,370
total	13,885,357

C. Table A3, Contributions from Political Committees:

entry for Ronald Reagan,	
net party contribution	2,000
net corporation contribution	221,858
net labor contribution	0
net non connected contribution	15,281
net trade/member/health	31,800
net corporation contributions	10,000
net corporation without stock contributions	6,500
net non party contributions	285,439

Deducting the \$7.29 million in matching funds received by the Reagan campaign from the total \$28.3 million received, for the \$20 million allegation to be true, Mr. Donovan would necessarily have raised literally all of the remaining monies contributed to Mr. Reagan.

5. Edwin Meese

The Special Prosecutor interviewed Edwin Meese, Counsellor to the President, on August 12, 1982. Among other things, Mr. Meese stated that he was in charge of the Transition effort for Mr. Reagan, which included the selection process for Cabinet nominees.

Mr. Meese further stated that neither he nor President Reagan knew how much money Mr. Donovan raised during the campaign and that fundraising was not at all a factor in Mr. Donovan's nomination. Mr. Meese pointed out that no money was raised after June 1980 and said that Mr. Donovan's name was not even considered until after President Reagan's election. Moreover, Mr. Donovan emerged as the favorite for the Labor post sometime well into November 1980.

The allegation that Mr. Donovan raised more than the reported amount of campaign funds, as well as the allegation that such was done as a quid pro quo for the position of Secretary of Labor and for a pardon of certain labor racketeers, was dismissed by Mr. Meese. He said that nothing of the sort had ever been suggested and there was no possibility that there was any truth in either of those allegations.

Moreover, Mr. Meese said that no one associated with the Transition had any discussion with Teamsters officials concerning who should be nominated to be Labor Secretary until Mr. Donovan's nomination was "pretty well settled." He added that he was aware that the Teamsters' favorite was another person. Sam Provenzano, in particular, had nothing to do with Mr. Donovan's nomination.

6. E. Pendleton James

E. Pendleton James was interviewed by the Special Prosecutor on August 17, 1982. In charge of personnel and recruitment during the Transition effort and thereafter, James described in detail the manner in which cabinet officers and other senior officials were selected. The amount of money raised by Mr. Donovan for President Reagan's campaign was not a consideration, James said. Indeed, James stated that he did not know how much money Secretary Donovan raised for the campaign. Mr. Donovan's name first appeared on a list which was drawn up by what was then known as the "kitchen cabinet." No union members sat in that informal body.

7. Secretary Donovan

On July 20, 1982, Secretary Donovan, through his counsel, informed the Special Prosecutor that, directly or indirectly, Mr. Donovan raised a total of between \$400,000 and \$600,000 for the Reagan presidential campaign, \$150,000 of which was raised at the Fiddler's Elbow function. The Secretary further stated that the \$20 million allegation, including the purported pre-arranged plea for clemency on behalf of Russell Bufalino and Anthony Provenzano, was nonsense.

During his August 29, 1982, interrogation by the Special Prosecutor, the Secretary reiterated under oath the extent of his fundraising efforts and repeated that he had never sought clemency for Bufalino or Provenzano. The Secretary further stated that his fundraising efforts for Mr. Reagan were totally unrelated to any plan to obtain such clemency.

8. Retraction of Allegation

Prior to issuance of this Supplemental Report, the informant who made the \$20 million allegation retracted it. The informant stated that he was unwilling to undergo a polygraph examination concerning the allegation because it was untrue and a "figment of [the source's] imagination."

C. Conclusion of the Special Prosecutor

The retraction of the allegation confirms the Special Prosecutor's independent conclusion that there is insufficient credible evidence to conclude that there was any covert \$20 million campaign contribution by or involving Secretary

Donovan, or any relationship between Mr. Donovan (or his appointment) and any organized crime figure, including Russell Bufalino or Anthony Provenzano.

VII. THE JOURNALIST'S ALLEGATIONS

A. The Allegations

On July 21, 1982, a journalist made the following allegations:

1. The Connecticut Home Allegation. That although the Special Prosecutor investigated an allegation that SCC provided construction materials to Salvatore Briguglio for use in Briguglio's New Jersey home,¹¹ the FBI knew of a separate allegation that the Briguglio home in which SCC building materials were used was located in Connecticut and used by Briguglio to entertain Joan Torino.

2. 1979 Superbowl Allegations. That Alfred DiTraglia, a Masselli associate who evaded the Special Prosecutor's agents when they attempted to interview him in Florida, could place Mr. Donovan at the 1979 Superbowl with Masselli. Further, that various other persons, named by the journalist, who

¹¹ Report, vol. 2, p. 449 (vol. 1, p. 331 of the redacted version).

were present at or knowledgeable of the Superbowl weekend might be in a position to place Mr. Donovan at the 1979 Superbowl (with Masselli) as well.

[MATERIAL DELETED.]

3. The Post-Superbowl Meeting Allegation.

That meetings in New York between, inter alia, Masselli and the Secretary following the 1979 Superbowl.

4. Suffolk Project Payoffs. That SCC allegedly made illegal payoffs through William Masselli to Teamsters leaders John Cody and Robert Sasso in conjunction with a waste water disposal plant facility that SCC was constructing in Suffolk County, New York. Moreover, the payoffs apparently were effected through a brokerage firm in which Ronald Schiavone and Raymond Donovan held an interest; they were paid not necessarily in cash but possibly by providing Cody and Sasso with advance notice of forthcoming mergers or acquisitions.

B. The Investigation

1. The Connecticut Home Allegation

a. FBI

At the Special Prosecutor's request, the FBI promptly determined that the Briguglio home to which the journalist

referred was located at Squantz Pond and North Cove Road in Sherman, Connecticut. However, the Bureau reported that its internal investigation did not reflect that anyone at the FBI had been aware of an allegation that SCC had provided building materials to Briguglio for use in that home. Nor were any documents reflecting that allegation located.

b. Architect/Builder Interviews

On May 15, 1976, in connection with a prior investigation, the FBI interviewed the architect and builder of the home located at Squantz Pond at North Cove Road in Sherman, Connecticut, and that person's spouse. The architect/builder constructed the residence during 1972-1973. In 1974 the house was sold, through real estate agents, to Salvatore Briguglio. It was the architect/builder's understanding that Briguglio sold the house in late 1975. The spouse confirmed the foregoing. [MATERIAL DELETED.]

c. Joan Torino

The FBI interviewed Joan Torino, in the presence of her counsel, on July 27, 1982. She stated, inter alia, that she never visited any of Briguglio's homes and knew nothing about who may have supplied building materials for it.

d. Mildred Briguglio

On July 26, 1982, the FBI interviewed Mildred Briguglio, in the presence of her counsel. Among other things, she stated that, to her knowledge, SCC never contributed building materials for any Briguglio residence.

e. Witness

The FBI also interviewed on a number of occasions a person with knowledge of construction performed at Briguglio's Connecticut home. He knew nothing of any SCC contribution of construction materials for use in that home.

f. SCC

On July 22, 1982, SCC, through its counsel, informed the Special Prosecutor that it never provided any materials for use in construction of any Connecticut home of Salvatore Briguglio.

2. The 1979 Superbowl Allegations

Agents of the Special Prosecutor and, at the request of the Special Prosecutor, the FBI interviewed all of the alleged potential witnesses identified by the journalist. None of them reported having seen Mr. Donovan at the 1979 Superbowl.

a. Alfred DiTraglia (Immunized)

[GRAND JURY MATERIAL DELETED.]

b. [INVESTIGATION DELETED.]

c. Louise Friscia

Agents of the Special Prosecutor interviewed Attorney Louise Friscia on August 12, 1982. As set forth in the report of interview:

FRISCIA stated that she owns a condominium at 400 North Surf Road, PH2, Hollywood Beach, Florida which FRISCIA used over the Superbowl weekend in 1979 to entertain some of her relatives. FRISCIA stated that she was not a real football fan but flew down a few days before the Superbowl game to

visit with and accommodate her relatives. FRISCIA stated that she did not travel to the Superbowl with Billy Masselli, whom she characterized as a friend.

FRISCIA stated that she first met Billy Masselli about 8 years ago through a friend of Masselli in the meat business from Turnbull, Connecticut. Masselli wanted to rent a place in Florida and FRISCIA's condominium was vacant.

FRISCIA did not recall seeing Billy Masselli over the Superbowl weekend other than on Sunday, the day of the game when she traveled in a bus to the game with Masselli and others. The bus picked up FRISCIA, Billy Masselli, Nat Masselli, Dominick Rabuffo, Vinny Marino and others not recalled in a supermarket parking lot. FRISCIA sat at the game with Dominick Rabuffo and Vinny Marino. FRISCIA knew Marino from before the game, but first met Rabuffo there. FRISCIA recalled Rabuffo thwarting a young boy's attempt to steal from her pocketbook while at the game. After the game FRISCIA returned to her condominium and did not see Masselli other than on the bus ride.

FRISCIA denied seeing RAYMOND J. DONOVAN over the Superbowl weekend or at the game. FRISCIA stated that she has never met DONOVAN and only knows of Schiavone Construction Company (SCC) from recent publicity and hearing of business involvement with Billy Masselli. FRISCIA knows no details of Masselli's business with SCC. FRISCIA was unfamiliar with the names Richard Callaghan, Jerry Liguori and Al Magrini.

FRISCIA stated that neither DONOVAN nor any other SCC executives ever stayed at her condominium to the best of her knowledge. FRISCIA knows for a fact that DONOVAN was not there over the Superbowl 1979 weekend because FRISCIA herself stayed there with relatives.

FRISCIA advised that Billy Masselli had someone who would check the condominium for him named Al, whom she described as a tall white male who walks with a limp and works at the race track down there. FRISCIA stated she had no way to get in contact with this individual.

At this time, a series of photospreads was shown to FRISCIA, including photographs of RAYMOND

J. DONOVAN, RONALD SCHIAVONE and JOSEPH DiCAROLIS. FRISCIA recognized only the photograph of DONOVAN, from newspaper publicity, she said. FRISCIA then examined the photographs of SCC executives contained in the SCC annual report but failed to recognize anyone even after the SCC executives were pointed out to her by name.

FRISCIA then looked at photographs taken at the airport in New York and Florida. FRISCIA only recognized Billy Masselli and Dominick Rabuffo.

FRISCIA stated that she has known Vincent Marino for a few years and that she has an attorney-client relationship with him concerning a real estate venture in Suffolk County. FRISCIA stated that she had never actually been to the property but stated that it was in Quogue or East Hampton. FRISCIA categorically denied that DONOVAN or SCC were in any way involved in this property. However, FRISCIA did identify Neil Rego as the real estate broker in this venture.

FRISCIA stated that she was not familiar with Albert "Chink" Facchiano and failed to recognize his photograph.

FRISCIA stated that the following names were unfamiliar to her: Frank Costanza; Eddie Garafola (although she did recall a Rolls Royce being parked in her space circa Easter 1979); Sal Mugavero; Danny Mancini; Joe Ippolitto (photo also negative); Joe Bugliarelli; Manny Ciminello; and Albert Aimone.

FRISCIA believes she may have met Bobby DeFilippis, Joe Galiber and Pasquale Intriri through Masselli in the past.

d. Elaine Todd and Suprina Vincent

i. Statements to the FBI

Agents of the FBI interviewed Elaine J. Todd and Suprina (Sam) Vincent, formerly President and Vice-President of Gladhandler, Inc., Atlanta, Georgia, at the request of the Special Prosecutor. As set forth in the teletype report of interview, the women made the following statements:

Vincent met "Billy" Masselli either through a friend of hers in Miami or at a bar in Miami while on a visit there about three years ago. She has seen him on four occasions since her introduction to him. The first occasion was in early 1979, after she received a telephone call from him asking if she wanted to come to Fort Lauderdale for a weekend. "Billy" told her to ask her roommate to come if she desired. Vincent and Todd picked up prepaid airline tickets in Atlanta and flew to Fort Lauderdale and were picked up by "Billy" driving a Rolls Royce. Vincent described their stay in Fort Lauderdale as "just a long weekend." Nothing significant could be recalled by either girl as happening that weekend such as a well publicized football game. When they arrived at "Billy's" condominium, described as a white building with an iron fenced gate and overlooking the ocean with a swimming pool on the roof, he gave them each \$500 and told them to go shopping. This plus lying on the beach constituted their entire weekend. On occasions, when they went back to the apartment from shopping or the beach they would know that there were others in the apartment other than "Billy" from hearing their voices and on occasion Vincent saw a male who came into the living room to retrieve something and then returned to the bedroom.

Todd stated she never saw anyone there other than "Billy" although she knew there was someone else there; however Vincent recalled that this situation of others being in the apartment occurred on two occasions. On each occasion, however, "Billy" would come out and give them more money and tell them to go shopping. Vincent could not provide any descriptions or names of any of these individuals and only saw two men on one occasion which she could not further describe. Neither could recall any conversation or discussions that took place. Vincent advised that they were instructed not to answer the telephones.

Both Todd and Vincent emphatically denied that Gladhandler, Inc., which is no longer in existence, was ever an escort service.

Todd advised in interview that about eight months ago, she was interviewed by a Time magazine reporter from Miami concerning the same circumstances. The reporter came to Atlanta, posed as an investigator over the phone to get her to meet him and then questioned her about a trip she supposedly made to

Miami during the Superbowl of 1979. He also displayed photographs to her but as she recalled, they appeared to have been clipped from newspapers. She stated she did not recognize any of those photographs either, and basically told him the same information that she told the interviewing agent.

ii. Grand Jury Testimony

[GRAND JURY MATERIAL DELETED.]

3. The Post-Superbowl Meeting Allegation

[INVESTIGATION, INCLUDING EIGHT INTERVIEWS
OF WITNESSES, DELETED.]

4. Suffolk Project Payoffs

a. Ronald A. Schiavone

The Special Prosecutor secured from Ronald A. Schiavone affidavits dated August 2 and 30, 1982,¹² which recited, among other things, (a) that SCC had not been awarded any contract to construct, nor had it constructed, any waste water disposal or treatment plant in Suffolk County, New York, and (b) that SCC's brokerage firm subsidiary has never provided information to, or had any relationship with, John Cody or Robert Sasso. Nor, Mr. Schiavone averred, was Cody or Sasso a customer of the brokerage concern, which Schiavone Holding Company acquired only in September 1981. Indeed, the brokerage firm has no retail customers. It serves as a specialist in the stocks of a number of public companies on various stock exchanges and its trading is done only for the

¹² Copies of which are annexed as Exhibit 98.

account of the firm's principals. September 7, 1982, affidavit of Michael A. Dritz (S.P. no. 470001).

b. William Masselli

[GRAND JURY MATERIAL DELETED.]

c. Raymond J. Donovan

Interrogated under oath on August 29, 1982, Secretary Donovan denied that any payoffs had been made by anyone associated with SCC to either Cody or Sasso.

C. Conclusion of the
Special Prosecutor

There remains insufficient credible evidence to conclude that Secretary Donovan was untruthful when he testified before the Senate Labor Committee and the grand jury as to his relationship, or lack of relationship, with Salvatore Briguglio, William Masselli and other reputed organized crime figures.

VIII. THE BRONX BUILDING ALLEGATION

A. The Allegation

On July 21, 1982, an informant stated that he had heard that SCC currently has an interest, through William Masselli, in a \$4 million building to be built in the Bronx, New York. The financing for that venture, according to the informant, is forthcoming through "connected" bankers in New York. The informant stated that he was unable to provide or obtain more specific allegation regarding the building project.

Further, he stated that he had no specific information that Secretary Donovan was in any way involved.

B. The Investigation

1. Ronald A. Schiavone

The Special Prosecutor obtained an affidavit dated July 27, 1982, from Ronald A. Schiavone¹³ which recited, inter alia, that SCC had never constructed, nor did it have any contract, commitment or other arrangement to construct, any building in the Bronx. The affidavit further provided that SCC had no interest in any building to be built in the Bronx.

2. Raymond J. Donovan

Interrogated under oath on August 29, 1982, Secretary Donovan confirmed Schiavone's statements and denied the allegation without qualification.

C. Conclusion of the
Special Prosecutor

There is no evidence to conclude that SCC has any such contract as has been alleged. There is, moreover, no evidence to conclude that Secretary Donovan has any involvement in any dealings relating to any such building project.

IX. SUBSEQUENT DOCUMENTS

A. The Documents

Subsequent to the Special Prosecutor's submission of his report on June 26, 1982, he was provided with the following

¹³ A copy of which is annexed as Exhibit 99.

three documents relating to communications between Director William H. Webster of the FBI and Edwin Meese, then Chief of President-Elect Reagan Transition effort and currently Counsellor to the President.

1. December 5, 1980, Memorandum

On December 5, 1980, Director Webster prepared a handwritten notation following a conference with Edwin Meese. The Director's personal note stated, in pertinent part:

12-5-8[0]

Cf. Ed Meese - 3 p.m.

- 1) P. [or R.] Donovan inq.
OK to do full field if any
OC - but I will call Ed first
- 2) Wants to direct contact with
James Baker for W.H. appointments
- C. Monroe

2. December 15, 1980, Memorandum

Following the December 5, 1980, conference with Edwin Meese, Director Webster had further communications with Transition personnel, including Counsellor Meese, on the subject of the proposed nomination of Mr. Donovan. The following memorandum to then FBI Executive Assistant Director (and currently DEA acting head) Mullen, the Director wrote as follows concerning these communications:

RE: TRANSITION -

Mr. Edwin Meese called during my absence at 10:15 a.m. 12/12/80, and said that he would return the call upon my return. He was tied up with President-elect Reagan and asked Mr. Pen James to return the call. Mr. James asked whether we had reached

any conclusion as a result of our inquiry into Pat [sic] Donovan. I checked with Mr. Revell and based on information which he supplied, as well as my recollection of conversation with Mr. Mullen while I was in New York on December 10th, that we had reviewed all our indices and had checked with all field offices and nothing negative had been disclosed. I advised that a company, Chivone (PH), in which he apparently had a very substantial interest, had appeared a number of times in reports in our HOFEX [sic: Hoffex] case, but that none of these suggested any criminality or organized crime associations.

I further advised that it did not appear necessary, in our view, to conduct a full field investigation based on the results of the name check. Mr. James said that he might need our assistance in the course of the confirmation proceedings and, I, of course, stated that we would do whatever we could to help.

I advised that the report had been sent to Miss Jane Danower (PH), Mr. Fielding's secretary. Mr. Fielding was present with Mr. James at the time of our conversation, and was not aware that the report had been delivered.

3. Addendum to December 15, 1980, Memorandum

The Director also dictated an addendum to the December 15, 1980, memorandum, which recited:

ADDENDUM:

Mr. Meese called at 4:40 p.m., 12/12/80, and wanted to be certain that there were no on-going investigations involving Donovan. I confirmed to him, based on what I had been previously advised, that this was the case. We will certainly be asked for a full field following the nomination, but I told him that I know of nothing to hold up the nomination at this time.

B. The Investigation

1. Edwin Meese

In the course of his interview with the Special Prosecutor on August 12, 1982, Edwin Meese stated that he had not recalled the December 5, 1980, meeting between himself and Director Webster until he saw the Director's notation and had discussed the matter with another former member of the Transition Effort. Mr. Meese described the December 5, 1980, meeting with Webster as "kind of a get acquainted meeting," his first conference with the Director. Mr. Meese stated that he mentioned the possibility of organized crime ties involving Mr. Donovan because a newspaper columnist had suggested to a Transition official that some such ties might exist. Mr. Meese stated that he advised Director Webster purely as a precaution. There was no specific allegation, to the best of Mr. Meese's knowledge.

2. William H. Webster

The Special Prosecutor spoke with Director Webster of the FBI on August 13, 1982. With respect to the December 5, 1980, memorandum, the Director stated that, to the best of his recollection, neither he nor Edwin Meese had any specific information concerning possible organized crime connections involving Secretary Donovan. Mr. Meese conveyed none to him, the Director said. It was agreed that, if, in the ordinary name check performed by the FBI, the Bureau came upon any organized crime links to Mr. Donovan, it might be advisable

to do a full field check prior to the time that the President finally decided to nominate Mr. Donovan. Mr. Meese stated that he would prefer to be called in advance of any full field investigation.

With respect to the December 15, 1980, memorandum, Director Webster stated that the Hoffex reference is incorrect--that, at the time of the December 12, 1980, communications, the Hoffex files had not been checked. Moreover, the Director stated that files had recently been checked and it was determined that there were no references to SCC therein.

The Director attributed that erroneous Hoffex reference to information which he received from certain subordinates. He was uncertain as to which of the subordinates provided it. He stated that he did not know where he would independently come up with the Hoffex reference since he was not particularly familiar with the details of that file.

The Director concluded by noting that, at the December 5, 1980, meeting, he had advised Meese what the FBI would do if it were to learn any facts associating Mr. Donovan with organized crime in any fashion. The December 15, 1980, communications were to confirm that the Bureau had in fact found nothing in that regard.

3. Oliver B. Revell

Oliver B. Revell, Assistant Director in Charge of the FBI Criminal Investigative Division, was interviewed by a member of the Special Prosecutor's staff on September 3,

1982. Among other things, Revell confirmed that on or before December 12, 1980, he had informed Director Webster that the "name check" of Secretary Donovan--consisting of a review of headquarters' central indices and the Identification Division records--had been completed and was negative. Revell informed the Director that the Bureau's Organized Crime Information System, which was then relatively new and which included information from 22 offices, had been accessed and was negative.

Revell did not direct a review of the Hoffex file in December 1980; he had no reason to do so, he said. During the summer of 1982, after the Director's December 15 memorandum became a topic of public discussion, a review was conducted. No references to Raymond (or Pat) Donovan or Schiavone (or Chiavone) Construction Company were found. Moreover, no one associated with the Hoffa investigation had any recollection that the name of either Mr. Donovan or SCC ever arose in the course of that investigation. Revell did not know the source of the reference to the Hoffex investigation contained in the December 15 memorandum.

4. Charles Monroe

Charles Monroe, who in December 1980 was Revell's Deputy, was also interviewed on September 3, 1982. Monroe stated, inter alia, that through and including December 12, 1980, he had no personal role in the "name check" of Mr. Donovan. Nor did he know anything about a review of the Hoffex file in December 1980 that purportedly reflected references to

Mr. Donovan or SCC.

5. Francis M. Mullen

Francis M. Mullen, Acting Administrator of DEA and formerly FBI Executive Assistant Director, was interviewed by the Special Prosecutor on September 7, 1982. Mullen stated, inter alia, that he never ordered a review of the Hoffex file in connection with the "name check" of Mr. Donovan and was unaware, except for the statement contained in the December 15 memorandum, that anyone else did so.

C. Conclusion of the
Special Prosecutor

The December 5 and 15, 1980, documents became the subject of investigation because they reflected the first mention of possible organized crime ties of Mr. Donovan. The Special Prosecutor sought to determine if this mention arose out of specific information which had not previously come to light and which might provide additional investigative leads. Further, the reference in the December 15 memorandum to the Hoffex file conflicted with the Special Prosecutor's understanding that neither Mr. Donovan nor SCC were mentioned therein. The Special Prosecutor is satisfied that no specific information has been overlooked and that no further investigation is warranted.

X. FURTHER MATTERS

A. On September 8, 1982, the FBI showed the Special Prosecutor the transcript of a conversation recorded in the course of a major organized crime investigation in which

there was a reference to Secretary Donovan. The Special Prosecutor's review of the transcript revealed the reference to be casual and non-incriminating in nature.

In a meeting with the Special Prosecutor on September 8, 1982, FBI officials expressed concern to the Special Prosecutor that an investigation into the reference to Mr. Donovan would lead to identifying, and thereby jeopardizing, the source of the conversation and the on-going FBI investigation. By letter dated September 8, 1982, the officials reiterated those concerns and urged the Special Prosecutor not to pursue this lead.

In view of the lack of any criminal aspects to the reference to Secretary Donovan and the risk both to the source and to the major organized crime investigation if the reference were pursued, the Special Prosecutor determined not to pursue the information further.

B. On August 25, 1982, at approximately 8:30 p.m., Nat Masselli, the son of William Masselli, was murdered. Nat Masselli had been interviewed by the Special Prosecutor in early May 1982, in the first phase of the investigation.¹⁴

¹⁴ Contrary to innumerable media reports following his death, Nat Masselli was never a federal informant nor did he ever wear any electronic surveillance or eavesdropping devices ("body wires") on behalf of the Special Prosecutor. He did nothing more than is set forth in the Report, vol. 2, pp. 456-457, and vol. 3, pp. 755-756 (vol. 1, pp. 339-340, and vol. 2, p. 564, of the redacted version).

He had no role in the reopened investigation and was not interviewed or scheduled either to be interviewed or summoned as a witness.

Because Nat Masselli's murder occurred less than 48 hours before his father's scheduled grand jury testimony, the possibility that there existed some link between the murder and this investigation could not be ignored. Therefore, on the very night of the murder, the Special Prosecutor requested a fullscale FBI investigation into any possible federal criminal offense arising out of the murder, including but not limited to obstruction of justice. The FBI commenced its investigation at once.

On the basis of the investigation to date, there appears to be no evidence of a relationship between the Masselli murder and Secretary Donovan. Nor is there any reason to believe that any such relationship will or might later be established. Accordingly, the FBI has been directed to report the results of its investigation to the Attorney General for any action which might be required by reason thereof.


LEON SILVERMAN
SPECIAL PROSECUTOR

September 10, 1982

SUPPLEMENTAL REPORT OF THE SPECIAL PROSECUTOR

EXHIBITS

SUPPLEMENTAL REPORT OF THE SPECIAL PROSECUTOR

EXHIBITS

<u>Exhibit</u>	<u>Document</u>
89	Exhibit Deleted
90	Ledger Sheet summarizing payments to Big J Demolition and Excavation Co.
91	Exhibit Deleted
92	Exhibit Deleted
93	Exhibit Deleted
94	Exhibit Deleted
95	Exhibit Deleted
96	Exhibit Deleted
97	Exhibit Deleted
98	Ronald A. Schiavone affidavits of August 2, 1982 and August 30, 1982
99	Ronald A. Schiavone affidavit of July 27, 1982

EXHIBIT DELETED

SCHEDULE _____
PREPARED BY _____ DATE _____
REVIEWED BY _____

Rental of 972 Caterpillar Trunk Loaders - All used in soil excavation.
Repairs are for equipment damage, not wear and tear. Exhibit 90

Paid in accordance with New York law laws on behalf of the trucking
contractor for SA, who had defaulted on his contract. Google

EXHIBIT DELETED

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EXHIBIT DELETED

EXHIBIT DELETED

STATE OF NEW JERSEY)
 ss.
COUNTY OF ESSEX)

RONALD A. SCHIAVONE, being duly sworn, according to law,
upon his oath, deposes and says:

1. I am the Chairman of the Board of Schiavone Construction Co. and have been associated with that entity for more than the past twenty years as a principal.

2. In 1980 and 1981, neither Schiavone Construction Co. nor any of its subsidiaries or joint ventures held any contract or subcontract pertaining to the construction of a waste water disposal plant facility in Suffolk County, New York.

3. At no time did Schiavone Construction Co. or any of its subsidiaries or joint ventures have Jopel Contracting Co. or Jopel Trucking Co. as a subcontractor with respect to any project involving the construction of a waste water treatment plant facility in Suffolk County, New York.


4. In 1974, Schiavone Construction Co. tendered its proposal in response to the public advertisement for bids concerning the proposed construction of a waste water treatment plant in Suffolk County, New York. In the order of bidding, Schiavone Construction Co. was second-low bidder. The project was awarded to Terminal Construction Co. of Wood-Ridge, New Jersey, and we believe that that firm completed the project in

Exhibit 98

which neither Schiavone Construction Co. nor any of its subsidiaries or joint ventures was involved in any way (other than submitting its unsuccessful public bid).

Sworn and subscribed to
before me this 2nd day
of August, 1982.


RONALD A. SCHIAVONE


A Notary Public of New Jersey

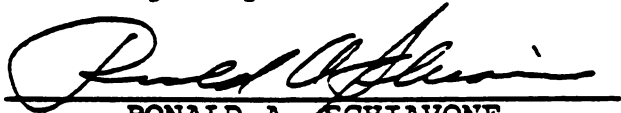
BETTYE WILLIAMS
A NOTARY PUBLIC of NEW JERSEY
My Commission Expires Jan. 8, 1987

STATE OF NEW JERSEY :
COUNTY OF ESSEX : ss.

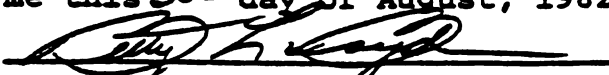
A F F I D A V I T

RONALD A. SCHIAVONE, being duly sworn upon his oath,
deposes and says:

1. I am Chairman of the Board of Directors of Schiavone Construction Company and Schiavone Holding Corp.
2. On or about September 30, 1982, Schiavone Holding Corp. through a wholly owned subsidiary acquired 100% ownership of Dritz, Goldring & Wohlreich & Co., Inc. located at 74 Trinity Place, New York, New York.
3. At the request of the Special Prosecutor, I have made diligent inquiry among the officers of Schiavone Holding Corp. and Schiavone Construction Company, as well as of the officers of Dritz, Goldring & Wohlreich & Co., Inc. (the "subsidiary") and I am able to state that no relationship as an owner, "customer", client or otherwise exists or ever existed between the Subsidiary corporation (or its predecessor) and one John Cody or one Robert Sasso, and that no information or advice was ever given to either or to Teamsters Local 282 or any of the employee benefit funds existing in connection with Local 282 by either the Subsidiary or by anyone connected with Schiavone Construction Company or Schiavone Holding Corp.


RONALD A. SCHIAVONE

Sworn to and subscribed before
me this 30th day of August, 1982



BETTY L. BOYD
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires Apr 19 1983

STATE OF NEW JERSEY)
COUNTY OF ESSEX) ss.

RONALD A. SCHIAVONE, being duly sworn, according to law, upon his oath, deposes and says:

1. I am the Chairman of the Board of Schiavone Construction Co. and have been associated with that entity for more than the pasttwenty years as a principal.

2. Neither Schiavone Construction Co. nor any of its subsidiaries or joint ventures have ever constructed any building in the Hunts Point or any other section of the Bronx, New York.

3. Neither Schiavone Construction Co. nor any of its subsidiaries or joint ventures has any contract, commitment or other arrangement to build any building in the Bronx, New York.

4. Neither Schiavone Construction Co. nor any of its subsidiaries or joint ventures has any interest in any building to be built in the Bronx, New York.

Sworn and subscribed to
before me this 27th day
of July, 1982.

RONALD A. SCHIAVONE

Betty Killian
A Notary Public of New Jersey

BETTYE WILLIAMS
A NOTARY PUBLIC OF NEW JERSEY
My Commission Expires Jan. 8, 1987

Exhibit 99



UNIVERSITY OF MINNESOTA



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