Drew:
This is the Roy Cohn
scandal. E.C

where is the $4,000,000?

The SEC has claimed in a civil suit that some $4,000,000 of the funds of Fifth Avenue Coach Lines, Inc. has been "misappropriated" and charges "fraud."

Any reasonable man, reading the scare headlines, might assume that somebody walked off with the Company's assets.

That is untrue—the assets are in the Company and are growing. But you have to dig down into the fine print of the SEC allegations to find that out.

Here is the truth about the SEC's charges, most of which are a rehash of charges the SEC "forgot" to say have been already discredited by a New York Supreme Court Referee.

And here are the facts about how SEC harrassment has "protected" Fifth Avenue shareholders out of well over a half million dollars of their assets.

The $4,000,000

Three transactions which the Commission is questioning represent about $4,000,000. These are assets, properly carried on the Company's books. They belong to the shareholders of Fifth Avenue Coach. THE SEC KNOWS THAT.

And they are earning income which also belongs to the shareholders. THE SEC KNOWS THAT TOO.

"The evidence indicates that in 1965 the credit of the Corporation was exhausted and that attempts had been made to borrow money from factors so that the assistance by Krock was both necessary and upon reasonable terms as it was necessary to raise funds for the purpose of paying damage claims arising out of accidents which had occurred (while Fifth Avenue

larger fee lost the Company's suit for fair compensation covering intangible assets seized, while Saxe, Bacon & Bolan won that suit on appeal and received an additional judgment of $3,000,000. It is now fighting to have that amount raised to $24,000,000.

Thomas A. Bolan, a Saxe, Bacon & Bolan partner who is president and chairman of Fifth Avenue Coach, receives less than one-

We operate, among other things, two companies active right here in Metropolitan New York. One is the Westchester Street Transportation Company, providing bus service in Westchester County; the other is V.I.P. Metered Transportation Co., whose cars are a familiar sight to many New Yorkers.

The SEC's "Protection"

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And they are earning income which also belongs to the shareholders. **THE SEC KNOWS THAT, TOO.**

That these are good investments for the Company is not only our opinion. The New York Supreme Court Referee held, on August 29, 1967:

"Fifth Avenue has made diligent use of its funds for operating purposes and in searching for and making acquisitions."

The SEC used the stipulation in this Supreme Court suit in back of its papers. **BUT NOWHERE IN ITS ALLEGATIONS DOES IT REFER TO THE FINDING QUOTED.**

These are the three transactions referred to:

1. A secured, interest-bearing loan of $1,800,000 to American Steel and Pump Corporation, a company which has a net worth of more than $7,000,000 and which showed net earnings after taxes of $1,200,000 on sales of $33,000,000 in 1966. The interest rate being paid on this loan is 1¼ points above the rate Fifth Avenue Coach is paying on its borrowing.

   Furthermore, in connection with the same transaction, Fifth Avenue Coach was able to purchase a substantial minority interest in an institution, and that is proving to be a good dividend paying investment for Fifth Avenue Coach shareholders. The bank earned $250,000 in the first half of 1967, compared with $90,000 in the same period a year ago, and paid its highest dividend in years.

2. A remaining balance of $645,000 outstanding against notes covering a sale of shares by Fifth Avenue Coach for $717,000, a sale necessary under banking laws. Ten per cent of the total already has been repaid; the balance will be paid shortly with proceeds from the resale of these shares, negotiations for which are now being concluded.

3. A loan of $1,500,000 to a corporation which itself owns some 205,000 shares of the common stock of Fifth Avenue Coach and whose interests therefore parallel those of all other shareholders.

Other matters in which the SEC has alleged "misappropriation" include payments made to the Company's officers and its counsel. Here are the details on these:

1. The bonus to Edward Krock in 1965 in return for his loan of his personal funds to the company at a time when the City of New York

   "The evidence indicates that in 1965 the credit of the Corporation was exhausted and that attempts had been made to borrow money from factors so that the assistance by Krock was both necessary and upon reasonable terms as it was necessary to raise funds for the purpose of paying damage claims arising out of accidents which had occurred (while Fifth Avenue was conducting a transit company), wage and labor claims, and interest . . ."

2. The premium to Victor Muscat and Edward Krock for personal funds they advanced to Fifth Avenue Coach in September 1966. At that time the City of New York was refusing to make any payments against an award the Company had received for its tangible assets seized by the City.

   About the same time a creditor, who was owed some $567,000 by a then affiliate of Fifth Avenue Coach, threatened in court to seize the affiliate's principal asset within a week. Every effort was made to obtain funds, including a public appeal to shareholders when they were asked to suggest possible financing sources to management. There were no takers.

   Mr. Krock and Mr. Muscat then stepped forward and advanced their own personal funds.

   Only three weeks later, in September 1966, commenting on the City's unprecedented attempt at "starvation" of the Company the New York Court of Appeals, highest court in the state, held:

   "The city's continued resistance to payment on alleged statutory grounds—four years after the taking—borders on the verge of giving the amendment of 1962 an unconstitutional construction (Rexford v. Knight, 11 N.Y. 303, 1854; Kahlen v. State of New York, 233 N.Y. 383, 389, 1918), and it is directly contrary to the representation given to this court that prompt payment would be made."

   The Court of Appeals finding also is used as an exhibit in the SEC's suit. **BUT HERE AGAIN THE "ALLEGATIONS" MAKE NO REFERENCE TO WHAT THE COURT SAID.**

3. An agreement was made with Edward Krock under which he received a premium in return for his personal guaranty of funds for the acquisition by Fifth Avenue of common shares of Austin, Nichols & Co., Inc. The Austin, Nichols investment showed a profit of more than $1,000,000 before the SEC announced its civil suit on Friday, October 27.

4. The Commission cites fees paid for work done and a loan advanced to Saxe, Bacon & Bolan as general counsel. But the total in question

   larger fee lost the Company's suit for fair compensation covering intangible assets seized, while Saxe, Bacon & Bolan won that suit on appeal and received an additional judgment of $3,000,000; it is now fighting to have that amount raised to $24,000,000.

   Thomas A. Bolan, a Saxe, Bacon & Bolan partner who is president and chairman of Fifth Avenue Coach, receives less than one-third the salary of previous presidents of the company. And in the two years that Mr. Bolan's firm has supervised the Fifth Avenue Litigation Department, Fifth Avenue has saved $191,927.68 in salaries and rent alone, and has paid out in negligence cases $908,440 less than in the preceding two year period.

   When Mr. Bolan became President of Fifth earlier this year (after all the transactions mentioned) he requested representatives of Arthur Andersen & Co., one of the nation's largest independent auditing firms, who had completed an eight-month audit of Fifth's books, to attend a Board meeting. In response to the direct question from the Directors, the Arthur Andersen representatives on July 17, 1967 advised that they had found no improprieties in any of the Corporation's transactions and that their comments were addressed to centralization of bookkeeping and financial operations. What the SEC did not disclose is that the Board immediately designated a certified public accountant, never before connected with the Company, as Treasurer, and the Arthur Andersen suggestions have been carried out under his supervision. The entire SEC complaint contains not one specific instance of criticism concerning Mr. Bolan's conduct, and the SEC never even interviewed Mr. Bolan concerning the Company's affairs.

Calling a Tail a Leg

The heart of the SEC case is its claim that our operating company is really an investment company, and should be subject to all the extra restrictions placed on an investment company.

But we are not an investment company. If the SEC thinks we are, the law (Section 8 of the Investment Company Act of 1940) requires the SEC to notify us to register as such within 30 days. They never have.

Instead the SEC now declares that we look to them like an investment company, so we should be prosecuted for fraud for not proceeding under the restrictions governing an investment company for the past two years.

There is an old riddle that applies to this kind of reasoning:

Question: If you call a tail a leg, how many legs has a dog? Answer: Four—because calling

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The SEC's "Protection"

Moments after the SEC announcement last Friday, the stock of Austin Nichols plunged—and Fifth Avenue Coach shareholders lost one-half of their $1,000,000-plus profit in that situation. There can be no doubt that this SEC "protection" on that day cost Fifth Avenue Coach shareholders more than half a million dollars.

Not the First Time

Fifth Avenue's 2,300 shareholders have been subjected to the benefits of such SEC "protection" before. When we were fighting in the New York courts to save our valuable listing on the New York Stock Exchange, the SEC intervened against the Company and then applied for suspension of our listing. The shareholders were "protected" out of another important asset.

Trial by Publicity

The SEC, by news leaks and press release, has chosen to try its shaky civil suit in the press. And it has done so at a time when its action could prejudice our position in important pending litigation for the additional award from the City, and thus "protect" the Company out of still another asset.

WHAT HAS FIFTH AVENUE COACH MANAGEMENT ACCOMPLISHED?

1. It has taken a company on the verge of bankruptcy and built it to a position of its soundest financial condition in decades.
2. It rejected a low condemnation settlement of $18,000,000 and financed a long legal battle that increased that amount to $30,000,000 (plus another $5,000,000 in interest) for the tangible assets seized by the City.
3. It won a reversal of the lower courts' decision and a finding that it must now receive an award for intangible assets in addition. It has already obtained a judgment against the City for $3,000,000 covering the intangible assets. It does not regard this as adequate compensation and is currently fighting for $21,000,000 more.
4. During the course of its case against New York City, the company was saved from bank-

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   Furthermore, in connection with the same transaction, Fifth Avenue Coach was able to purchase a substantial minority interest in an institution, and that is proving to be a good dividend paying investment for Fifth Avenue Coach shareholders. The bank earned $250,000 in the first half of 1967, compared with $90,000 in the same period a year ago, and paid its highest dividend in years.
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1. The bonus to Edward Krock in 1965 in return for his loan of his personal funds to the company at a time when the City of New York was trying to starve it out and funds were not available from any other source. The fairness of this recompense is attested by the New York Supreme Court Referee who found, in his opinion of August 29, 1967:

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4. The Commission cites fees paid for work done and a loan advanced to Saxe, Bacon & Bolan as general counsel. But the total in question —even if the loan is included as a fee which it is not—amounts to considerably less than that received by the firm previously retained as counsel. The SEC's attempt to give this some sinister significance is particularly incomprehensible since the firm which received the

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When Mr. Bolan became President of Fifth earlier this year (after all the transactions mentioned) he requested representatives of Arthur Andersen & Co., one of the nation's largest independent auditing firms, who had completed an eight-month audit of Fifth's books, to attend a Board meeting. In response to the direct question from the Directors, the Arthur Andersen representatives on July 17, 1967 advised that they had found no improprieties in any of the Corporation's transactions and that their comments were addressed to centralization of bookkeeping and financial operations. What the SEC did not disclose is that the Board immediately designated a certified public accountant, never before connected with the Company, as Treasurer, and the Arthur Andersen suggestions have been carried out under his supervision. The entire SEC complaint contains not one specific instance of criticism concerning Mr. Bolan's conduct, and the SEC never even interviewed Mr. Bolan concerning the Company's affairs.

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Instead the SEC now declares that we look to them like an investment company, so we should be prosecuted for fraud for not proceeding under the restrictions governing an investment company for the past two years.

There is an old riddle that applies to this kind of reasoning:

Question: If you call a tail a leg, how many legs has a dog? Answer: Four—because calling a tail a leg doesn't make it a leg.

Calling Fifth Avenue Coach an investment company doesn't make it an investment company. The SEC is belatedly trying to apply rules to us that simply do not apply to an operating company. And we are an operating company.

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4. During the course of its case against New York City, the company was saved from bankruptcy only through the willingness of its officers to risk their personal assets and supply additional funds to keep Fifth Avenue Coach in existence.
5. It provided Fifth Avenue's shareholders with their first dividend in 12 years, in the form of 150,000 shares of Gray Line Corp.

The SEC civil action is based on distortions and allegations already discredited.

Over the years we have had to fight the Mike Quill union, New York politicians, and a headline-hunting SEC staff. We would have preferred to present the facts in this ad in Court and not in the public press. But because of the viciousness of the SEC's public attack, we feel obligated to the shareholders and the public to set the record straight without delay.

Government charges have a way of being played up on the front pages of newspapers. Vindications have a way of being buried in the back pages.

FIFTH AVENUE COACH LINES, INC.
598 Madison Avenue, New York, N.Y. 10022

Muscat Group Discussing Sale Of 65% Stake in Gateway Bank

By TERRY ROBARDS

A corporation controlled by Victor Muscat and his business associates is negotiating the sale of its 65 per cent interest in the Gateway National Bank of Chicago.

"Negotiations for the sale are under way," Thomas A. Bolan, the bank's chairman, said in an interview yesterday. Mr. Bolan, a close associate of Mr. Muscat, is a partner in Saxe, Bacon & Bolan, a New York law firm.

The sale of the majority interest in Gateway National is related to provisions of the Bank Holding Company Act of 1965, which limits the number of banks one corporation can control without registering as a bank holding company. The Muscat interests control at least three other Chicago banks.

Howard H. Hackley, general counsel of the Federal Reserve Board, said in a telephone interview, "The board has not issued any order in the matter at all." He noted that the staff of the Federal Reserve has been "reviewing the matter."

The 65 per cent interest in Gateway National is held by the Gray Line Corporation, which is 20 per cent owned by the B.S.F. Company. B.S.F., in turn, is 30 per cent owned by Defiance Industries, which is 25 per cent owned by Mr. Muscat, according to the Securities and Exchange Commission.

Mr. Muscat, Mr. Bolan and Edward Krock, another of Mr. Muscat's business associates, were named defendants Friday in a suit filed by the S.E.C., alleging that they misappropriated $4.8-million from another of their enterprises, Fifth Avenue Coach Lines, Inc.

Mr. Bolan, a former director of Gray Line, said yesterday the Gray Line board had authorized the sale of the interest in Gateway National at a price

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TALKS UNDER WAY ON GATEWAY DEAL

Continued From Page 63

"in excess of what was paid for it."

He said Gray Line purchased 26,280 shares at $27.50 a share, for a total cost of about $722,700. At the end of last year, the bank listed assets of $15.5-million.

Mr. Bolan, noting that the sale was "close to being finished," said Federal laws pertaining to bank ownership "had something to do with it, in an indirect way." Two separate Chicago groups are believed to be negotiating with the Muscat interests for the purchase of the stock.

Provisions of Act

The Bank Holding Company Act of 1956 stipulates that any company that directly or indirectly controls or owns 25 per cent or more of the voting shares of two or more banks is a bank holding company. The act also stipulates that a bank holding company cannot have assets unrelated to banking.

Through a complicated network of corporations, the Muscat interests control major interests in Chicago's Guaranty Bank and Trust Company, the Mercantile Bank of Chicago and Chicago's University National Bank, as well as Gateway National.

It is known that Federal authorities had been delving into the ownership of the four banks to determine whether their ownership complies with the provisions of the law. The banks were acquired in recent years by the Muscat interests.

The lines of ownership were so complicated, however, that it was difficult to determine exactly what interests were in control. But the suit filed Friday by the S.E.C. documented graphically the tie-ins of the banks with the Muscat interests.

Defiance Industries, the keystone enterprise of the Muscat network, controls 50 per cent of Guaranty Bank and Trust and 15 per cent of Mercantile National. Fifth Avenue Coach Lines, 9 per cent owned by B.S.F., holds 26 per cent of Mercantile National and 15 per cent of University National.

Other Holdings

The network does not stop there. B.S.F. also owns 57 per cent of the American Steel and Pump Corporation, which owns 47 per cent of University National. B.S.F. also directly owns 8 per cent of Mercantile National.

Fifth Avenue Coach, furthermore, owning interests in both University National and Mercantile National, is 23 per cent owned by the Gray Line Corporation, which is 20 per cent owned by B.S.F.

Roy M. Cohn, a member of Mr. Bolan's law firm, has been chairman of University National since last March. Mr. Cohn, Mr. Muscat and Mr. Krock are directors of Mercantile National. Mr. Cohn also is listed as the chairman of Guaranty Bank and Trust.

In a related development, Mr. Bolan charged that the S.E.C. had given a "dramatic demonstration" of the "unfairness" of its recent suit against Fifth Avenue Coach. Mr. Bolan is the concern's chairman and president, and had previously accused the S.E.C. of harassment in connection with its actions against Fifth Avenue Coach.

An S.E.C. spokesman denied the charge and said he failed to see any inconsistency with respect to the commission's action charging that Fifth Avenue Coach was being operated illegally as an investment company.

Oct 24, 1967

Tactics of Cohn's Firm Questioned by Judge

By CAROL MATHEWS

A federal judge questioned today the propriety of a private detectived from Roy Cohn's law firm, Saxe, Bacon & Bolan, interviewing jurors after a trial.

District Judge McLean said all juries should be protected from "harassment and any attempt to embarrass them."

The alleged improprieties involved the questioning by William Whalen, a private detective for Saxe Bacon, of four of the 12 jurors who found Daniel Driscoll quiltp of federal income tax evasion earlier this month.

Driscoll is a lawyer with the Saxe, Bacon firm.

The hearing today was a result of accusations by the U. S. Attorney Morgenthau's office that Cohn's law firm had harassed and intimidated the four jurors.

Asked to Explain

"Can you explain why Whalen told these jurors that a previous jury split 6-to-6 in the trial of Driscoll?" asked McLean.

"It is a good way to communicate with jurors," Thomas Bolan, a member of Saxe, Bacon, replied.

Bolan added that the manner in which the question of a hung jury was presented to a juror would make the difference between a possible threat or a statement of fact.

"This would be a pretty fine line, wouldn't it?" McLean commented.

Testimony at the hearing showed that no one at the Saxe, Bacon & Bolan firm had authorized the interviewing of the jurors. John Lang, a lawyer for the Fifth Av. Coach Co., said he had asked Whelan to conduct the interviews.

Former Employe

Saxe, Bacon is the law firm for Fifth Av. Coach and Lang had been employed by Saxe, Bacon from 1962 to July, 1965.

Testimony by the four jurors interviewed by the private detective showed that they had been asked if they would sign a petition.

The nature of the petition was not clear, but Judge McLean noted that cases in which affidavits to impeach a jury's verdict have been admitted in court have been "very different from this."

Frank Raichle, a lawyer who originally defended Driscoll and who represented him at the hearing today, said that there was no wrong doing by his client amounting to "a breach of ethics."

McLean said all juries should be protected from "harassment and any attempt to embarrass them." The judge reserved

Comic Book Sex Called Old Story

Youngsters who read comic books are learning a nearly Victorian version of sex from the cleanest of all the mass media popular with their age group.

That's the assessment of Leonard Darvin, administrator of the Code Authority of the Comics Magazine Assn.

Darvin said in connection with his report to the association's annual meeting at the Plaza today that comics bordered on the Victorian in their approach to sex.

Darvin contrasted this with what he said was the lack of restraint in areas of profanity, nudity, marriage and sex by competing media.

Arrest Bronx Man in 5M Drug Swindle

U. S. marshals arrested a 40-year-old man today and charged him with operating a phony charitable foundation that had swindled an estimated $5 million from major drug manufacturers.

Armed with search warrants, the marshals also entered a Manhattan warehouse operated by the man, David Roth of 5801 Riverdale Av., The Bronx, and confiscated an estimated $2 million in drugs.

U. S. Atty. Morgenthau said Roth had been arrested on a federal indictment charging him with mail fraud. The indictment also charges Roth with defrauding the Internal Revenue Service by falsely stating that his foundation was a charity and claiming a tax exemption for it.

Asked Donations

Morgenthau said Roth had represented himself as the head of the Social Security Foundation of the Philippines and that he asked drug companies including Merck Sharpe and Dohme and Colgate-Palmolive to donate drugs to help poor people in the Philippines.

However, Morgenthau said, Roth actually had sold the drugs in the U. S. and Europe for his own profit.

Judge Tyler fixed bail at $2,500 and set a hearing for

Misfiled

U.S. Attorney Says Roy Cohn's Law Firm Harassed Jurors Who Found Partner Guilty

By a WALL STREET JOURNAL Staff Reporter

NEW YORK - The U.S. Attorney's office accused Roy M. Cohn's law firm of "harassment and intimidation" of jurors who 10 days ago convicted Daniel J. Driscoll, a partner in the firm, of wilfully failing to file Federal income-tax returns.

Thomas A. Bolan, also a partner in the firm and a defense attorney for Mr. Driscoll, denied the charge. Federal Judge Edward C. McLean, at a brief hearing yesterday, scheduled another hearing in the matter for Oct. 24.

The judge on Saturday had signed an order temporarily restraining Mr. Driscoll or his representatives from interviewing any of the 12 jurors.

The judge's order was in response to an affidavit filed by Albert J. Gaynor, executive assistant U.S. Attorney in the office of U.S. Attorney Robert M. Morgenthau. Mr. Gaynor, who had charge of the prosecution of Mr. Driscoll, asserted that last week, after the conviction, two jurors said they had been questioned about the verdict.

According to Mr. Gaynor, Newton Pearlman, a juror, said he was contacted by William J. Whelan, an investigator for Saxe, Bacon & Bolan, the firm headed by Mr. Cohn. Mr. Pearlman allegedly said Mr. Whelan wanted to interview him "in connection with briefs which were to be filed on appeal in the . . . matter."

Two days later, another juror, George Gurner, told of a call from Mr. Whelan, Mr. Gaynor said. Mr. Whelan allegedly asked these questions: "Did you know that Driscoll was previously tried and it resulted in a hung jury?" "Did insanity mean anything to you?" "What did you think of the defense attorney?"

Mr. Gaynor said he then talked to a third juror, Rosalie Cannuba, who said she had been questioned by Mr. Whelan.

The questions allegedly were: "What went wrong?" "What was held against the defendant?" "Did she know that the previous jury was deadlocked six-to-six on the previous trial?" "Would she be willing to sign a petition?"

"Such conduct is grossly improper," Mr Gaynor said in his affidavit. "Jurors should remain free, after rendering the verdict, from such harassment and intimidation, and from answering to anyone for their verdict."

In an affidavit in reply, Mr. Bolan said, "Nothing in law, good ethics, or morality . . . prohibits such interviews. . . . I am informed by Mr. Whelan that before asking any questions he first inquired of the juror as to whether he would be willing to answer his questions . . ."

"Nothing in Mr. Whelan's questions remotely resembles 'harassment and intimidation,'" Mr. Bolan continued.

However, Mr. Bolan added that "information sufficient for defendant's purposes has already been obtained from the interviews made" and there would be no more interviews.

Mr. Driscoll was charged with failing to file tax returns for three years in which he grossed $119,000. He pleaded insanity, and the first of his two trials ended in a deadlocked jury unable to reach a verdict.

Judge McLean's temporary restraining order referred specifically to Mr. Driscoll; Mr. Bolan; Mr. Whelan; Frank G. Raichle, a Buffalo, N.Y., attorney who also defended Mr. Driscoll; Saxe, Bacon & Bolan, and their agents and employes.

COHN CHARGES U.S. LEAKED JURY DATA

Attacks Federal Lawyers in Plea to Dismiss Case

By EDWARD RANZAL

Roy M. Cohn charged yesterday that a special assistant to Attorney General Robert F. Kennedy and a lawyer for the Securities and Exchange Commission had leaked information to news media to inflame the public and a Federal grand jury investigating him.

Mr. Cohn made the contention the basis of a motion presented to Federal Judge Archie O. Dawson to dismiss an indictment charging him with perjury and conspiracy to obstruct justice. The defendant had served as chief counsel to the Senate investigating subcommittee when it was headed by the late Senator Joseph R. McCarthy.

He asked that the two Government officials be held in contempt of court for violating grand jury secrecy, even if his motion should be denied. The officials he named were Walter Sheridan, special assistant to the Attorney General, and Edward Jaegerman, counsel for the S.E.C.

A similar motion was made before Judge Dawson last year by J. Truman Bidwell, who was later acquitted of income tax evasion charges by a jury. Mr. Bidwell was chairman of the

Continued on Page 22, Column 5

COHN CHARGES U.S. LEAKED JURY DATA

Continued From Page 1, Col. 8

board of governors of the New York Stock Exchange. He complained that before he was indicted some newspapers printed stories about a grand jury investigation of him. He accused Government officials of inspiring the stories. However, he was unable to name any officials.

Judge Dawson dismissed Mr. Bidwell's motion because he was unable to particularize. However, the judge criticized Government officials who breached grand jury secrecy.

Mr. Cohn was indicted Sept. 4 with Murray E. Gottesman, also a lawyer, on charges of complicity to prevent the indictment of four men in a stock fraud case involving the United Dye & Chemical Corporation.

Judge Dawson was selected by Chief Judge Sylvester J. Ryan to handle all aspects of the case. Mr. Cohn filed a series of motions yesterday. The Government has two weeks to reply. Judge Dawson will probably not hear argument, but will decide the issues presented in the papers filed. The case is not expected to go to trial before the early spring.

The motions were presented by Thomas A. Bolan, associate in the law firm of Bacon & O'Shea. Mr. Cohn was said to be still seeking counsel to represent him.

In March, 1961, Mr. Cohn said Mr. Sheridan told three members of the staff of The New York Journal-American that Mr. Cohn had given the late Senator George H. Bender, Republican of Ohio, a $100,000 bribe to quash the United Dye case. Mr. Cohn noted that his name was not mentioned during the United Dye trial in connection with testimony about the bribe.

On March 23, 1961, Mr. Cohn said, Mr. Sheridan, told the three newspapermen: "Don't kid yourself, we'll get Roy Cohn sooner or later."

A month later Mr. Jaegerman was said by Mr. Cohn to have given the same information concerning the alleged Bender bribe to Journal-American reporters.

One of these reporters left the newspaper in July, 1961, to join the news department of the National Broadcasting Company. Thereafter, the reporter was allegedly informed of progress in the investigation of Mr. Cohn by former Assistant United States Attorney Irving Younger, who was assigned to make a case on Cohn by Sheridan among other superiors."

Mr. Cohn also charged that Government officials leaked information to Drew Pearson, a columnist, and to The Washington Post and other newspapers across the country. He accused Government officials of encouraging persons involved in the United Dye case to talk frankly with reporters from Life magazine. He said "prejudicial" information was given by the Justice Department to The Wall Street Journal.

The New York Times

ASKS DISMISSAL: Roy M. Cohn, who moved in Federal Court for quashing of an indictment against him.

NEW YORK POST, TUESDAY, OCTOBER 3, 1967 12

Cohn Partner Facing Tax Evasion Sentence

Daniel Driscoll, 39, long-time friend of Roy Cohn and member of his law firm since 1956, will be sentenced Nov. 6 for income tax evasion. He was found guilty late yesterday in federal district court.

Maximum sentence could be 3 years in prison and a fine of $30,000.

Driscoll, who pleaded insanity, has been a partner in the law firm of Saxe, Bacon & Bolan since April 1960 and has continued practicing since his indictment in Feb. 1966. He was an associate member from 1956 to 1960.

Driscoll, a bachelor, was convicted on three counts of failure to file tax returns for 1960, 1961 and 1962—one count for each year.

Driscoll's insanity plea was rejected by the jury when Asst. U. S. Attorney Gaynor, showed that his first visit to a psychiatrist coincided with his tax filing.

Driscoll ultimately paid the taxes and interest on his gross income of $118,000 for the three years on Feb. 5, 1964. The next day he made his first trip to a psychiatrist, according to government evidence.

Driscoll's trial before Justice McLean lasted six days.

Among character witnesses produced on behalf of Driscoll were State Supreme Court Justices Schweitzer and Hofstadter, and Lewis Nichols, vice president of Schenley Industries and former assistant to FBI director Hoover.

Trial Witness Testifies He Gave Money to Cohn

NEW YORK, March 30 (UPI)—A key witness at Roy M. Cohn's perjury trial today testified that the owner of the Desert Inn, one of Las Vegas's most glittering night spots, paid former Chief Assistant United States Atorney Morton Robson $33,320 to keep things quiet in a stock-fraud case.

The, testimony came from Samuel Garfield, a Denver oil man and one of the Government's chief witnesses in the case against Cohn who, along with Murray E. Gottesman, is accused of perjury, conspiracy and obstruction of justice in connection with the 1959 stock fraud case.

Both Garfield and Allard Roen, part owner of the Desert Inn, have pleaded guilty to a charge of selling unregistered United Dye and Chemical Corp. stock.

Under direct examination today, Garfield told the court he made an arrangement with Cohn to pay a fee of $50,000 to "keep me out of the United Dye case." Under the terms of the agreement, he would pay nothing if he was indicted, Garfield said.

He admitted paying one-third of the $50,00 to Cohn and then, under cross-examination, he said the remaining two-thirds was paid by Roen to Robson.

Questioned closely by Frank G. Raichle, Cohn's attorney, Garfield explained that on Aug. 23, 1959, he called Roen, who then was in Capistrano, Calif., and told him to get the cash from the Desert Inn and "make out an IOU for me—I have plenty of credit there.

"He was to call me back when he arrived in Las Vegas on Sunday and I was to tell him who was to get the money," Garfield said. "He called me and I told him Morton Robson was to get the money."

Asked if he ever heard if Robson was given the money, Garfield replied, "Roen called me back that night and told me he paid the two-thirds of $50,000 to Robson." He further testified that "Cohn told me that Robson would come out and pick up the money."

Robson, now in private practice in New York, angrily denounced Garfield's testimony as "a vicious lie."

"I have never in my life been to Las Vegas, nor have I ever met, seen or spoken to Garfield or Roen, the man who is supposed to have paid me the money," Robson told UPI.

When the court recessed for the day, Garfield was told his cross-examination would resume Tuesday. The defense is attempting to impugn his veracity.

In a Neutral Corner

Roy Marcus Cohn

Man in the News

DURING his flamboyant career as the boy scourge of American Communists, Roy Marcus Cohn drove the opinionated to heights and depths Marcus Cohn drove the opinionated to heights and depths of verbal extravagance. "There is only one man the Communists hate more than Roy Cohn and that is J. Edgar Hoover," said Senator Joseph R. McCarthy, Cohn's friend and mentor, in 1953. When Cohn resigned as chief counsel to a Senate investigating subcommittee, a columnist called him "the youngest has-been since Jackie Coogan." A minister said, "The loss of Roy Cohn is like the loss of a dozen battleships."

For almost five years young Cohn had occupied a place near stage center during a season of profound distress in American politics. The demise in 1954 of the McCarthy crusade sent him to an obscurity he had never sought, but he instantly adapted to it. After five prosperous years in the shadows, he lately has begun to re-emerge in quite a different role.

Yesterday, for instance, he put in a brief paternal appearance at the midtown offices of the New York State Athletic Commission. There Feature Sports, Inc., which he had organized, officially became the promoter of the return bout between Floyd Patterson and Ingemar Johansson for the world heavyweight championship here next June.

The New York Times

Quite a different role

Re-elected as Board Head

From there he hurried to the Waldorf-Astoria, where stockholders re-elected him chairman of the board of the Lionel Corporation, manufacturers of toy railroads.

Cohn, now 33 years old, is a counsel for National Airlines, the Stork Club and other enterprises. His income has been put at $250,000 a year, a figure he says is "not far off."

By the time he was 20, Cohn, an alumnus of the Fieldston School in Riverdale, the Bronx, had breezed through Columbia Law School. He was forced to cool his eager heels until he was old enough, at 21, to be admitted to the bar.

Beginning as a clerk-typist at $1,700 in the office of the United States Attorney for the Southern District of New York, he moved quickly up the ladder to the post of confidential assistant.

One observer described him as "a precocious, brilliant, arrogant young man." Another said, "He learned early whom to soft-soap and whom to browbeat. You fawned on your betters, stepped on the people below."

Impressive in Court

In the courtroom his work was agile, cool and uniformly excellent. His first case resulted in the defender's conviction and a sentence of fifteen years; other prosecuting triumphs followed. He was assigned to cases involving first and second-string communist leaders. He conducted the direct examination under which David Greenglass identified his sister, Mrs. Ethel Rosenberg, as a member of a Soviet spy ring.

Once he ducked out of his office to attend a session of the hearings on crime conducted by Senator Estes Kefauver. A note in his chief's handwriting reached him. "I can see you loafing on television," it read.

On another occasion he was displaying real and counterfeit stamps, got them mixed up and spread momentary consternation by sending out personal mail from the United States Courthouse under counterfeit postage.

In January, 1953, he joined the investigating committee headed by Senator McCarthy and met G. David Schine, son of a multimillionaire hotel owner and unpaid consultant to the committee. On a whirlwind fact-finding tour of Europe, the brash pair met a hostile, caustic press and returned famous.

When the Army drafted Schine, Cohn persuaded the Pentagon to confer immunity to kitchen police on the new private. He tried to get his old buddy a commission, but failed.

Pentagon officials charged later that Cohn had badgered them unmercifully and had threatened reprisal-by-investigation in the Schine matter. They said that Cohn had at one point vowed to "wreck" the United States Army. That precipitated an open crisis between Senator McCarthy and the Eisenhower Administration. Thirty-six days of televised Senate hearings followed and the Senator went into partial eclipse.

Cohn was often seen in Washington jabbering into a white telephone that was plugged in near his table at the Colony Restaurant. He is a fairly regular visitor to night clubs here. He dines sometimes at the Pavilion (soup $3), sometimes at a Chock Full O' Nuts near his downtown office (cheese sandwich 25 cents).

He lives with his mother in a nine-room apartment at 1165 Park Avenue, makes his rounds i na chauffeur-driven Cadillac, plays golf at the Quaker Ridge Club in Westchester and goes deep-sea fishing off the Florida Keys.

He visits Europe two or three times a year and takes an annual trip around the world, stopping in Hong Kong for custom-tailored clothes.

WESTERN UNION TELEGRAM

1963 JAN 23 PM 7 02

Any action?
File Cohn ??

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CT NA412 PD NEW YORK NY 23 #43P EST

DREW PEARSON

1313 29 NORTHWEST WASHDC

THE DREW PEARSON COLUMN DISSEMINATED BY BELL SYNDICATE FOR FRIDAY, JANUARY 25, 1963, PUBLICATION IS SATURATED WITH LIBELOUS AND DEFAMATORY STATEMENTS HAVE NO FOUNDATION IN TRUTH OR IN FACT STOP IT IS DELIBERATELY AND MALICIOUSLY DISTORTED TO CONVEY A FALSE AND DEFAMATORY IMPRESSION STOP WE ARE PUTTING YOU ON ADVANCE NOTICE THAT IF THIS COPY IS NOT WITHDRAWN WE WILL CONSIDER IT TO BE ACTIONABLE

SAXE BACON & OSHEA.

Lunch in Basement.

UPI-120

(COHN)

NEW YORK--ROY M. COHN, BOY WONDER OF THE ARMY-MCCARTHY HEARINGS A DECADE AGO, PLEADED INNOCENT TODAY TO A FEDERAL INDICTMENT CHARGING HIM WITH PERJURY AND OBSTRUCTING JUSTICE.

COHN SAID HE WAS BEING VICTIMIZED AND CHARGED THAT U.S. ATTORNEY ROBERT F. MORGENTHAU WAS "OUT TO GET ME."

MORGENTHAU DECLINED COMMENT ON COHN'S STATEMENT, SAYING THAT "HIS GUILT OR INNOCENCE WILL BE DECIDED AT THE PROPER TIME BY A COURT AND JURY ~~ON THE EVIDENCE PRESENTED.~~" ~~MORGENTHAU DID NOT OBJECT TO COHN~~ BEING RELEASED ON HIS OWN COGNIZANCE AND HE WENT THROUGH ROUTINE FINGERPRINTING BEFORE HIS RELEASE.

AFTER ENTERING THE INNOCENT PLEA BEFORE FEDERAL JUDGE DUDLEY B. BONSAL, COHN CITED 11 INSTANCES TO ESTABLISH THAT THE JUSTICE DEPARTMENTJS CHARGES AGAINST HIM WERE PROMPTED BY "PERSONAL ANIMUS AND A DESIRE FOR POLITICAL REVENGE."

file Roy Cohn

HE SAID HE WOULD SEEK A HEARING BEFORE AN IMPARTIAL BOARD, SUCH AS A COMMITTEE OF THE BAR ASSOCIATION OR A SENATE JUDICIARY COMMITTEE.

HE SAID THE BOARD SHOULD HAVE "NO CONNECTION WITH MORGENTHAU OR THOSE ABOVE OR BELOW HIM."

ASKED WHETHERE HE WAS REFERRING TO ATTORNEY GENERAL ROBERT V. KENNEDY, COHN REPLIED:

"MR. KENNEDY IS MR. MORGENTHAU'S SUPERIOR. YOU CAN DRAW YOUR OWN CONCLUSIONS."

HE SAID THE JUSTICE DEPARTMENT HAD SPENT "HUNDREDS OF THOUSANDS OF DOLLARS" ON ITS INVESTIGATION--"SOMETHING OF A RECORD."

COHN SAID ONE OF MORGENTHAU'S "CONFIDANTS" TOLD HIM THAT MORGENTHAU WAS MOTIVATED BY "PERSONAL ANIMUS" IN CONNECTION WITH COHN'S ROLE AS CHIEF COUNSEL OF THE SENATE PERMANENT INVESTIGATIONS SUBCOMMITTEE.

COHN SAID IT WENT BACK TO THE INVESTIGATION BY THE LATE SEN. JOSEPH MCCARTHY, R-WIS., OF TREASURY OFFICIAL HARRY DEXTER WHITE, WHO WAS ALLEGED TO HAVE BEEN A MEMBER OF THE "COMMUNIST CONSPIRACY" IN THE UNITED STATES.

COHN SAID THE INVESTIGATION SHOWD THAT MORGENTHAU'S FATHER, THE LATE TREASURY SECRETARY HENRY MORGENTHAU JR., "HAD HIRED WHITE AND ADVANCED HIM OVER THE OBJECTIONS OF OTHERS."

"I DIDN'T HAVE ANYTHING AGAINST THE ELDER MR. MORGENTHAU," COHN SAID. "I WAS DOING MY JOB. I DON'T KNOW WHETHER I CAN BRING OUT PROSECUTORIAL MOTIVATION AT MY TRIAL, BUT I WOULD THINK MR. MORGENTHAU WOULD BE WILLING TO HAVE MY CHARGES AIRED AT AN IMPARTIAL HEARING IF HE IS WHAT HE SAYS HE IS."

COHN CHARGED THAT THE GRAND JURY WHICH INDICTED HIM WAS A "MRGENTHAU RUBBER STAMP OPERATION."

9/5--EG248PED

anderson

Bill
Roy Cohn

Bored, baleful Roy Cohn, the late Senator Joe McCarthy's chief inquisitor, is now finding out what it's like to be on the receiving end of an investigation.

His multi-corporate manipulations are being scrutinized by no less than Attorney General Robert Kennedy, a former antagonist, who almost got into a fistfight with Cohn a few years ago.

In their whipper-snapper days, they were junior gumshoes together on McCarthy's staff -- until Kennedy became fed up with McCarthy's cry-wolf methods, warned him that he was headed for disaster, and walked out on McCarthyism.

Shortly before his departure, Kennedy tangled with Cohn over a threat to "get" Senator Henry Jackson, Washington Democrat, for belittling Cohn' s pal, David Schine.

"Do you want to fight now?" Cohn was overheard shouting.

"Don't warn me!" snapped Kennedy. "Don't try it again, Cohn!"

The seizure was bitterly blasted by the late George Sokolsky who charged in his syndicated column: "Explanations are usually not offered by the Internal Revenue Service which has become the most arbitrary and intolerable agency of government."

What Sokolsky didn't mention was that Cohn had given him a directorship in Tower Universal Corporation, a financial house that Cohn had taken over.

Sokolsky also defended Cohn in another fracas with New York City over the fate of the Fifth Avenue Coach Line. Cohn is chief counsel, owns 10,000 shares.

Cohn is [redacted] also in trouble with the Securities and Exchange Commission over the financing of the Lionel Corporation, the world's largest manufacturer of toy trains. He took control of the company with only $30,000 of his own money by borrowing heavily from overseas [redacted] concerns at exorbitant rates.

Lionel has dropped $2,500,000 under Cohn's management. Fifth Avenue Coach lost $600,000 in [redacted] 1961. But Cohn has managed to siphon off plenty for his own pockets as salaries and legal fees.

Cohn's annual salary as president of Lionel, for instance, is $40,000 which alone is more than his [redacted] $30,000 investment.

Ironically, Cohn's late friend Sokolsky whetted [redacted] Internal Revenue's interest by writing a puff piece about Cohn, reporting what a financial whiz he was. Sokolsky boasted the Cohn earned $250,000 a year from his law firm alone.

A tax agent clipped the Sokolsky column, underlined the

revealing paragraph, and scribbled a note in the margin:

"Cohn earns $250,000 a year according to Sokolsky."

Drew Pearson.
Additional Roy Cohn
Material on which you
may be interested.

left Roy Cohn

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

----------x

SANDY M. PITOFSKY

Plaintiff

-against-

AARON A. STEIGER, FRED W. LEUTHESSER, HOWARD Z. BLUM, LEO A. HYNDS, LOUIS A. GARFINKLE, FRANK KASPUTIS, WILLIAM GERSCH, MILTON L. ALTHEIMER, BLAINE WILLENBORG, M. E. WINGER, WILLIAM D. FUGAZY, C. V. HAIDAS, MEL DESSER d/b/a DESSER ASSOCIATES, ROBERT L. VINER, JAMES LING, ESTILL HEYSTER, FLOYD PATTERSON, ROBERT MARCUS, SAMUEL BELZBERG, DAVID A. CARR, ARTHUR C. FATT, ALICE L. TOPPING, WILLIAM HONNER, ROBERT LEWIS, JACK O'BRIAN, ABRAHAM TOEPFER, GEORGE SOKOLSKY, S. I. NEWHOUSE, JR., ROY M. COHN, ALBERT A. BLINDER, STIRLING M. HARRISON, TRUSTEE FOR CARROLL S. NICHOLS, TEL-A-SIGN, INC., NATIONAL BOULEVARD BANK OF CHICAGO, ALVIN INVESTMENT CORPORATION, HY FEDERMAN doing business as a partnership known as FEDERMAN STONEHILL & CO., and "JOHN DOE" (name being unknown) d/b/a WACO & COMPANY

Defendants

----------x

Plaintiff designates New York County as the place of trial.

SUMMONS WITH NOTICE

Plaintiff resides in New York County.

TO THE ABOVE NAMED DEFENDANTS:

YOU ARE HEREBY SUMMONED to answer the complaint in this action, and to serve a copy of your answer, or, if the complaint is not served with this summons, to serve a notice of appearance, on the plaintiff's attorney within twenty days after the service of this summons, exclusive of the day of service; and in case of your failure to appear, or answer, judgment will be taken against you by default, for the relief demanded in the complaint.

Dated: New York, New York
January 23rd, 1963

EDWARD NATHAN
Attorney for Plaintiff
515 Madison Avenue
New York 22, New York

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

----------X

SANDY M. PITOFSKY

Plaintiff

-against-

VERIFIED COMPLAINT

AARON A. STEIGER, FRED W. LEUTHESSER, HOWARD Z. BLUM, LEO A. HYNDS, LOUIS A. GARFINKLE, FRANK KASPUTIS, WILLIAM GERSCH, MILTON L. ALTHEIMER, BLAINE WILLENBORG, M. E. WINGER, WILLIAM D. FUGAZY, C. V. MAIDAS, MEL DESSER d/b/a DESSER ASSOCIATES, ROBERT L. VINER, JAMES LING, ESTILL HEYSTER, FLOYD PATTERSON, ROBERT MARCUS, SAMUEL BELZBERG, DAVID A. CARR, ARTHUR C. FATT, ALICE L. TOPPING, WILLIAM HONNER, ROBERT LEWIS, JACK O'BRIAN, ABRAHAM TOEPFER, GEORGE SOKOLSKY, S. I. NEWHOUSE, JR., ROY M. COHN, ALBERT A. BLINDER, STIRLING M. HARRISON, TRUSTEE FOR CARROLL S. NICHOLS, TEL-A-SIGN, INC., NATIONAL BOULEVARD BANK OF CHICAGO, ALVIN INVESTMENT CORPORATION, HY FEDERMAN doing business as a partnership known as FEDERMAN STONEHILL & CO., and "JOHN DOE" (name being unknown) d/b/a WACO & COMPANY

Defendants

----------X

The plaintiff, by EDWARD NATHAN, his attorney, respectfully alleges upon information and belief, except as otherwise expressly stated:

FOR A FIRST CAUSE OF ACTION:

1. On personal knowledge, plaintiff is a resident of the State of New York, and now is a stockholder of defendant TEL-A-SIGN, INC. (hereinafter called the "Company") and has been a stockholder at all times hereinafter mentioned, since in or about the year 1958.

2. The Company is a corporation organized and existing under the laws of the State of Illinois. It maintains a place of business at 501 Madison Avenue, City, County and State of New York and does business in said City, County and State of New York.

3. Plaintiff brings this derivative action on behalf of himself and all other stockholders of the Company similarly situated, for the benefit and in the right of the Company.

4. The Company had issued and outstanding, as of August 31, 1962, 1,311,100 shares of common stock, not including 15,000 shares held in its treasury, all of which common stock was of par value 20¢ per share.

5. The Company, as of August 31, 1962, had issued and outstanding $900,000 of 6-1/2% convertible subordinated debentures, due in 1974.

6. The common stock of the Company is, and at all of the times hereinafter mentioned was, listed and traded upon the American Stock Exchange.

7. The common stock of the Company is generally dispersed and owned by many shareholders some of whom own their shares in the names of nominees and their identity cannot readily be established.

8. The Company is engaged in the business of manufacturing and selling signs and other advertising material for use by manufacturers of nationally advertised products.

9. Defendants AARON A. STEIGER, FRED W. LEUTHESSER, HOWARD Z. BLUM, LEO A. HYNDS, LOUIS A. GARFINKLE, FRANK KASPUTIS, WILLIAM GERSCH, MILTON L. ALTHEIMER, C. V. HAIDAS, BLAINE WILLENBORG and M. E. WINGER (hereinafter referred to as "MANAGEMENT GROUP") were, at all of the times hereinafter mentioned, officers and directors of the Company.

10. At all of the times hereinafter mentioned, defendant ALVIN INVESTMENT CORPORATION (hereinafter referred to as "ALVIN") is a corporation duly organized and existing under the laws of the State of Delaware, and whose address is 20 Exchange Place, New York, New York.

11. ALVIN, at all of the times hereinafter mentioned, acted as nominee and as the vehicle for the following persons: ROY M. COHN, WILLIAM D. FUGAZY, C. V. HAIDAS, CALVIN W. CLAYTON, MEL DESSER d/b/a DESSER ASSOCIATES, ALBERT A. BLINDER, ROBERT L. VINER, JAMES LING, ESTILL HEYSTER, FLOYD PATTERSON, ROBERT MARCUS, SAMUEL BELZBERG, DAVID A. CARR, ARTHUR C. FATT, ALICE L. TOPPING, WILLIAM HONNER, ROBERT LEWIS, JACK O'BRIAN, ABRAHAM TOEPFER, GEORGE SOKOLSKY, S. I. NEWSHOUSE, JR., STIRLING M. HARRISON, TRUSTEE FOR CARROLL S. NICHOLS, (hereinafter referred to as "CONTROL GROUP").

12. At all of the times hereinafter mentioned, the defendant NATIONAL BOULEVARD BANK OF CHICAGO (hereinafter referred to as "BANK") was a corporation duly organized and existing under the laws of the State of Illinois and maintains an office for conduct of the banking business in Chicago, Illinois.

13. At all of the times hereinafter mentioned, defendant WACO & COMPANY (hereinafter referred to as "WACO") is an agent and nominee for the defendant BANK.

14. At all of the times hereinafter mentioned, THE BON AMI COMPANY (hereinafter referred to as "BON AMI") is a Delaware corporation maintaining an office and doing business at 445 Park Avenue, in the City, County and State of New York.

15. That at all of the times hereinafter mentioned, defendant HY FEDERMAN (hereinafter referred to as "FEDERMAN") does business as a partnership under the firm name and style of FEDERMAN STONEHILL & CO. at 70 Pine Street, in the City, County and State of New York.

16. At all of the times hereinafter mentioned, defendant MEL DESSER was doing business under the trade name and style of DESSER ASSOCIATES and maintains an office at 249 East 48th Street, in the City, County and State of New York.

17. MANAGEMENT GROUP and CONTROL GROUP caused the Company to waste the assets of the Company by selling and issuing 60,000 shares of the Company's stock, without adequate consideration and without benefit to the Company. The assets of the Company were further wasted by causing the Company to indemnify the holders of said 60,000 shares, plus an additional 200,000 shares, against loss in the event of sale thereof. This necessitated a public offering of the Company's securities, which offering caused the Company to incur needless cost and expense. The transactions complained of were omitted from the Company's prospectus and are more particularly hereinafter set forth.

18. In furtherance of a plan, scheme and conspiracy for their own benefit and profit, without regard to waste of the Company's assets, MANAGEMENT GROUP and CONTROL GROUP caused ALVIN to acquire from a third party, in or about December 1961, 200,000 shares of common stock of the Company and an option to purchase an additional 200,000 shares of the Company's common stock.

19. Prior thereto, in or about November 1961, the Company agreed to sell, and subsequently sold, to ALVIN 60,000 shares of the Company's common stock for ALVIN's termination of the aforesaid option to purchase 200,000 shares of the Company's common stock; the consideration given by ALVIN for the aforesaid 60,000 shares was inadequate and did not constitute fair value for the said shares. The said transaction was illegal

and was not at arm's length, but was made between fiduciaries or those acting in concert with them, in breach of their. fiduciary duties.

20. In addition to the foregoing, defendants CONTROL GROUP and MANAGEMENT GROUP caused the Company to indemnify ALVIN from any losses which might result from the subsequent sale of the aforesaid 260,000 shares of common stock of the Company acquired by ALVIN at a price of less than $2.43 per share. The aforesaid indemnification of ALVIN was to become effective and enforceable only if a public offering of securities of the Company, at an aggregate public offering price of not less than $1,000,000, was effected prior to April 30, 1962.

21. In order to make the aforeaid indemnity effective, for their own personal benefit and gain, the CONTROL GROUP and MANAGEMENT GROUP caused the Company to sell to the public $900,000 of its debentures and 125,000 shares of its common stock for $1,368,750. Said sale was improvident, reckless, wasteful and damaging to the financial structure of the Company. The Company incurred excessive liabilities, burdensome interest charges, other onerous terms and conditions, costs and expense, including fees, underwriting commissions, without pro rata contribution thereto by CONTROL GROUP.

22. The Company's prospectus, dated March 21, 1962, issued in connection with the public sale referred to in Paragraph "21" hereof, failed to disclose that the Company had, prior thereto, agreed to effect the registration of the said 260,000 shares acquired by ALVIN, at the latter's request, and to pay all expenses related to such registration. The said prospectus omitted to disclose said material fact, thereby falsely creating the inference that said public issue of debentures and stock was solely for the benefit of the Company and not for the personal benefit of the CONTROL GROUP and MANAGEMENT GROUP. The said prospectus was further false and misleading for its failure to state other facts material and necessary to constitute a full and fair disclosure as follows:

The summary of operations contained in the financial statements therein stated a profit, as a result of nine months of operation ending November 30, 1961, of $36,019 whereas by the end of the Company's fiscal year, February 28, 1962, a loss of $455,161 was sustained. On the date of the issuance of the prospectus, March 21, 1962, the loss or a substantial part thereof for said fiscal year ending February 28, 1962 was known to the Company, or, upon the exercise of reasonable diligence, should have been known to the Company.

23. The aforesaid indemnity was granted by the Company without adequate or fair consideration therefor, and said transaction was not at arm's length, but was between fiduciaries or those acting in concert with them in breach of their fiduciary duties.

24. No demand to bring this action has been made upon the Board of Directors of the Company as such demand would be futile and unnecessary since all or a majority of the present directors of the Company named herein as defendants have themselves participated in, authorized and approved the acts and transactions complained of in this complaint and each of the causes of action set forth herein. All or a majority of the present members of the Board of Directors are personally liable therefor by reason of such participation, authorization and approval or by reason of their failure, having knowledge thereof, to prevent or seek redress for such acts and transactions. Any action instituted and controlled by the Board of Directors of the Company to recover on behalf of the Company for the wrongful acts herein alleged would be in hands friendly to the defendants and could not properly be prosecuted.

25. No demand to bring this action has been made upon the stockholders of the Company. Such demand would be futile and is unnecessary because any authorization or direction through the Company's stockholders to seek redress for the wrongful acts herein alleged would place control of the causes of action in the hands of the Company's defendant directors, and further, because authority and responsibility for the matters complained of and the seeking of redress therefor rests in the Board of Directors of the Company and the stockholders are without power to take any action to redress the wrongs herein complained of otherwise than by a derivative suit in the right of the Company such as is here instituted.

26. Plaintiff has no adequate remedy at law.

SECOND CAUSE OF ACTION:

27. Plaintiff repeats, reiterates and realleges each and every allegation contained in Paragraphs "1" through "26" inclusive with the same force and effect as if herein set forth at length.

28. This claim arises under the Securities Exchange Act of 1934, as amended, Title 15 United States Code, Sections 78a, 78c, 78d and 78j, 78w, and 78cc and the rules and regulations prescribed by the Securities and Exchange Commission thereunder, and particularly Rule X-10 B-5 which reads as follows:

> "It shall be unlawful for any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange,
>
> (1) to employ any device, scheme, or artifice to defraud,
>
> (2) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
>
> (3) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person,
>
> in connection with the purchase or sale of any security."

29. ALVIN, MANAGEMENT GROUP and CONTROL GROUP directly or indirectly, used means or instrumentalities of interstate commerce, including telephone, the mails, and facilities

of a national securities exchange in connection with negotiations for and in consummation of, the transactions complained of herein.

30. The issue of the shares of the Company's common stock to the CONTROL GROUP, and to others, in the transactions complained of herein constituted the sale of such stock of the Company to dominating and controlling insiders at inadequate prices, resulting in injury to the Company and to its stockholders including the plaintiff. The sale of said stock to the said insiders at said inadequate prices constituted a violation of the statutes, rules and regulations heretofore set forth in Paragraph "28" hereof.

THIRD CAUSE OF ACTION:

31. Plaintiff repeats, reiterates and realleges each and every allegation contained in Paragraphs "1" through "30" hereof with the same force and effect as if set forth at length herein.

32. Defendants FEDERMAN, DESSER and other stockholders of TIDY HOUSE PACKAGING CORPORATION (hereinafter referred to as "TIDY HOUSE") owning stock in said TIDY HOUSE which they were unable to offer for public sale, and desiring to sell and dispose of the same, negotiated with BON AMI for an exchange of TIDY HOUSE stock or assets for 16.5% of the outstanding stock of BON AMI. FEDERMAN and DESSER conspired with MANAGEMENT GROUP and CONTROL GROUP to use the Company as an instrumentality through which FEDERMAN and DESSER could obtain cash for their BON AMI stock and MANAGEMENT GROUP and CONTROL GROUP could obtain control

of BON AMI and oust the management of BON AMI, in complete disregard of the risk, jeopardy and losses to be incurred by the Company in such venture. The manner in which the aforesaid scheme to benefit all of the aforesaid defendants was carried out and the overt acts engaged in by said defendants are hereinbelow set forth.

33. On or about April 27, 1962, BON AMI acquired the assets of TIDY HOUSE in exchange for 129,400 shares of BON AMI stock. Defendant FEDERMAN acted as broker in this transaction and received a commission of 5,000 shares of BON AMI stock, and defendant DESSER received a finder's fee of 7500 shares of BON AMI stock.

34. In order to secure control of BON AMI, defendants MANAGEMENT GROUP, CONTROL GROUP, FEDERMAN and DESSER planned to use, and did use, the Company, its resources and credit, as a vehicle to obtain BON AMI stock, as hereinafter set forth.

35. In or about August 1962, MANAGEMENT GROUP and CONTROL GROUP caused the Company to acquire approximately 88,671 shares of the common stock of BON AMI by a tender to the shareholders of TIDY HOUSE.

36. MANAGEMENT GROUP and CONTROL GROUP caused the Company to borrow through a short term loan, in order to pay for the said stock of BON AMI, the sum of $750,000 from the BANK. Said loan is past due and the Company is in default thereof,

and the said shares of BON AMI which were deposited as security for the said loan, and registered in the name of WACO as the BANK's nominee, are now subject to being applied in payment of said loan.

37. In addition to the illegal use of the Company as an instrumentality, as aforesaid, MANAGEMENT GROUP and CONTROL GROUP acted to further their own personal benefit and profit in the following respects:

(a) The cash paid by the Company to TIDY HOUSE stockholders for the aforesaid shares of BON AMI stock enabled certain defendants to obtain cash for their unmarketable shares of BON AMI.

(b) To obtain improper employment and management benefits for certain defendants from BON AMI.

(c) To merge BON AMI into the Company so as to include the income of BON AMI as part of the income of the Company and thus increase the personal compensation and bonuses to be paid to the said MANAGEMENT GROUP.

(d) To cause the Company to embark upon a highly speculative, expensive and costly litigation, now pending in the Supreme Court of the State of New York, in and for the County of New York, against BON AMI and its directors and officers, which is not beneficial to the Company.

38. The said acquisition by the Company of the stock of BON AMI, the continuance of the Company's interest in BON AMI, the aforesaid loan made by the Company and all of the aforesaid transactions of the Company in the securities of BON AMI were, and are, outside and beyond the proper scope of the corporate powers, purposes, authority and business of the Company.

39. MANAGEMENT GROUP and CONTROL GROUP in causing the Company to embark upon the course of conduct seeking to obtain management and control of BON AMI, through the purchase of BON AMI stock, breached their fiduciary obligations to the stockholders and acted in reckless disregard of the best interests of the Company and wasted its assets and funds as follows:

(a) Caused the Company to borrow large and excessive amounts of money, not warranted by its financial condition;

(b) Caused the Company to acquire unregistered stock of BON AMI, not saleable in the open market to repay the loan in event of default;

(c) Created liabilities for the Com pany which constitute an act of default under its Trust Indenture in that the consolidated working capital required by the said Trust Indenture in an amount equal to $1,000,000 was breached by virtue of the BANK loan. As a result of said loan, the Company's working

capital was reduced to approximately $615,000. The Company was thus exposed to the acceleration of the payment of its debentures in approximately the sum of $900,000.

40. MANAGEMENT GROUP and CONTROL GROUP in causing the Company to acquire the stock of BON AMI as aforesaid, knew or should have known upon adequate investigation and analysis and the exercise of reasonable diligence, of the alleged defalcations, waste, mismanagement, misappropriation of the funds of BON AMI to the alleged personal benefit of BON AMI's officers and directors, as claimed in the pending New York action, and, under such circumstances, should not have acquired said stock nor permitted the Company to borrow $750,000 to acquire such BON AMI stock. All such acts constitute an illegal use of the Company's funds and credit.

41. The defendants were further grossly negligent in commencing and continuing to incur expense in connection with litigation against BON AMI. In so acting they sought private and personal profit and gain rather than benefit to the Company.

42. In furtherance of the conspiracy, MANAGEMENT GROUP and CONTROL GROUP caused the Company to file false and misleading reports and proxy material with the Securities and Exchange Commission and the American Stock Exchange.

43. Defendants MANAGEMENT GROUP and CONTROL GROUP are continuing their activities to secure control of BON AMI through solicitation of BON AMI stockholders, continuing the

aforesaid litigation, expending the Company's funds for their own publicity, and otherwise obligating the Company for expenses in connection therewith, all of which constitute a continued illegal expenditure of the Company funds and a waste of its assets.

FOURTH CAUSE OF ACTION:

44. Plaintiff repeats, realleges and reiterates all of the allegations contained in Paragraphs "1" through "43" inclusive, with the same force and effect as if herein set forth at length.

45. The defendants have caused the Company to enter into improvident and excessive agreements for compensation to officers and directors of the Company.

46. The agreement for remuneration for defendant STEIGER is for a period of five years at a base salary of $40,000 per year plus 2% of the net income of the Company before income taxes for each fiscal year during the term thereof.

47. In addition to the aforesaid salary, defendant STEIGER has been granted a restricted stock option to purchase up to 75,000 shares of the Company's stock, at $2.62-1/2 per share, for a period of five years from the date thereof.

48. On July 12, 1960, this option was extended to December 31, 1965.

49. The aforesaid salary contract and grant of restricted stock options illegally provided for excessive compensation. The same were not made at arm's length and were improvident, constituted a waste of the Company's funds and paid excessive remuneration to defendant STEIGER.

50. Said contract should be cancelled and rescinded and the directors directed to restore to the Company such amount as represents excessive remuneration.

WHEREFORE, plaintiff demands judgement:

(a) Rescinding the acquisition by ALVIN of the 60,000 shares of the Company's stock or directing ALVIN to cause to be paid to the Company the fair value of the said 60,000 shares at or about the time they were delivered;

(b) Requiring the defendants to account for their conduct, including their failure to perform and fulfill their obligations in the management and disposition of the funds and property of the Company;

(c) That a receiver be appointed for the property and assets of the Company;

(d) Requiring the defendants to pay to the Company any money and the value of any property which may have been acquired by themselves or transferred to others or lost and wasted by or through any negligence or failure to perform or other violation of their duties or fiduciary obligations;

(e) Requiring the defendants to account for the profits and benefits to each of them by reason of the acts or transactions alleged herein, cancelling the options granted to each of the individual defendants together with any stock of the Company issued thereunder;

(f) Enjoining and restraining the Company and the individual defendants, and those acting directly or indirectly in association or concert with them, from further wasting the Company's assets in the attempt to secure control of BON AMI and in continuing the waste of the Company's assets through loans and further acquisitions of BON AMI stock, engaging in litigation in connection therewith and directing the Company to forthwith dispose of the BON AMI stock acquired by it, at the best price obtainable in a proper and legal manner.

(g) Awarding to the plaintiff the costs and expenses of this action including reasonable counsel fees;

(h) Enjoining and restraining the defendants, as may be appropriate in accordance with the allegations of the complaint, pending the trial of this action;

(i) Granting to the plaintiff such other and further relief as may be just and proper in the premises.

EDWARD NATHAN
Attorney for Plaintiff
515 Madison Avenue
New York 22, New York

STATE OF NEW YORK
CITY OF NEW YORK } ss.:
COUNTY OF NEW YORK

SANDY M. PITOFSKY, being duly sworn, deposes and says that he is the plaintiff in the within action; that he has read the foregoing complaint and knows the contents thereof; that the same is true to h own knowledge, except as to the matters therein stated to be alleged on information and belief, and that as to those matters he believes it to be true.

Sworn to before me, this 23rd
day of January 19 63 /s/ Sandy M. Pitofsky
Dolores M. Carroll
Notary; N.Y.S.;#03-0581770
Commission Expirers 3/30/63

STATE OF NEW YORK
CITY OF NEW YORK } ss.:
COUNTY OF

, being duly sworn, deposes and says that he is the of the corporation named in the within entitled action; that he has read the foregoing and knows the contents thereof; and that the same is true to h own knowledge, except as to the matters therein stated to be alleged upon information and belief, and as to those matters he believes it to be true.

Deponent further says that the reason this verification is made by deponent and not by is because the said is a corporation and deponent is an officer thereof, to-wit, its

Sworn to before me, this
day of 19

AFFIDAVIT OF PERSONAL SERVICE

STATE OF NEW YORK
CITY OF NEW YORK } ss.:
COUNTY OF

being duly sworn, deposes and says, that he is over the age of years. That on the day of , 19 , at No.

in the Borough of City of New York, he served the foregoing upon the

in this action, by delivering to and leaving personally with said

a true copy thereof.

Deponent further says, that he knew the person served as aforesaid, to be the person mentioned and described in said as the therein.

Sworn to before me this
day of , 19

AFFIDAVIT OF SERVICE BY MAIL

STATE OF NEW YORK
CITY OF NEW YORK } ss.:
COUNTY OF

being duly sworn, deposes and says that he is the attorney for the above named herein.

That on the day of 19 he served the within upon the attorney for the above named by depositing a true copy of the same securely enclosed in a post-paid wrapper in the Post-Office—a Branch Post-Office—Station—Sub-Station—Finance Station—Letter Box—Mail Chute—Official Depository maintained and exclusively controlled by the United States at

directed to said attorney for the at No.

N. Y., that being the address within the State designated by h for that purpose upon the preceding papers in this action, or the place where h then kept an office between which places there then was and now is a regular communication by mail.

Deponent is over the age of years

Sworn to before me this
day of , 19

Sir :—

Please take notice that the within is a true copy of a

this day duly entered herein in the office of the Clerk of

Dated, N. Y., 19

Yours, etc.,

EDWARD NATHAN

Attorney for

Office and Post Office Address

515 Madison Avenue

Borough of Manhattan New York 22, N. Y.

To , Esq.

Attorney for

Sir :—

Please take notice that the within

will be presented for settlement and signature herein to the Hon.

one of the judges of the within named Court, at

in the Borough of

City of New York, on the day of

19 , at M.

Dated, N. Y., 19

Yours, etc.,

EDWARD NATHAN

Attorney for

Office and Post Office Address

515 Madison Avenue

Borough of Manhattan New York 22, N. Y.

To , Esq.

Attorney for

Index No. 1557 Year 1963

SUPREME COURT : NEW YORK COUNTY

SANDY M. PITOFSKY

Plaintiff

-against-

AARON A. STEIGER et al

Defendants

SUMMONS AND VERIFIED COMPLAINT

EDWARD NATHAN

Attorney for Plaintiff

Office and Post Office Address

515 Madison Avenue

Borough of Manhattan New York 22, N. Y.

To , Esq.

Attorney for

Due and timely service of a copy of the within is hereby admitted.

Dated, N. Y., 19

Attorney for

Jule Roy Cohn

TWO ON A SEESAW OVER BOXING'S SNAKEPIT

LOOKING HIS BALEFUL BEST, ROY COHN COMES TO COURT (BELOW) SEEKING ONE MORE DELAY IN THE SUIT JACK FUGAZY HAS BROUGHT

Herb Scharfman

Young Roy Cohn is being sued by old Jack Fugazy for a mere matter of $132,000, but the story behind the suit involves the kind of intrigue that has made a mess of prizefighting

by ARTHUR MANN

AGAINST FEATURE SPORTS FOR AN ACCOUNTING OF ITS FUNDS

One night in late 1959 Lawyer Roy M. Cohn and Travel Agent William D. Fugazy Jr. were sitting in the Stork Club, which is owned by one of Cohn's clients, Sherman Billingsley. They were having fun together, as they often did. But their ears pricked up when, at the next table, they heard a group lamenting the low estate to which prizefighting had fallen after the first Patterson-Johansson fight at Yankee Stadium. SPORTS ILLUSTRATED and, concurrently, investigative agencies of New York City and New York State had uncovered a mess involving several varieties of chicanery and the presence of Mobster Tony (Fats) Salerno

continued

in the fight's promotional background. The bemoaners longed aloud for the return of a respected promoter like Humbert (Jack) Fugazy, a successful boxing impresario of the 1920s whose record $461,789 gate for the Berlenbach-Delaney fight in 1926 has never been equaled by light heavyweights. And Jack Fugazy was the uncle of Bill Fugazy, sitting there alongside Cohn with his ears ablaze with inspiration.

In no time Cohn and Bill persuaded Uncle Jack to put them into boxing, a field of investment play they had not yet discovered. Jack was old but vigorous. Cohn was young, most widely known for his work as investigative counsel for Senator Joe McCarthy, but already an impressive wheeler-dealer in corporate finance. Bill was one of the inheritors of his grandfather's travel bureau, which his mother controlled.

The elderly Jack dusted off his prestige and reputation—no trouble at all in a New York that still remembered him favorably for many good fights. Jack set up a deal for the boys to buy the sullied promotional remains of Rosensohn Enterprises, a corporation that was jointly owned (on paper) by the ill-starred Bill Rosensohn and Vincent Velella, Tony Salerno's East Harlem lawyer. The corporation had liabilities from the Patterson-Johansson upset, but it also had a million dollar asset: first call on the two heavyweights for a return match.

In late October, Rosensohn and Velella changed the corporate name to Feature Sports and sold out. Cohn and Bill Fugazy were in business, and took full command. Uncle Jack became executive director at $300 a week and was promised one-fourth of the profits.

Feature Sports, under Cohn and Fugazy, promoted the second and third Patterson-Johansson fights, which attracted 50,000 paid admissions and grossed $1,315,564 at the box office alone. But somehow the books of Feature Sports reflected no commensurate return. Even before taxes, profits were reported as a meager $181,241.26 on Feature Sports' first promotion, an astonishingly meager $9,608.11 on the second. Old Jack got little or nothing out of the fights.

In August of 1961 Jack Fugazy decided to sue. He asked $132,173.82 as his promised one-fourth share of the promotions and contested the profit figures put forth by Cohn and his nephew Bill. Perhaps by coincidence, Feature Sports became inactive about this time.

Roy Cohn did not. He organized Championship Sports, Inc., but for reasons never disclosed Bill Fugazy was not officially recognized as a member of the new corporation. Instead, Cohn's law partner, Tom Bolan, and Bolan's brothers, Al and Pat, appeared as minority stockholders. The firm's first promotion was the Patterson-McNeeley fight last December 4 in Toronto; its second was the Patterson-Liston fight in Chicago, September 25.

While these two bouts were being arranged, Jack Fugazy's suit was still pending. Cohn managed to arrange a series of delays. But Jack wasn't the only one interested in the accounts of Feature Sports. The U.S. Government was also studying its books. Those books will be brought into New York Supreme Court this week under subpoena by Jack Fugazy. What they reveal is startling.

According to Cohn's law firm—Saxe, Bacon and O'Shea—Jack Fugazy's claim of profits is groundless and the corporation (Feature Sports) is both penniless and beset by other suits. Proof of no funds was offered through Laventhol, Krekstein and Co., a New York accounting firm which prepared a consolidated balance sheet showing deductions of $76,250.66 for legal fees, $82,440.60 in travel expenses, $72,926.89 for "gifts and entertainment" and $107,200 for "administrative salaries." All of these sums were deducted from the Feature Sports gross of $1,315,564, along with the fighters' pay and incidental expenses, to produce the low combined profit figure of $190,841.37.

Most of the summer just past was required to get behind these figures. If the account books are displayed in court they will show that the legal fees were paid to Saxe, Bacon and O'Shea; the travel expense money went to Bill Fugazy's travel bureau; and the administrative salaries were paid largely to Cohn and Bill. (For example, each drew $2,000 a week "salary" for one period of 13 weeks.)

The defense of Jack Fugazy's suit is a problem shared by Cohn and Bill Fugazy, but Cohn has other troubles from which young Fugazy—as far as the record shows—is exempt. Last week word was about that the Internal Revenue Service will now release less than 15% of the $3 million or so it confiscated from proceeds of the Patterson-Liston fight, the most recent of Cohn's boxing promotions. The rest will remain in deep freeze indefinitely, pending completion of the Government's examination of all tax records of individuals and corporations connected directly or indirectly with the fight promotion.

This would be a severe fiscal blow to Cohn. His Championship Sports went into debt to promote the Patterson-Liston fight and expected to receive about $950,000—$250,000 from the live gate and $700,000 from ancillary rights, to be paid, by prearrangement, over a period of 18 years, to save taxes. But after meetings in the 62 districts of its nine regional offices the Internal Revenue Service moved last week to release enough of what it seized to satisfy labor liens and pay assorted bills incurred by the corporations involved in the fight. Some $200,000 already had been paid out by Internal Revenue from the many caches of funds deposited under levy in more than 250 locations the morning after the fight. A like sum has now been promised in a matter of days. After that, nothing, until the intelligence divisions of each region, and the auditors, have found out who owes how much to whom. This may take a long, long time. In the end, Floyd Patterson, for losing his title, and Sonny Liston, for winning it, may be paid in pennies.

Whether he is in or out of Championship Sports, Bill Fugazy is still involved in an active business association with Roy Cohn. However, relations between the bosom companions have been strained lately. One reason is the remarkable adventures of the Fugazy Travel Bureau. In the summer of 1961 Cohn offered Bill an apparently stunning deal for Bill's family-owned travel bureau. In the end the deal turned out to be very stunning, though not in the pleasant sense of the word.

The Fugazy Travel Bureau was launched in 1870 by Bill's grandfather, Louis, of Piedmont, Italy, as a steamship service and private bank. When Bill's father, Italo, died in 1957, the travel bureau was booking business in excess of $3 million a year. By the end of 1961 young Bill had pushed the annual bookings up to $17 million.

Bill had been trying to persuade Montgomery Ward, the mail-order house, to co-ordinate its advertising and

office facilities into a big push on the package-tour business. Apparently the deal was held up because, in Montgomery Ward's eyes, the travel bureau—despite its major bookings—was undercapitalized. Cohn solved that. Cohn was part of an investment syndicate that had purchased effective control of Tower Acceptance Corporation, a Houston small-loan company that had 21 loan offices in Tennessee, Georgia, South Carolina, North Carolina and Texas. What recommended Tower to the Cohn syndicate was its $3.5 million in accounts receivable. Shortly afterward, changing its name to Tower Universal, Cohn and his associates bought up another small-loan outfit, Louisiana Discount, and the combined assets gave Tower $7 million to play with.

With this, Cohn made his offer to Bill. Tower would take over the travel bureau as a wholly owned subsidiary and give Bill shares in Tower in return. With Tower's capitalization, the Montgomery Ward problem would be solved and the travel business would boom. Tower would sell package tours through the mail-order catalog and lend folks the money to take the tours. It couldn't miss.

There was only one hitch: Bill couldn't deliver the Fugazy ownership to Roy without his mother's consent. Under a codicil in Italo's will, Irene Fugazy was in control. Bill solved that problem. With his brother Lou's help, he persuaded his mother to sell out to Cohn. The deal went through on October 1, 1961. In exchange for the Fugazy Travel Bureau its owners got 55,000 shares of Tower, then quoted at $11.25 a share on the American Stock Exchange. It was a $600,000-plus deal, and the Fugazy interests were promised an additional 95,000 shares if they produced in excess of a specified profit for Tower before September 30, 1963. Bill was named president of Tower's Travel Bureau subsidiary. Tower representatives moved into the travel operation. Business boomed, and the bookings went to $35 million. Other things began to happen, too, not all of them so encouraging.

Frederic H. Brooks, a young stockbroker and Columbia University graduate ('56), joined Tower in 1961 and soon became vice-president and treasurer. He was, in fact, Cohn's favorite career man. On October 19, Brooks was to deliver a report to the directors of Tower. One of its highlights was the success of Tower's travel subsidiary, as far as gross bookings was concerned. That division had grossed the aforementioned $35 million, most of it from the Fugazy operation. What wasn't so good, the report went on, was the *profit* from President Bill Fugazy's operation. In this best of all years, the profit was so low that Brooks reportedly recommended that drastic changes in management be made. As

A COHN PROTEGE. Fred Brooks, went to the hospital after being assaulted by Bill Fugazy.

Brooks was reading his report to Tower executives in the office of Board Chairman David B. Chase—a constant copartner in Roy Cohn's multicorporate activities—Bill Fugazy burst into the office, swung his attaché case and connected smartly with the chin of his young detractor. Freddie Brooks went down with a broken jaw. Bruised and bleeding, Brooks was helped to his feet. He returned to his office, where he collapsed. Then he was taken to Mount Sinai Hospital for emergency treatment, including treatment for concussion. Brooks remained in the hospital, on a no-visitors basis, for 10 days, one of the least publicized business maneuvers of the year. There was no police report on the incident.

Bill Fugazy apologized profusely and abjectly for being the first president of a company ever to swing his attaché case in anger. The apology was received coolly, and Bill's job security may be impaired. If so, he might reread *Jack and the Beanstalk* and reflect on how, against his mother's wishes, Jack sold the family cow for a mess of beans. The Fugazy equity, represented by 55,000 shares of Tower at $11.25 a share, has shrunk drastically. Tower was quoted recently at $4.75 a share on the American Stock Exchange and still hovers around that low price. Bill's personal holding of Tower shares was worth more than $250,000 a year ago. Today the shares have a market value of a little more than $100,000.

These are sad days for Roy Cohn and Bill Fugazy. The stock market is treating them like enemies. They are being sued. An insidious pincers movement seems to be tightening around them.

At the moment Cohn is confronted by an immediate new trial date for Jack Fugazy's suit. On October 31 he managed to get a fifth postponement, to November 8—moving Fugazy's attorney, Joe Monica, to remark: "Roy Cohn specializes in delays." Monica, Jack Fugazy and Fugazy's witnesses had appeared in New York Supreme Court promptly at 9:30 a.m. for trial. Neither Cohn nor any other representative of Feature Sports showed up until 10:30, when a Cohn emissary ran in and asked for postponement. Cohn, it seemed, had decided he would try the case himself despite the fact that he would surely be an important witness, and he was busy trying another case elsewhere in the building. Monica objected. The judge instructed the emissary to tell Cohn there were other competent lawyers in his large firm who could handle the case and that there was no reason for further delay. At 11:30 Cohn appeared. He tried a straight plea for postponement and failed. He raised his voice and accused the judge of prejudice. That succeeded. Cohn got a week and a day of grace.

Old Jack, at 75, is somewhat bewildered by all that has happened since he agreed to do his nephew a favor, but he counts on ultimate vindication in court. "Cohn is hoping to delay this trial long enough for me to die," says Old Jack. "Well, I won't. I will live long enough to see my nephew and Roy Cohn get what they deserve." END

file Roy Cohn

Feb 28, '63

VOL. CLXI NO. 41

The Roy Cohn Story

McCarthy Probe's Star Builds Business Empire But He Faces Problems

Lionel in Red; Bus, Boxing Projects in Legal Snarls; Personal Fortune Mounts

3 Aides Linked to Las Vegas

By Ed Cony
Staff Reporter of The Wall Street Journal

NEW YORK—Roy Cohn is fighting as furiously today to fend off trouble as he did to dish it out a decade ago as chief counsel for the late Sen. McCarthy's investigations.

In the years since the McCarthy hearings brought Mr. Cohn to national prominence at the age of 25, he has busied himself building a business empire of no mean dimensions. But a number of his business interests now are entangled in legal or financial difficulties.

In 1960, when he was 32, Mr. Cohn became board chairman of Lionel Corp., the maker of children's trains, other toys and electronic equipment. Since then he has also been active in a New York City bus line, a small loan company, a large national travel agency, insurance concerns, a swimming pool company and the promotion of two Patterson-Johansson championship fights and last fall's Patterson-Liston match.

If these business ventures are diverse, so are the backgrounds and talents of some of the men who have helped Mr. Cohn run them. Among his closest associates as he built his business empire were three men—Paul Hughes, William Fugazy and Eli Boyer—who have had major business relationships with leading Las Vegas gamblers who operate the Desert Inn, the Stardust Hotel and their gambling casinos. These same gamblers were closely connected with two Las Vegas enterprises in which Mr. Cohn himself invested more than $100,000 a few years ago—but he has since pulled out of these ventures.

A Lionel Executive

Mr. Hughes, currently an important Lionel executive, was a co-conspirator in the United Dye & Chemical Corp. stock fraud trial which ended earlier this month, and in 1961 he pleaded guilty in another stock fraud case. Mr. Cohn knew of Mr. Hughes' United Dye involvement when he brought him into Lionel in 1959 and lent him $218,000 to buy Lionel stock—a debt still unpaid. Mr. Cohn made this loan at the same time that he and Mr. Boyer, one of his supporters in efforts to win control of Lionel, were borrowing heavily from Hong Kong and Panama money lenders.

Mr. Cohn's success as the leader of the small group which gained control of Lionel in 1959 only whetted his appetite for new corporate conquests. He was a leading member of another group which in 1961 took over Tower Acceptance Corp., a small loan company with a listing on the American Stock Exchange. Under Mr. Cohn's energetic guidance, Tower Acceptance soon became a diversified holding company with a new name: Tower Universal Corp.

At the very time he was transforming Tower Universal, Mr. Cohn showed up front and center in a bitter court fight for control of Fifth Avenue Coach Lines, Inc., which operated bus lines in New York City and which, like Lionel, is listed on the New York Stock Exchange.

In behalf of Harry Weinberg, a Dallas transit man, Mr. Cohn mounted a slashing legal attack, initiating a series of suits against the bus company. Nine months later in February 1962, management capitulated to the Cohn-led forces. Mr. Weinberg became board chairman of Fifth Avenue Coach and Mr. Cohn and two of his associates became directors. Before the year was out Mr. Cohn had acquired 8,200 shares of Fifth Avenue Coach with a market value of over $200,000 as of Dec. 31, 1962.

Boxing Promotion

During 1960 and 1961 the enterprising Mr. Cohn was also trying his wings as a boxing promoter with Bill Fugazy, at the time a close friend. In boxing and other business activity, Mr. Cohn acquired the reputation of a rough, tough corporate in-fighter, a man well able to take care of himself and exceedingly dangerous to tangle with. Judging by the problems facing some of the companies in which he has invested since 1959, it now looks as if he'll need all his toughness. Here's a look at the varied fortunes of some of Mr. Cohn's past and current interests:

Lionel. In 1960, Mr. Cohn's first full year with Lionel, the company chalked up earnings of $1.1 million. But in 1961 Lionel lost $2.5 million, and the company has just admitted it suffered "substantial" losses in 1962. A few days ago the company publicly denied what it called "ridiculous rumors" that it was about to file bankruptcy proceedings. Lionel stock, which less than two years ago sold as high as $34 a share, now hovers around $5.

The company has had several management changes, and its acquisition of electronics companies under Mr. Cohn's leadership has not been without problems.

In the three years Mr. Cohn has been board chairman, Lionel has had four changes in its post of "chief executive officer." Mr. Cohn held the job for six months; then Gen. John B. Medaris was named president and chief executive officer under a five-year contract; a year and a half later Gen. Medaris resigned both posts; Mr. Cohn came on again as interim chief executive for three months; then last July, Melvin Raney became president and chief executive officer. Mr. Raney had been general manager of a Lionel subsidiary and has a reputation as an able, tough administrator.

In 1960 and 1961, Lionel acquired seven companies, with a heavy emphasis on electronics concerns. It has acknowledged certain problems with its biggest acquisition, Hathaway Instruments, Inc., bought in late 1961 in exchange for Lionel stock with a market value at the time of over $30 million.

Hathaway consisted of a Denver division and four subsidiaries. Within a year Lionel had replaced the president of what had been Hathaway's biggest subsidiary, Dale Elec-

Please Turn to Page 15, Column 1

The Roy Cohn Story: He Builds Business Empire, Faces Problems

Continued From First Page

tronics, Inc. Mr. Raney described the move as "part of a new management setup I'm putting in" at Dale Electronics. Lionel also has sold off Hathaway's Denver division and another former Hathaway subsidiary for less than $4 million.

Hathaway's two remaining subsidiaries were combined to form Lionel Pacific, Inc. This past year Lionel Pacific wrote off over $1 million in inventories which, as Lionel noted, more than exceeded the parent company's first half loss of $726,000. Mr. Cohn is reluctant to pinpoint the blame for the overstatement of inventory on anyone, but he does say of Lionel Pacific: "We've completely changed its management."

Tower Universal. After Mr. Cohn and associates bought into Tower Acceptance in April 1961 and began transforming it, the stock rose on the American Exchange from about $10 in April to a high of over $14 before the end of 1961.

Ten acquisitions within a year radically changed the company. It picked up five travel agencies, two concerns which sell airplane trip insurance at airport vending machines, a swimming pool builder, a savings and loan association in Concordia, Kan., and a small loan company.

Revenues of the reconstructed company tripled in the year ended Sept. 30, 1962. But per share profits climbed much more modestly — from 16 cents to 22 cents. And by late 1962, Tower stock had sunk to a level of around $5, where it is today. Two months ago Mr. Cohn resigned as director and as chairman of the executive committee and sold his 50,000 shares of Tower stock. He says he was "not satisfied with the performance" of Tower.

Fifth Avenue Coach. No sooner had the Weinberg-Cohn forces captured control of the company than they were hit by a strike of bus drivers. The City of New York then seized the struck line. Eventually the city will pay for the property — but the amount is in dispute before the courts. The city has appropriated $18 million; the Cohn-Weinberg group claims the seized property is worth $90 million. Indications are that when the litigation is settled, the Cohn-Weinberg group will come out with a profit, but it seems certain their control over the company's New York City bus routes is gone for good.

Mr. Cohn predicts he'll make a considerable profit himself. He says he holds, directly and indirectly, between 12,000 and 13,000 shares of Fifth Avenue Coach, at a cost per share of about $15 to $16. The current price on the New York Stock Exchange: About $33.

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Mr. Cohn and Bill Fugazy, who together promoted the Patterson-Johansson fights of 1960 and 1961 under the banner of Feature Sports, Inc., were sued by Mr. Fugazy's uncle, Jack Fugazy, who claimed he never got the 25% slice of profits due him under his contract as executive director. Figures issued by Feature Sports showed combined earnings on the two fights of $191,000. Not so, claimed Uncle Jack. Profits really amounted to $529,000, he contended. He challenged, in effect, the validity of certain expense items of Feature Sports.

In reply, Feature Sports denied Jack Fugazy's charges and said Mr. Fugazy conspired against his nephew and Mr. Cohn and "sought to remove them from the heavyweight championship promotional field." A Feature Sports affidavit also reported "potential liabilities" of $287,750 from a U.S. Government judgment against the corporation.

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Calls Seizure "Arbitrary"

Mr. Cohn characterizes the IRS seizure as "arbitrary." It is not Mr. Cohn's first skirmish with IRS, however. In June 1960, just before the Patterson-Johansson fight, Feature Sports signed an agreement not to send any of Johansson's purse out of the country, according to the IRS. But in August 1960, Feature Sports did send $100,000 to Switzerland for Mr. Johansson, the IRS charged. A U.S. District Court ruled this violated the agreement; the decision is under appeal.

Despite his troubles with the IRS, Mr. Cohn is buoyant about Championship Sports. He predicts it will be "highly profitable" and he additionally has a piece of the Liston-Clay fight, which is scheduled for Feb. 25 in Miami Beach.

Mr. Cohn's latest venture is Lionel Corporation, which "has been in a shambles," he says. Mr. Cohn, who is chairman of the executive committee, "has been given a free hand to incorporate development," serves as president of two Lionel subsidiaries and is used extensively by Mr. Raney as a troubleshooter.

Within two months of his being hired, Mr Hughes had so impressed Mr. Cohn and other board members that they voted him an option on 8,000 shares of Lionel stock for "valuable services." But scarcely four months later, in April 1960, Mr. Cohn told Lionel stockholders these facts about Mr. Hughes at the urging of the SEC:

He was involved as a co-conspirator, but not as a defendant, in the United Dye & Chemical stock fraud case then pending against certain top officials of United Dye and against a group of Las Vegas gamblers who were in on the conspiracy, which occurred in 1956. Another co-conspirator not indicted in the case: Alexander Guterma, former board chairman of United Dye.

Mr. Cohn acknowledges he knew of this background when he hired Mr. Hughes but says he felt Mr. Hughes was just a "messenger boy" for Mr. Guterma in 1956, when to all outward appearances Mr. Guterma was a respectable businessman.

Whether or not Mr. Hughes was a "messenger boy" in 1956, Mr. Cohn recalls that three years later when he first met Mr. Hughes he was "impressed" and believed Mr. Hughes was just the man Lionel needed to fill a key position.

Such was the impression Mr. Hughes made that Mr. Cohn financed the purchase of 14,500 shares of Lionel stock for Mr. Hughes in October 1959. When Mr. Cohn revealed this to Lionel stockholders in April 1960, Mr. Hughes owed him $218,00 for the stock in an "agreement not yet reduced to writing." Though the debt remains unpaid, according to Mr. Cohn, Mr. Hughes has been paying interest on the note.

The loan appears generous inasmuch as Mr. Cohn borrowed heavily that same month from money lenders to finance his own purchase of Lionel stock. By April 1960, Mr. Cohn and two of his associates in the Lionel takeover were over $900,000 in debt to Hong Kong and Panama money lenders. This debt now has been paid in full, Mr. Cohn says.

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In April 1961 Mr. Hughes pleaded guilty to conspiring to commit fraud in another stock case. Indicted along with him were Mr. Guterma and Ben Jack Cage, a notorious fugitive who fled to Brazil to escape prosecution for stock fraud. Mr. Cohn dismisses this offense of Mr. Hughes' as "just a misdemeanor." Actually, it is a felony punishable by up to five years in prison and a $10,000 fine. Mr. Hughes has not yet been sentenced.

Mr. Cohn cites Mr. Hughes' cooperation with the Government in the United Dye trial, which ended with 15 defendants either pleading guilty or being found guilty by the jury. Mr. Hughes' testimony, as a key Government witness, indicates he was more than "a messenger boy." He said he did publicity work for United Dye, including the preparation of what the Government called "tout memos." The government said they were used in "boiler rooms" by high pressure salesmen to dupe the public into buying United Dye stock at inflated prices.

Mr. Hughes' testimony also shows he bought United Dye stock on the New York Stock Exchange, at Mr. Guterma's direction, in order to rig the market in the stock.

He also revealed that from 1956 to 1958 he was president, at $15,000 a year, of Diversified Oil & Mining Corp., owned principally by Samuel Garfield and Irving Pasternak, both closely identified with Nevada's gambling industry.

The testimony of Mr. Hughes and others indicated that Diversified Oil & Mining was used by Garfield, Pasternak and Guterma to siphon millions of dollars out of United Dye and into their own pockets. Mr. Cohn says he knew Mr. Hughes had been president of Diversified Oil & Mining when he first hired him, but he dismisses Mr. Hughes' role there: "He was just a figurehead."

Cohn Loyalty Unshaken

There has been discussion in Lionel board meetings in the past about the wisdom of retaining Mr. Hughes. But Mr. Cohn's loyalty to Mr. Hughes remains unshaken. "I was impressed when I first met him, and I am impressed today," he says.

Along with Mr. Garfield and Mr. Pasternak, Allard Roen, a Las Vegas gambling figure, pleaded guilty to the United Dye conspiracy which Mr. Hughes testified he participated in. Mr. Roen is executive vice president of United Resort Hotels Corp., which operates the Desert Inn and the Stardust; he is also an officer of Karat, Inc., which runs the Stardust's casino, and of another company which runs the Desert Inn's gambling concession. In the United Dye trial, the Government said Mr. Roen was a "protege and partner" of Mr. Garfield and Mr. Pasternak.

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Mr. Boyer, a leading member of the Cohn group which took over Lionel in 1959, is the auditor for the Desert Inn and Stardust.

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Despite his troubles with the IRS, Mr. Cohn is buoyant about Championship Sports. He predicts it will be "highly profitable," and he adds with a grin: "It's almost worth all the headaches — almost but not quite."

Roy Marcus Cohn may be beset by varied problems, but he has great talents to bring to bear on them. He raced through Columbia University's undergraduate and law schools so quickly — in just three-and-a-half years — that he was only 20 when he finished, forcing him to wait a year until he was 21 before he could take the New York bar exams. After he left the Government in 1954 and before he launched his business career five years later, he prospered in private law practice in New York City, where he still retains his practice as a partner of Saxe, Bacon & O'Shea. His net worth has risen remarkably in recent years—from an estimated $100,000 in 1956 to well over $2 million today.

Mr. Cohn credits his law practice for most of his wealth. "We represent three universities and a lot of large corporations," he says. He adds the firm has doubled in size "in the last couple of years."

Busy Executive

What are the possible sources of Mr. Cohn's current troubles in corporate affairs? One man who has watched Mr. Cohn operate while serving as a director in one of his companies offers this opinion: "Roy's much too impatient. As soon as one deal is consummated, he wants to move on to another."

One solution, of course, for an executive too busy or impatient to be concerned with details is to pick top aides skillful at running the day-to-day affairs of a company. At Lionel, one of Mr. Cohn's proteges is Paul Hughes, the young man who has been in trouble with the law and who has been associated with the Las Vegas gamblers.

Mr. Cohn brought Mr. Hughes into Lionel with him in the fall of 1959 when the Cohn group took over. Only 31 at the time, Mr. Hughes became "executive assistant for administration," at a salary of $24,000 a year. Today he carries the title "director of corporate development," at $30,000 a year.

Mr. Hughes has been a big winner in Lionel stock. He bought 5,000 shares of Lionel stock for Mr. Hughes in October 1959. When Mr. Cohn revealed this to Lionel stockholders in April 1960, Mr. Hughes owed him $218,00 for the stock in an "agreement not yet reduced to writing." Though the debt remains unpaid, according to Mr. Cohn, Mr. Hughes has been paying interest on the note.

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Eli Boyer and Bill Fugazy also have had business relationships with the group who operate the Desert Inn, the Stardust and their casinos. Besides Mr. Roen, who is awaiting sentence in the United Dye case, top figures in the group running the two hotels and the casinos include Morris E. (Moe) Dalitz and Morris Kleinman. Both were described in the 1951 Kefauver crime hearings by Alvin Sutton, then Cleveland Director of Public Safety, as among the five men "at the helm of the board of directors" of Cleveland's bootlegging gang organization during the Prohibition era.

In response to a question, Mr. Sutton said Mr. Dalitz had no criminal record and Mr. Kleinman had only one conviction, on an income tax charge in 1931.

Mr. Cohn invested in Desert Inn Associates, a partnership which offered $3 million of "participations" in 1959. Mr. Cohn bought the minimum participation—$25,000—and subsequently sold out "at a capital gain." Desert Inn Associates owns the Desert Inn and leases it to United Resort Hotels.

Real Estate Syndication

His investment came about only because it was "a syndication" put together by a New York friend, who is a leading real estate syndicator, says Mr. Cohn. "I don't think the Desert Inn people know I ever had it" (the investment), he adds. Mr. Cohn does say he knows some of the Desert Inn group, including Moe Dalitz.

Mr. Cohn also says he put $76,000 into a partnership known as A & M Enterprises. He says he was part of a syndicated group "of about 20 people" who formed the partnership to put up a private hospital in Las Vegas called Sunrise Hospital. He sold out because "the operation wasn't going right." Records in Las Vegas show that among the A & M Enterprises partners were Mr. Dalitz, Mr. Roen and Eli Boyer. Mr. Cohn says he got into the venture through two other A & M partners, Irwin Molasky and Mervin Adelson.

In November 1961, a few months after Mr. Cohn acquired his interest in Tower Universal, Tower acquired Fugazy Travel Bureaus, Inc., a company owned by the Fugazy family and run by Mr. Cohn's co-promoter, Bill Fugazy. Mr. Fugazy then became president of Tower Universal's travel bureau subsidiary.

In announcing the merger, Tower's public relations agency sent out a lengthy news release praising the Fugazy travel agency. The release told of the close business connection between Mr. Fugazy and the Desert Inn-Stardust group:

"Fugazy signed a pact in 1957 with United Hotel Corp., owners and operators of several prime hotel properties, including the Desert Inn and Stardust Hotel in Las Vegas. In exchange for the promotion of its hotels and acting as its local representative, United agreed to share the cost of opening and operating a number of new Fugazy offices. Since 1957, the agreement has resulted in the inception of new Fugazy offices in Philadelphia, Chicago, Dallas, Beverly Hills and San Francisco.

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CHAOS, INC.

On September 25 Chicago will be the scene of a heavyweight championship fight between the incumbent, Floyd Patterson, and his challenger, Sonny Liston. If form means anything, Chicago also will be the scene of more confusion than the Honorable Richard J. Daley, mayor, has ever experienced. To be sure, a heavyweight championship fight always tends to be a somewhat tumultuous and disorganized affair. But this one carries a built-in guarantee of confusion: it is promoted by Championship Sports, Inc., an outfit that specializes in promotional bedlam. It is no simple task even to determine who *is* Championship Sports, Inc. Subject to hourly change, substitution and correction, the dramatis personae in CSI appear to be:

Tom Bolan, 38, a tight-lipped partner in Roy Cohn's law firm and the president of CSI.

Al Bolan, 33, Tom's "nice guy" brother, Brooklyn-bred sports editor of the *Greenpoint Star*, a neighborhood weekly. New to the big money, well-meaning, but inexperienced. Vice-president and general manager of CSI.

Roy Cohn, 35, onetime boy gumshoe for the late Senator Joe McCarthy, now a Wall Street lawyer and budding industrialist (Lionel Corporation). Until recently, Cohn has been too busy flitting from one thing to another to bother with CSI on a daily basis.

Bill Fugazy, 37, Cohn's buddy. In the travel business. May or may not have an interest in CSI—it depends on who's talking. If it's Fugazy, the answer is yes. If his associates, no.

The involved history of this merry band dates back to the fall of 1959 when Cohn and Fugazy took over an outfit called Feature Sports, the main chunk of debris remaindered from the Bill Rosensohn promotional debacle. Neither of them knew anything about boxing, so Bill's uncle, Humbert (Jack) Fugazy,

Championship Sports, Inc., born Feature Sports, has earned the name because of the blunders it has made in promoting title fights around the country. This fall CSI will get a whack at the city of Chicago

by ROBERT H. BOYLE

a respected boxing man highly regarded by Cus D'Amato, Patterson's manager, was made the promoter. Tom Bolan became treasurer.

Uncle Jack was slowly eased to one side by his nephew and Cohn, and the second Patterson-Johansson fight at the Polo Grounds in New York almost literally turned into a riot. The crowd totaled 50,000, but only 32,000 had paid to get in. The rest were gate crashers. Spectators adopted a first-come, first-sit policy, with squatter's rights paramount. Many with $100 tickets couldn't see the fight because of the glut in the aisles.

Although Uncle Jack and Ned Brown, another respected boxing figure, who was handling publicity, had warned that extra guards would be necessary, their warnings were disregarded. When the whole mess was over, Bill Fugazy airily blamed the police. "The cops' fault," he announced. To which Police Commissioner Steve Kennedy retorted, "The police function is to enforce public law for the protection of all the public and not to assist fight promoters who chisel on expenses."

Ned Brown, who left Feature Sports after the fight, has expressed an intention to sue. "I wasn't paid what I was promised," he says, "and they didn't pay the expenses guaranteed to me." Brown, who is 79 years old, says, "Over the years, I've never had an experience like this."

With ill will festering in New York, Feature Sports sought a new site for the third and final Patterson-Johansson fight. In July of 1960 Bill Fugazy announced that the fight would be held in Los Angeles Coliseum on November 1, and said he expected a million-dollar gate. The fight was held in Miami Beach in March 1961, and it grossed a live gate of about $500,000.

What happened in Miami Beach was more preposterous than what had transpired in New York. Says a Miami sportswriter: "The promotion was one massive blunder." Cohn, Fugazy and Tom Bolan were coldly formal. They seemed to take the attitude that they needed no help from the locals. Only Al Bolan, brought in as general manager, put himself out. "What do you know about boxing?" Bill Fugazy demanded of one boxing commissioner. "You're just in the whisky business." This prompted one columnist to write that Fugazy's father "should take his offspring to the woodshed and, with an old-fashioned belt, teach his brat some manners."

The daily ticket-sale announcements were wildly imaginative. The ticket office repeatedly issued erroneous statements as to how much would be in the till. One day it would be several hundred thousand dollars, the next day half that. The seating plan kept changing with the advance-sale announcements, and anyone who bought a ticket had no idea of where he'd wind up sitting. Three hours before the fight, the promoters panicked. Seats in six $100 locations were restamped $20—on the back. All the time this was going on, Bill Fugazy was denying it was happening.

Scalpers quickly tumbled to the move. They began paying $20 for $100 tickets inside, then moved outside where they flashed the $100 side and unloaded them for the bargain price of $30. Of course, customers who had paid $100 weren't overjoyed when they found themselves flanked by latecomers who had spent only $20 or even $30.

In the spring of 1961 Feature Sports was replaced by a new organization, Championship Sports, Inc. Basically it contained the same cast of characters as Feature Sports, but the Bolan brothers, whom Floyd Patterson likes, moved up front, and Cohn and Fugazy slid back into the shadows. Uncle Jack Fugazy was made "director of boxing activities" and was informed in July he would receive no pay. A month later he filed suit against Feature Sports, nephew Bill, Cohn and Tom Bolan for more than $130,000 he says was due him from the two Patterson-Johansson fights. "Roy Cohn, Bill Fugazy, Tom Bolan, they are the three principals," Uncle Jack says with feeling. "I'd ask them [for the money], and they'd say, 'Next week.' But next week never arrived. Probably they feel that if they don't pay anyone, you'll pass away. They probably feel that way about me. [Uncle Jack is 75.] But I'm in much better health than they think. I'm willing to take all three in the ring and beat their heads off."

Uncle Jack does not try to restrain his anger toward his nephew and Cohn. "You never met two people," he says, "who, according to their talk, control the universe. They know who to put their hands on. But when they need something, they come crawling. It makes me sick when I talk about them. Not

continued

one of them knows a thing about boxing. They have done more to kill boxing than all the mobsters put together."

Also suing Feature Sports is Eric Schoeppner, the German light heavyweight, whose title bout against Archie Moore was canceled. In turn Feature Sports blames Moore for the cancellation and is suing him.

With the Bolans out in front, Championship Sports has not improved on Feature Sports' tendency to blunder. First Tom Bolan announced that Patterson's next opponent would be either Henry Cooper of England or Eddie Machen. After Bolan called that one wrong, Bill Fugazy showed up in Europe proclaiming, first from Geneva, then from Rome, that he had matched Johansson with Sonny Liston. Tom Bolan next announced that Patterson would fight Tom McNeeley in Boston in the fall of 1961. The fight was first scheduled for September, then "definitely" October 23 and finally November 13. As it turned out, Bolan was one-third right. Patterson fought McNeeley in Toronto in December.

The promotion was not exactly a screaming success. For one thing, Toronto didn't like being used as a dumping ground for Boston. For another, McNeeley continued to train in Boston, thereby minimizing the opportunities for giving the fight a little hoopla. (Of course, there are those who say that if Toronto fans had seen McNeeley train in person the gate would have been even smaller.) And, finally, CSI brightly picked December 4 as the date for the fight, expecting to capitalize on the huge crowd that had jammed into Toronto for the annual Grey Cup pro football game. The only trouble was that at Grey Cup time Canadians don't care about anything but football. They couldn't be bothered if Alaska declared war. As a result, the fight drew a mere 7,813 fans and a live gate of $106,740.

CSI's latest miscue occurred recently when it prematurely announced that the Liston-Patterson fight was set for New York. The announcement came before Liston had even applied for a license, and when the New York commission turned Liston down because of his dubious record, CSI was hooked. Thus Chicago, which is even touchier than Toronto about hand-me-downs, gets what New York rejected.

continued

But if the visible activities of Championship Sports are perplexing, the internal affairs of the corporation are flabbergasting. It is as if everyone had agreed not to agree with anyone else. Al Bolan says he has a 15% stock interest. Big Brother Tom says Al has only 9%. Al says Roy Cohn will not be actively involved with the fight. Cohn, already atwitter at press conferences, says, "I have a very active interest in it." Cohn says Al's job is merely to look after "the day-to-day details." Al says "I'm the promoter of the fight." According to Tom, Cohn owns 50% of the stock (Al thought Cohn owned about 33%). Al says Bill Fugazy has nothing to do with CSI. Fugazy runs around saying he has a piece of CSI. The only certainty appears to be that he has, by his own admission, no official voice in CSI—for the moment, anyway. In a recent interview with Sid Ziff of the *Los Angeles Times*, Fugazy told why he was inactive. "A lot of the big companies I did business with frowned on my affiliation with boxing," he said. "I like the fight game. Maybe I should have made the sacrifice and remained active in it. Boxing needs sincere, respectable, substantial business people in it. But I figured I couldn't jeopardize my position in it by remaining active."

Despite Fugazy's assertion that he has a substantial interest in CSI, pal Cohn denies Bill has any interest at all. In fact, Cohn denies Bill *ever* had any interest in CSI. (But last June, Tom Bolan announced that Fugazy had relinquished his interest in CSI. Fugazy immediately denied this, saying, "I have not sold my interest in Championship Sports and have no intention of doing so." Tom didn't clarify matters by then saying, "There is some misunderstanding on Bill's part. It is my understanding he has relinquished his interest.") Asked if there is a chance Bill might wind up in CSI, Cohn says, "Always a possibility."

What will happen to Chicago when this magpie's nest is set down there in September remains to be seen. Chicago is a tough town with a strong instinct for self-preservation—it is built on the ashes of the great fire of 1871, and it has survived Billy Sunday, Al Capone and the Chicago Cubs' rotating coach system. This long experience with adversity certainly will be of value when Cohn & Co. blow into town. **END**

Roy Cohn

Draft

The comments offered in the press by some columnists and editors in recent days regarding the action of the Internal Revenue Service in connection with the Patterson-Liston fight indicates that the writers may not have been aware of all of the available facts in the case.

The action taken by Internal Revenue came after full and careful consideration of facts and data that were assembled and only after we determined that this was the only apparent way to protect the revenue -- for which the law makes us responsible.

The basic section of the law under which we acted (Internal Revenue Code, Sec. 6851) provides that if we find "that a taxpayer designs quickly to depart from the United States or to remove his property therefrom, or to conceal himself or his property therein, or to do any other act tending to prejudice or to render wholly or partly ineffectual proceedings to collect the income tax for the current or the preceding taxable year unless such proceedings be brought without delay, the Secretary or his delegate shall declare the taxable period for such taxpayer immediately terminated, and shall cause notice of such finding and declaration to be given the taxpayer, together with a demand for immediate payment of the tax for the taxable period so declared terminated and of the tax for the preceding taxable year or so much of such tax as is unpaid, whether or not the time otherwise allowed by law for filing return and paying the tax has expired; and such taxes shall thereupon become immediately due and payable - - "

Our action, therefore, had to be based on substantial indication that the tax might be in jeopardy, were we to await normal returns filing and payment. To clarify some of the apparent misconceptions that have arisen, I believe it is appropriate to describe some of the indicators which influenced our

decision. I can only discuss those items of information which are already in the public record -- disclosure of the remainder is prohibited by law, for the taxpayer's protection.

As you know a very substantial amount of income was involved in the fight promotion; it was estimated in press statements at over $6 million. This in itself, of course, is not necessarily a factor. Many corporations have incomes considerably in excess of this amount, yet we feel no need to resort to special collection action. However, when you add to this the fact that when production of income, as in this case is sporadic, special financial arrangements are made by the principals involved with regard to proceeds, and multiple corporate entities are established which appear to have no continuing operating objectives, the danger of diversion of proceeds and consequent loss of government revenue increases.

I can make this statement based on past experience with promotions of this type. lLet us take the case of Feature Sports, Inc. which promoted the second and third Patterson-Johansson fights. It is a matter of public record that the promoters shipped $ to a bank in Switzerland as an advance on Johansson's purse and ancillary rights. This was done without notifying Internal Revenue despite the fact that the promoters were fully aware of our examination that was in process. More specifically, the U. S. District Court for the Southern District of Florida ruled on December 13, 1961, that $100,000 of this amount had been shipped on August 2, 1960 in express violation of agreement made with Internal Revenue on June 20 and July 7, 1960. Without belaboring this instance, the fact remains that we have an assessment of $ against Johansson and our problems and costs to collect this amount has been increased substantially by the shipment of monies outside the country.

Now we come to the Patterson-Liston fight, promoted by Championship Sports, Inc., of which coincidentally, a number of the top officers are the same as of Feature Sports, Inc. I might mention at this point that the latter corporation now appears to be out of business for operating purposes. It is no longer at the address we have for it and, to our knowledge, is no longer functioning. Yet at the same time its tax status on the Johannson fight kpromotions is not yet resolved.

As the Patterson-Liston fight approached, lots of information appeared in the press about financial arrangements, including a deferred payment plan on which Internal Revenue has not been asked for an advance ruling as to its validity for tax purposes.

A few days before the fight, Internal Revenue learned that the promoting entity had been incorporated in several states with no clear picture of which corporation would be liable for the tax.

At the same time a check of our file indicated no record of estimated income tax returns having ever been filed by either Feature Sports, Inc., or Championship Sports, Inc. Now the law requires estimated tax returns by corporations for current years when the anticipated taxable income will exceed $100,000. On fights where the proceeds run into millions it appeared reasonable to expect that taxable income would exceed $100,000. Both corporations, too, have a history of requesting extensions on the filing of their regular income tax returns. Difficulties have also been run into in the past, in trying to obtain adequate books and records from Feature Sports, Inc. Add to this, the fact that one of the Championship Sports corporations had already been dissolved, and we do not yet have an income tax return from it.

With this information and other facts which the law forbids me to disclose and the past conduct of the principals in the promoting of corporations it became evident to us that we needed a prompt accounting of fight proceeds in order to protect the revenue. This, no more and no less, was the purpose of our lien and levy actions.

By estimating income and deductions and making an immediate assessment as the law prescribes, we have made it necessary for the promoters to furnish us a prompt accounting, while tying up funds so that they cannot be diverted until the proper tax is determined and paid. Undoubtedly, our assessment is high since when we made it, we probably did not have complete information on expenses of the promoters. Any excess monies, of course, is subject to refund when the true tax is determined.

I would like to emphasize that inconvenience to outside parties has been at a minimum under the circumstances. Our levies served on the theater carrying the TV-showing, for example, covered only the percentage of proceeds that they would pass on to the sponsors. The fighters and others concerned had been at least partially paid from the advance proceeds of the fight, disbursed prior to our action. Also, arrangements have now been / are being made to release sufficient moneys to pay various creditors of the promoting corporations.

To sum up our action, I can say most emphatically that we proceeded after reaching the conclusion that this was our only alternative under the law which makes us responsible for protecting the revenue. Far from being arbitrary or capricious, our decision to act, which was not reached until 24 hours before the fight, came after days of careful study and deliberation.

We acted specifically as the law authorizes us and with no avoidance of "due process". Allegations that our action assumes guilt until innocence is proven are without foundation. This was no criminal action we took; there was no question of guilt or innocence involved. It was simply a civil action to force an accounting.

In administering our complex tax system, we need to be guided by the principle of fairness to all of our taxpayers. We can hardly consider it fair administration if we don't do what the law authorizes to reduce opportunities, on the part of some, to divert tax moneys at the expense of the great multitude which pays its proper share on a timely basis.

Sincerely,

Mortimer M. Caplin
Commissioner

Roy Marcus Cohn

Mayor Robt. Wagner, Fifth Ave. Coach Lines Co., metropolitan, Cohn & counsel, $10,000

Lionel Corp. Waldorf Astoria, 1000, 1962

Tower Universal Corp. swimming, 12, W.D. Fugazy, G.E. Sokolsky.

Championship Sports, Inc., Floyd Patterson, Sonny Liston, Cohn

tycoon, monogrammed, silk suits, chauffeur-driven Cadillac

Lionel, Cohn, $2.5, $55.4, limit, dividend, 1958, Tower, $97,000, avenues, dividend, 5, Fifth Avenue Coach, $600,000, $67.4, N.Y.C., labor fracas.

Cohn's 2 — Fifth Avenue — ($175,000) —

Lionel — Cohn — (on 2

Lionel 2 / exorbitant — $532,000 —

Hongkong — $30,000 —

or (acquiring electronic — miniaturization — Maj. Gen. John Medaris — $50,000 — debts — deducted — replaced Medaris — off $40,000 —

baleful boy — pinstripe —

Lawyer Roy M. Cohn / Travel Agent Wm. D. Fugazy jr.

Humbert (Jack) Fugazy — impresario — 1926 — Bill Fugazy's uncle — Cohn / Wm Fugazy / Uncle Jack — Reg, Tp — 2nd — October — Feature Sports — Patterson — Johansson, Uncle Jack — $360 —

Patterson - Johansson — 50,000 — $1,315,564 — ($181,241.26 — $9,608.11 — Uncle Jack — $132,173.82 — nephew — Cohn

Feature 6 inactive 2 Aug. 1961 v. Cohn et al, Championship Sports Inc. Bill Fugazy, J. Cohn's & Tom Belan, 2 C. Al, Pat. 9 Dec. 1961 Patterson-Luton & Patterson-McNeely & Sept. 25, 1962.

Feature Sports $76,250.66 fees Cohn's Sage Bacon O'Shea $82,440.60 Fugazy's travel bureau $107,200 administrative Cohn Fugazy, $2000 13-6.

Internal Revenue impounded $3 Patterson-Luton

Cohn syndicate Tower Acceptance Corp. Houston 21 - Tennessee Ga. S.C. N.C. Tex. $3.5 Cohn Tower Universal Louisiana Discount Tower $7 Cohn Bills Bill - Tower - capitalization Montgomery Ward catalog Bill Tower Travel Subsidiary

John C - Frederic H. Brooks ... Tower - 1961 ... U.P. ...

Board ... David B. Chase & ... co-partner - Chase's multi-corporate org.

Engagg ... Brooks ... gave ... suing ... attache case ... Bills ... shrunk ... $250,000 ... $100,000 ... Tower ... Patterson-Fuston ...

Feature Sports Inc. ... $250,000 ... Swiss ... Johanson's ... U.S. ... Florida ... $100,000 ... Aug 3, 196- ... Internal Revenue ... assessment ... Johanson ...

Feature ... Championship Sports Inc. ... deferred ... consulting ... promoting entity ... incorporated ... corp. (Bible) ... (either Feature ... Championship ... law ... corporation ... anticipates ... exceed $100,000 ... corp ... extension ... delegate ... Championship corp ... dissolved ... U.S.

Championship's [illegible] $8.9 [illegible] #1 [illegible]
#2 [illegible] Grass Reiner & Smith enterprise [illegible] Los Angeles [illegible] ancillary [illegible] circuit TV [illegible] TV [illegible] #4 [illegible] gross [illegible] Gross Reiner, & Smith [illegible]

CSI [illegible] Delaware [illegible] N.Y. [illegible] Mass. [illegible] CSI [illegible] 32½% [illegible] ancillary [illegible] 32½% [illegible] Chicago [illegible] CSI [illegible] GR&S [illegible] 17 [illegible]

chauffeured limousines [illegible] newsmen [illegible] CSI [illegible]

#

"Operation Countdown" [illegible] multi-million seizure [illegible] receipts [illegible] Liston-Patterson [illegible]
seized [illegible] #5 [illegible]

#

[illegible] 3 Championship Sports, Inc. [illegible] N.Y. Mass [illegible] Ill.

GRS [illegible] Nevada corp. [illegible] $1,379,517.26

CSI "6-" acts destroying [illegible] reader ineffective [illegible] current years topic."

June 20, 1960 escrow

Feature Sports Inc [illegible] U.S.

extended July 7, 1960

$100,000 - specific [illegible]

[illegible] internal revenue

CSI [illegible] 1962

("17" [illegible]

[illegible] clause [illegible]

Geo C. Sokolsky Oct. 2, 1962 received Internal Revenue "due process" - seizure [illegible] Patterson-Futon "Esq - [illegible] Internal Revenue [illegible] arbitrary - intolerable"

Cohn & Fugazy [illegible] Arlene Investing Corp. [illegible] 50% [illegible] circuit [illegible] Fullmer-Tiger [illegible]

Bill Fugazy relinquished [illegible] - Championship Sports [illegible] Fugazy - [illegible] Fugazy, Johansen, Patterson [illegible] Co. [illegible] Fugazy [illegible] Cohn [illegible] 2/3 [illegible] Feature - Championship.

Championship Co Dec. c 59, - Delaware March 16, 1961 =
- Aug 1962 c o,) r c ( ) d . . . . .
— dissolved corp.

Graff Reiss Smith c/ . . . q c 59 / , —
(Roy Cohn

Feature Sports / — 2 x r) 1959 1960 c
1961 — 1962 . . c ?, (— 2 v i 2 (
(E V, c Feb. 15 1962 . 2 delayed
r) c 3 r.

CSI Mag. incorporates June 26 1961 (5 —
2) c r (Sept. 1962 — r 2 c) — —
q o. r b k.