

Comments in Court;

Following is a statement given from the bench during the hearing in Baltimore by federal Judge Walter E. Hoffman on the case of Vice President Spiro T. Agnew:

For the past two days counsel for the defendant and the representatives of the Department of Justice have engaged in what is known as "plea bargaining," a practice which has received the judicial approval of the U.S. Supreme Court. As the judge of the court, I have refrained from making any recommendation to the parties involved as I was unaware of the facts involving the alleged charges.

The agreement finally reached between the parties, and which has been fully set forth by Mr. Topkis, one of the attorney for the defendant, and Mr. Richardson, the distinguished Attorney General of the United States, was the result of some relinquishments of rights on both sides. We are all aware of the fact that some persons will criticize the result and the sentence to be imposed but, in a case such as this, it would be impossible to satisfy everyone.

"Once the agreement was reached between the parties, it had to be submitted to the judge for his approval or disapproval. It was late yesterday afternoon when I learned the final details of the negotiation. I insisted that all details would have to be submitted in open court and in the presence of the defendant before any formal approval or disapproval could be given. Such as now been accomplished and it becomes by duty to proceed.

The judge must accept the final responsibility as to any sentence, but this does not mean that he should disregard the negotiations and advices of the parties who are far more familiar with the facts, the national interests, and the consequences flowing from any sentence

Details of Charges by U.S.

to be imposed.

As far as the court is involved, the defendant is on trial for willful evasion of income taxes for the calendar year 1967, which charge is a felony in the eyes of the law. He has entered a plea of *nolo contendere*, which, so far as this criminal prosecution is concerned, is the full equivalent of a plea of guilty. Such a plea frequently is accepted in income tax evasion cases as there are generally civil consequences following therefrom, and the criminal court is not interested in the precise amount of taxes which may be due. The plea of *nolo contendere* merely permits the parties to further litigate the amount due without regard to the conviction following such a plea.

"A detailed statement has been filed by the Department of Justice and refuted by the defendant, all of which are wholly unrelated to the charge of income tax evasion. The statements are part of the understanding between the parties and are submitted merely because of the charges and countercharges, which have received so much advance publicity. Of course, the agreement further provides that the federal government will take no further action against the defendant, as to any federal criminal charge which had its inception

prior to today, reserving the right to proceed against him in any appropriate civil action for monies allegedly due.

Furthermore, neither this court nor the Department of Justice can limit the right of any state or organization to take action against the defendant. Since the Department of Justice, pursuant to its agreements, will be barred from prosecuting the defendant as to any criminal charge heretofore existing, the truth of these charges and countercharges can never be established by any judicial decision or action. It would have been my preference to omit these statements and end the verbal warfare as to this tragic event in history, but I am not inclined to reject the agreement for this reason alone.

There is a fundamental rule of law that every person accused of a crime is presumed to be innocent until such time as the guilt is established beyond a reasonable doubt. It is for this reason that I must disregard, for the purpose of imposing sentence, the charges, countercharges and denials which do not pertain to the single count of income tax evasion. I have so advised counsel for the parties and they are in agreement that this is my duty.

We come then to the charge in itself. In approving the plea agreement between the parties I have not overlooked my prior writings and sentences in other income tax cases. Generally speaking, where the defendant is a lawyer, a tax accountant, or a business exec-

utive. I resort to the practice of imposing a fine and a term of imprisonment, but provide that the actual period of confinement be limited to a period of from two to five months, with the defendant being placed on probation for the balance of the term. The reason for taking such action is that our method of filing income tax returns is fundamentally based upon the honor of the individual reporting his income.

A sentence of actual confinement serves as a deterrent to others who are required to file their returns.

But for the strong recommendation of the attorney General in this case, I would be inclined to follow the same procedure. However, I am persuaded that the national interest in the present case are so great and so compelling — all as described by the chief law enforcement officer of the United States — that the end of justice would be better served by making an exception to the general rule.

"I, therefore, approve the plea agreement between the parties."

The following is the formal charge to which Agnew pleaded nolo contendere yesterday in U. S. District Court in Baltimore:

UNITED STATES
OF AMERICA

v.

SPIRO T. AGNEW

The United States attorney for the District of Maryland charges that:

On or about the 23d day of April, 1968, in the District of Maryland, Spiro T. Agnew, a resident of Annapolis, Md., who during the calendar year 1967 was married, did willfully and knowingly attempt to evade and defeat a large part of the income tax due and owing by him and his wife to the United States of America for the calendar year 1967, by filing and causing to be filed with the District Director of Internal Revenue for the Internal Revenue District of Maryland, at Baltimore, Md., a false and fraudulent joint income tax return on behalf of himself and his said wife, wherein it was stated that their taxable income for said calendar year was the sum of \$26,099

and that the amount of tax due in owing thereon was the sum of \$6,416, whereas, he then and there well knew, their joint taxable income for the said calendar year was the sum of \$55,599, upon which said taxable income there was owing to the United States of America an income tax of \$19,967.47.

George Beall
U.S. Attorney

INTRODUCTION

The following statement

was submitted by U.S. Attorney George Beall to the judge at yesterday's arraignment of Spiro T. Agnew. It constitutes a detailed recitation of the facts and evidence developed by the investigation to date, which establish in part the source of the unreported funds, which constituted the basis of the charge filed against Agnew. The presentation of this statement in Court today was a material condition, requested by the Depart-



United Press International

Spiro Agnew leaves courthouse after sentencing.

ment of Justice, to the agreement reached between the government and Mr. Agnew.

Summary

I. The Relationship of Mr. Agnew, I. H. Hammerman, II and Jerome B. Wolff.

In the spring of 1967, shortly after Mr. Agnew had taken office as governor of Maryland, he advised Hammerman that it was customary for engineers to make substantial cash payments in return for engineering contracts with the state of Maryland. Mr. Agnew instructed Hammerman to contact Wolff, then the new chairman-director of the Maryland State Roads Commission, to arrange for the establishment of an understanding pursuant to which Wolff would notify Hammerman as to which engineering firms were in line for state contracts so that Hammerman could solicit and obtain from those engineering firms cash payments in consideration therefore.

Hammerman, as instructed, discussed the matter with Wolff, who was receptive but who requested that the cash payments to be elicited from the engineers be split in three equal shares among Agnew, Hammerman and Wolff. Hammerman informed Mr. Agnew of Wolff's attitude; Mr. Agnew informed Hammerman that the split of the cash monies would be 50 per cent for Mr. Agnew; 25 per cent for Hammerman and 25 per cent for Wolff. Hammerman carried that message to Wolff who agreed to that split.

The scheme outlined above was then put into operation. Over the course of the approximately 18 months of Mr. Agnew's remaining tenure as governor of Maryland, Hammerman made contact with approxi-

mately eight engineering firms. Informed periodically by Wolff as to which engineering firms were in line to receive state contracts, Hammerman successfully elicited from seven engineering firms substantial cash payments pursuant to understandings between Hammerman and the various engineers to whom he was talking that the substantial cash payments were in return for the state work being awarded to those engineering firms. The monies collected in that manner by Hammerman were split in accordance with the understanding earlier reached: 50 per cent to Mr. Agnew, 25 per cent to Hammerman and 25 per cent to Wolff. An eighth engineer contacted by Hammerman flatly refused to make payments and, instead, complained — first to his attorney and later to Gov. Agnew himself — about Hammerman's solicitation. Wolff, informed of the complaint, reduced the share of work being awarded to the complaining engineer, but decided not to cut that engineering firm off completely from state work for fear of further exacerbating the situation.

Wolff, as chairman-director of the Maryland State Roads Commission, made initial tentative decisions with regard to which engineering firms should be awarded which state contracts. Those tentative decisions would then be discussed by Wolff with Gov. Agnew. Although Gov. Agnew accorded Wolff's tentative decisions great weight, the governor always exercised the final decision-making authority. Often Wolff would present the governor with a list of engineering firms competent in Wolff's judgment for a state job, and the governor would make the final selection of which particular firm would be awarded that job.

Hammerman also successfully solicited, at Gov. Agnew's instruction a substantial cash payment from a financial institution in return for that institution's being awarded a major role in the financing of a large issue of state bonds.

II. The Relationship Between Mr. Agnew and Allen Green.

Shortly after Mr. Agnew's

election in November, 1966, as governor of Maryland, he complained to Allen Green, principal of a large engineering firm, about the financial burdens to be imposed upon Mr. Agnew by his role as governor. Green responded by saying that his company had benefited from state work and had been able to generate some cash funds from which he would be willing to provide Mr. Agnew with some financial assistance. Mr. Agnew indicated that he would be grateful for such assistance.

Beginning shortly thereafter, Green delivered to Mr. Agnew six to nine times a year an envelope containing between \$2,000 and \$3,000 in cash. Green's purpose was to elicit from the Agnew administration as much state work for his engineer-

ing firm as possible. That purpose was clearly understood by Gov. Agnew both because Green occasionally expressed his appreciation to the governor for state work being received by his company and because Green frequently asked for and often received from the governor assurances that his company would get further state work, including specific jobs.

Between Mr. Agnew's election and inauguration as Vice President, Wolff contacted Green, at Mr. Agnew's instruction, for the purpose of preparing for Mr. Agnew a detailed written computation of the work and fees which had been awarded to Green's company by Gov. Agnew's administration. After assisting Wolff in the preparation of such a compilation, Green subsequently met with Mr. Agnew, who noted that Green's company had received a lot of work from Gov. Agnew's administration and stated that he was glad that things

had worked out that way. Mr. Agnew then went on to complain about the continuing financial burden that would be imposed upon him by his position as Vice President and to express the hope that Green would not stop his financial assistance to Mr. Agnew. To Green's surprise, Mr. Agnew went on to state expressly that he hoped to be able to be helpful to Green with respect to the awarding of federal engineering contracts to Green's company.

As a result of that conversation, Green continued to make cash payments to Vice President Agnew three or four times a year up to and including December, 1972. These payments were usually about \$2,000 each. The payments were made both in Mr. Agnew's vice presidential office and at his residence in the Sheraton-Park Hotel, Washington, D. C. The payments were not discontinued until after the initiation of the Baltimore County investigation by the U. S. attorney for the District of Maryland in January, 1973.

III. The Relationship Between Mr. Agnew and Lester Matz.

Lester Matz, a principal in another large engineering firm, began making corrupt payments while Mr. Agnew was county executive of Baltimore County in the early 1960s. In those days, Matz paid 5 per cent of his fees from Baltimore County contracts in cash to Mr. Agnew through one of Mr. Agnew's close associates.

After Mr. Agnew became governor of Maryland, Matz decided to make his payments directly to Gov. Agnew. He made no payments until the summer of 1968 when he and his partner calculated that they owed Mr. Agnew approximately \$20,000 in consideration for the work which their firm had already received from the governor's administration. The \$20,000 in cash was generated in an illegal manner and was given by Matz to Gov. Agnew in a manila envelope in Gov. Agnew's office on or about July 16, 1968. In handing the envelope

to Gov. Agnew, Matz expressed his appreciation for the substantial amounts of state work his company had been receiving and told the governor that the envelope contained the money that Matz owed to the governor in connection with that work.

Matz made no further corrupt payments to Mr. Agnew until shortly after Mr. Agnew became Vice President, at which time Matz calculated that he owed Mr. Agnew approximately \$10,000 more from jobs and fees which the Matz firm had received from Gov. Agnew's administration since July, 1968. After generating \$10,000 in cash in an illegal manner, Matz met with Mr. Agnew in the Vice President's office and gave him approximately \$10,000 in cash in an envelope. Matz informed the Vice President at that meeting that the envelope contained money still owed to Mr. Agnew in connection with Matz's firm by Gov. Agnew's administration and that such monies would be owed and paid in the future.

Matz did make several subsequent payments to the Vice President; he believes that he paid an additional \$5,000 to Mr. Agnew in cash.

In or around April, 1971, Matz made a cash payment to Vice President Agnew of \$2,500 in return for the awarding by the General Services Administration of a contract to a small engineering firm in which Matz had a financial ownership interest. An intermediary was instrumental in the arrangement for that particular corrupt payment.

Full Exposition

1. The relationship of Mr. Agnew, I. H. Hammerman II and Jerome B. Wolff.

I. H. Hammerman II is a highly successful real estate developer and mortgage banker. He has entered into a formal written agreement with the government, pursuant to which he has tendered his complete cooperation to the government with respect to the present investigation. Under the terms of this agreement Hammerman will plead guilty to a charge of violating a felony provision of the Internal Revenue Code. As a result of that plea, Mr. Hammerman will be exposed to a maximum

sentence of three years in prison. In return, the government has agreed not to charge Mr. Hammerman with any other crime relating to the subject matter of this investigation and to bring his cooperation to the attention of the court at the time of his sentencing. The government has not agreed to make any specific recommendation with respect to the period of incarceration, if any, to which the government believes it would be appropriate for Mr. Hammerman to be sentenced, and, in particular, the government has made no representation to Mr. Hammerman that it will recommend to the Court that he be placed on probation.

Jerome B. Wolff is an engineer and also an attorney. He is the president of Greiner Environmental Sys-

tems Inc. Wolff has tendered his complete cooperation to the government in the present investigation.

The government has not entered into any agreement with Wolff as to what consideration, if any, he may expect in return for his cooperation, other than the assurance that his own truthful disclosures to the government will not be used against him in any criminal prosecution.

At the government's request, both Hammerman and Wolff have executed sworn written statements that recount their relationships with Mr. Agnew. Their testimony, the corroborative testimony of other witnesses, and various corroborative documents, would prove the following:

Hammerman has known Spiro T. Agnew for many years. When Mr. Agnew ran for Baltimore County executive in 1962, however, Hammerman actively supported his opponent. The day after the election, Hammerman called to congratulate Mr. Agnew and asked to see him. They met in Hammerman's office and again Hammerman congratulated Mr. Agnew on his victory. Hammerman told Mr. Agnew that he knew all campaigns had deficits, and he offered Mr. Agnew a post-election contribution of \$10,000. Mr. Agnew refused, but he told Hammerman that he would

expect a contribution three times as large when he ran for office again.

Between 1963 and 1966, while Mr. Agnew was the Baltimore County executive, he and Hammerman developed a close, personal friendship. During this period and continuing up until early 1973, they often discussed Mr. Agnew's personal financial situation. Mr. Agnew complained about it, and told Hammerman that he had not accumulated any wealth before he assumed public office, had no inheritance, and as a public official received what he considered a small salary. Mr. Agnew believed, moreover, that his public position required him to adopt a standard of living beyond his means and that his political ambitions required him to build a financially strong political organization. During the period when Mr. Agnew was county executive, Hammerman entertained him, introduced him to substantial political contributors, and gave him substantial gifts.

At the outset of the 1966 Maryland gubernatorial campaign, Hammerman found himself in a difficult situation. Some of his closest business associates were involved in the Democratic candidates' campaign, but Mr. Agnew insisted that Hammerman choose between them and him. Hammerman decided actively to support Mr. Agnew, contributed \$25,000, and raised an even larger amount in campaign funds for Mr. Agnew. Hammerman was one of Mr. Agnew's financial chairmen and devoted considerable time, energy, and money to his campaign. After Mr. Agnew became governor and later Vice President, Hammerman continued to entertain, travel with him, and provide him with other financial benefits. These benefits were not related to the monies discussed below.

In the late 1950s, while Wolff was deputy chief engineer and later assistant director of public works for Baltimore County, Mr. Agnew became a member of the Baltimore County board of zoning appeals. Mr. Agnew and Wolff became acquainted as a result of Wolff's appearances as a witness before the board.

Wolff left employment

with the county approximately six months after Mr. Agnew took office as county executive. Mr. Agnew and he became good friends between 1963 and 1967 while Wolff was in business as a consulting engineer, and Wolff became an unofficial adviser to him. Mr. Agnew arranged for him to receive contracts from the county. Wolff greatly admired Mr. Agnew, and believed that Mr. Agnew was sincerely attempting, with considerable success, to do a good job as county executive.

Friends in the consulting business asked Wolff, while Mr. Agnew was county executive, how much Wolff was paying for the engineering work that he was receiving from Baltimore County. They seemed to assume that he was paying, as it was well known in the business community that engineers generally, and the smaller engineering firms in particular, had to pay in order to obtain contracts from the county in those days. Only a few of the larger and well established firms were generally considered to be immune from this requirement.

It is Wolff's belief, based upon his experience and his understanding of the experience of others, that engineering firms generally

have to struggle for 10 to 15 years in order to become established. During this period, and for some time thereafter, they generally make payments—sometimes through middlemen—to public officials at various levels of government throughout Maryland in order to receive public work. Sometimes they reach a point where they are sufficiently established as qualified engineers that they do not generally have to make illegal payments in order to obtain a fair share of the public work.

It was Wolff's belief that a certain close associate of Mr. Agnew's (referred to hereafter as "the close associate" or "the middleman") was his principal middleman in Baltimore County. The close associate courted engineers, developers, and others and bragged a great deal about his relationship with Mr. Agnew. Although Wolff was in a favored position with Mr. Agnew, on two or

more occasions while Mr. Agnew was county executive, the close associate requested money from Wolff in return for contracts Wolff wanted or had obtained from the county. Wolff paid him \$1,250 in cash in April, 1966, and in addition made a payment to another associate of Mr. Agnew's, ostensibly as legal fees. Wolff's present recollection is that he also made one or two other payments to the close associate.

It was Wolff's belief that another individual also acted as a middleman for Mr. Agnew. Wolff learned from others that a certain Baltimore engineer was paying for work through that other individual. It is Wolff's recollection that in his office, Mr. Agnew once remarked to Wolff that the engineer in question was paying 10 per cent for the work that he received from the county. Wolff inferred from Mr. Agnew's comment that Mr. Agnew was surprised that that engineer was paying as much as 10 per cent, in view of the fact that the going rate was generally 5 per cent.

Through conversations with still another engineer, Wolff learned that he also was making payments for county work.

During Mr. Agnew's 1966 campaign for governor, Wolff gave him \$1,000 in cash as a campaign contribution. Wolff also worked in Mr. Agnew's campaign. Wolff knew that he had a potential personal stake in Mr. Agnew's candidacy, as Mr. Agnew had sometime earlier indicated to him the possibility that he might appoint Wolff as chairman-director of the State Roads Commission if Mr. Agnew were elected governor.

Wolff had first become acquainted with Hammerman during the period when Wolff had been assistant engineer employed by the Baltimore County public works department. Hammerman considered Wolff to be a brilliant engineer, and Wolff had handled in an efficient manner various problems that Hammerman had had with county agencies in connection with Hammerman's building ventures. A close personal friendship had developed between them. Hammerman had been so

impressed with Wolff that he had advised him that if he ever decided to leave county government, Hammerman would retain him as engineer for his building projects. After Wolff had left county government in 1963 and established his own engineering business, he had done virtually all of Hammerman's engineering work.

After his election as governor, Mr. Agnew told Hammerman that he intended to appoint Wolff chairman-director of the Maryland State Roads Commission. Hammerman objected strenuously because he wanted to retain Wolff's engineering services. Mr. Agnew responded, however, that Hammerman should not be too upset about Wolff's appointment because Mr. Agnew told Hammerman, "You won't lose by it."

On or about March 1, 1967, Wolff took office as Gov. Agnew's appointee as the chairman-director of the State Roads Commission. Gov. Agnew had Wolff monitor every consulting engineering and construction contract that came through the state. It became obvious to Wolff that, in view of the provisions of State Roads Commission legislation, he would in effect control the selection of engineers and architects for contracts to be awarded by the State Roads Commission, subject only to the ultimate decision-making authority of Gov. Agnew.

Shortly after Wolff took office, Gov. Agnew asked Hammerman to come to his office in Annapolis, Md. At this meeting, Gov. Agnew advised Hammerman that there was in Maryland a long-standing "system," as

he called it, under which engineers made substantial "cash contributions" in return for state contracts awarded through the State Roads Commission. Gov. Agnew referred to the substantial political financial demands that would be made on both himself and Hammerman, and said, in effect, that those who were benefiting (the engineers) should do their share. Gov. Agnew said that Hammerman could help him by collecting cash payments from the engi-

neers, and told him to meet with Wolff to set things up.

Hammerman subsequently met with Wolff and told him of the discussion he had had with Gov. Agnew. Wolff readily agreed to participate, and suggested that the payments be equally divided among the governor, Hammerman, and Wolff. Hammerman then met again with the governor and told him of the suggested division of the payments. Gov. Agnew at first replied that he did not see why Wolff should receive any share of the money, but he agreed to a division as long as he received 50 per cent of the total payments. He told Hammerman that he didn't care what Hammerman did with his share.

Hammerman went back to Wolff and told him that Mr. Agnew insisted on 50 per cent of the money and that Hammerman and Wolff should equally divide the rest between themselves. Wolff agreed.

Over the course of the subsequent 18 to 20 months that Mr. Agnew served as governor of Maryland, the scheme agreed to by Mr. Agnew, Hammerman, and Wolff was fully implemented. Wolff kept Hammerman informed as to which engineers were to receive state contracts and Hammerman kept Wolff informed as to which engineers were making cash payments. It was soon generally understood among engineers that Hammerman was the person to see in connection with State Roads engineering contracts. As a result Hammerman soon found himself meeting with individual representatives of certain engineering firms. They would inform Hammerman of their interest in obtaining state work, and Hammerman would reply that he would see what he could do.

In some cases an engineer would specify the particular work in which he was interested; in most cases, the engineer would not specify any particular job. There was no need for Hammerman to make coarse demands or to issue threats because the engineers clearly indicated that they knew what was expected of

them. The discussions were generally about "political contributions," but the conversations left no doubt that the engineers understood exactly how the system worked—that is, that cash payments to the governor through Hammerman were necessary in order for their companies to receive substantial state contracts. The "contributions" were almost always in cash, and many of them were made when there was no campaign in progress. Although Wolff had told Hammerman that "contributions" should average between 3 per cent and 5 per cent of the contract amount, Hammerman did not specify any exact amount to be paid, and accepted any reasonable sum. "Sometimes the "contribution" was made when the contract was awarded, sometimes as the engineer received payments on the contract. Sometimes the "contribution" was made in one payment, sometimes in several. When a contract was about to be awarded to one of the engineers who was known to be willing to make payments, Wolff would advise Hammerman that the engineer had been selected for a certain job. Hammerman would then contact the engineer and congratulate him. These congratulations were intended as signals that a cash "contribution" was due, and the engineer would then meet with Hammerman and bring the money.

Pursuant to his understanding with Mr. Agnew and Wolff, Hammerman retained 25 per cent of the payments and delivered to Wolff his 25 per cent share. Hammerman generally held Mr. Agnew's 50 per cent share in a safe-deposit box until Mr. Agnew called for it. From time to time Mr. Agnew would call Hammerman and ask how many "papers" Hammerman had for him. It was understood between Mr. Agnew and Hammerman that the term "paper" had referred to \$1,000 in cash. Hammerman would tell Mr. Agnew how many "papers" he had, and Mr. Agnew would ask Hammerman to bring the

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TEXT, From A12

"papers" to him. Hammerman would then collect the cash from his safe-deposit box and personally deliver it to Mr. Agnew in his office in Annapolis or in Baltimore or wherever else Mr. Agnew would designate.

The cash that Wolff received from Hammerman initially was kept in Wolff's home. It was then transferred to two, and later, three safe-deposit boxes, two in Baltimore, and one in Washington. Most of the money was spent on ordinary personal expenses over a period of more than four years. A small portion of it was used by Wolff to make payments to other public officials in order to obtain work for the two consulting firms that he had sold before he had become chairman of the State Roads Commission, but in which he still had a financial interest. Wolff kept detailed contemporaneous documents on which he recorded the dates, amounts, and engineering firm sources of the monies that he received from Hammerman as his share of the proceeds of the scheme. These records are among a large volume of corroborative documents that Wolff has turned over to the United States attorney's office.

The selection process for state roads contracts generally worked in the following manner: usually, based upon previous discussions with Gov. Agnew, Wolff would make preliminary decisions with regard to the consulting engineering and architectural firms to be awarded contracts. He then would obtain the approval of the State Roads Commission. Gov. Agnew then would make the final decision.

During Mr. Agnew's tenure as governor of Maryland, Wolff met with him from time to time to discuss the status of various projects and the decisions that had to be made with respect to engineering, management, and sometimes architectural contracts. Wolff generally prepared agendas for these meetings in advance. Gov. Agnew appeared to have confidence in Wolff's technical ability and generally accorded substantial

weight to Wolff's preliminary decisions as to which consulting firm should be awarded contracts, generally concurring with Wolff's selection. Where important or unique projects were involved, Wolff would present Gov. Agnew with a list of several possible firms from which Gov. Agnew would select the firm to be awarded the contract. Gov. Agnew always had and from time to time exercised the power to make all final decisions.

Several factors influenced Wolff in his own decision-making in the selection process outlined above:

(1) It was a basic premise of Wolff's selection process that an engineering firm had to be competent to do the work. Before it could even be considered for a contract, an engineering firm, which, in Wolff's judgment, was competent to perform a certain assignment, might be given consideration.

(2) Both Gov. Agnew and Hammerman would from time to time ask Wolff to give special consideration to a particular engineering firm, which might or might not be making cash payments, and he would then try to do so. He remembers, for example, that the governor on one or more occasions asked him to give work to a specific engineering firm. Hammerman also recommended to Wolff, presumably because of Hammerman's friendship with one or more particular engineers, that work be given to at least one company that, according to Wolff's understanding, had not made any cash payments.

(3) Wolff's decision-making (and he recalls that this was a matter that he discussed with Hammerman in particular) was intended to avoid substantial and noticeable deviations from general fairness—that is, he tried to avoid a situation in which any firm received more or less work than could be justified on a purely legitimate basis. Wolff always viewed the process as one of accomplishing competent public work for the state of Maryland, very similar to that which would have been accomplished if all the selections had been made strictly on their merits, while at the

same time serving the mutual ends of Mr. Agnew, Hammerman and himself.

Wolff believed it was important not to deviate too obviously from the appearance of fairness and evenhandedness in his selections of engineers. For example, he became aware—he believes initially as a result of a conversation he had with Gov. Agnew—that Hammerman had apparently approached a certain engineer

to solicit cash payments in connection with potential state work, and that the engineer had complained to Gov. Agnew that state contracts should not be awarded on this basis.

The governor was very upset, as Wolff understood it, because Hammerman apparently had been especially heavy-handed with the engineer, and apparently because the governor felt that the engineer might make his complaint public. For these reasons, Wolff continued thereafter to give the engineer's firm some work.

The investigation also has established that the same engineer also complained to his attorney, a close personal friend of Mr. Agnew's, about Hammerman's solicitation. Shortly after the engineer had complained to his attorney, and several months before the engineer complained directly to Mr. Agnew, the attorney met with Mr. Agnew and gave him a detailed account of Hammerman's solicitation and of his client's outrage. He warned Mr. Agnew that Hammerman's activities could undermine all that the attorney believed Gov. Agnew was attempting to accomplish. Although he indicated that he would look into the matter, Mr. Agnew never reported back to the attorney. He did several months later meet personally with the engineer, at the attorney's insistence, but the investigation has established that Mr. Agnew did nothing whatever to stop Mr. Hammerman's continuing solicitations of cash payments from engineers in return for state work and that he (Mr. Agnew) continued for several years thereafter to accept his 50 percent share of those cash payments.

(4) The fact that a certain

firm was making cash payments was a definite factor in that firm's favor. It was, therefore, accorded special consideration in the decision-making process. Wolff believes that a comparison of the amounts of work given to certain firms before, during and after Gov. Agnew's administration would confirm this.

On the other hand, there were times when a firm was selected for a specific job without regard to whether or not that firm was making cash payments. Some local Maryland firms had outstanding expertise in certain fields of engineering.

This made them obvious choices for certain jobs, whether or not they were making cash payments. Even such firms, however, could never be completely sure that such considerations would be decisive in the decision-making process, so that even some of those companies were vulnerable to solicitations for cash payments.

5) Various other factors worked for or against particular firms or individuals in the selection process. For example, Wolff definitely favored Lester Matz and Allen Green, and their companies, not only because he understood they were making cash payments directly to the governor, but also because Wolff was receiving money from certain illegal dealings that he had with Matz and Green that did not involve Gov. Agnew. Conversely, one engineering firm was disfavored by Wolff because in his view that firm had taken positions contrary to the best interests of the commission.

The evidence accumulated to date, both testimonial and documentary, establishes that Hammerman obtained, and split with Mr. Agnew and Wolff, cash payments from seven different engineering firms in return for state engineering contracts, and from one financial institution in return for a lucrative arrangement with the state involving the financing of certain state bonds. Those seven engineering firms and the one financial institution will not be named in this statement in order to avoid possible prejudice to several presently anticipated prosecutions.

It is worth noting, however, that Hammerman spe-

cifically recalls discussing with Mr. Agnew whether or not the particular financial institution would be awarded the lucrative state bond business, and that during that discussion Mr. Agnew commented that the principals at the particular financial institution in question were "a cheap bunch" who "don't give you any money." Mr. Agnew informed Hammerman that he did not intend to award that institution the bond business in question unless a substantial "contribution" were made. Hammerman carried that message to the appropriate person; a substantial cash "contribution" was made; the institution got the bond business.

Hammerman also remembers that, while Mr. Agnew

was governor, Hammerman observed that Green and Matz, two engineers whom he had known for some time, were receiving very substantial amounts of state roads work. Hammerman mentioned that fact to Wolff and, since he had not received any money from Green and Matz, asked Wolff if he should approach them. Both Green and Matz had indicated to Wolff that they were making their payments directly to the governor. Wolff therefore told Hammerman that both Green and Matz were making "contributions" and that Hammerman should stay away. Hammerman did so.

It is Wolff's understanding and belief that both Green and Matz continued to make cash payments directly to Mr. Agnew after he had become Vice President. Wolff bases this conclusion on conversations that he has had with both Green and Matz since January, 1969, in which each of them has indicated to Wolff that he had made payments directly to the Vice President.

At a certain point, which Wolff believes was after Mr. Agnew's election as Vice President in November, 1968, but prior to his inauguration as Vice President on Jan. 20, 1969, Mr. Agnew asked Wolff to determine the details of payments that had been made by the State Roads Commission under his administration to the engineering company owned and operated by Green. Wolff then discussed this request with Green, who sub-

sequently prepared a list that he submitted to Wolff. Wolff then prepared a final list, a copy or duplicate of which he gave to Mr. Agnew. When Wolff handed Mr. Agnew the list, they did not discuss it to any extent, according to Wolff's present recollection. Mr. Agnew just put it away.

Wolff would testify that much of his understanding concerning Mr. Agnew's actions and reactions to specific situations was inferential, since he and Mr. Agnew did not discuss Wolff's relationship with Hammerman or others or the fact that he and Mr. Agnew were acting, either jointly or individually, in a corrupt manner. Wolff believes his relationship with Mr. Agnew flourished because of their mutual sensitivity to their own positions and their mutual respect for one another. He does recall, however, an occasion on which he was in the governor's office in the State House. Gov. Agnew and he were standing in front of the fireplace after a meeting, and the governor said to Wolff in substance: "Look after yourself but be careful."

II. The Relationship Between Mr. Agnew and Allen Green

Allen Green is the president and one of the principal owners of Green Associates, Inc., a Maryland engineering company which has, over the years, performed various types of engineering work.

Green has signed a formal written agreement with the government under which he has agreed to plead guilty to a criminal felony violation of the Internal Revenue Code that will expose him to a maximum sentence of three years in prison. He has given the government his complete cooperation in this investigation. In return, the government has promised him that he will not be prosecuted for any offense

related to this investigation other than the one to which he will plead guilty, and that at his sentencing the government will bring his cooperation to the attention of the court. The government has expressly refused to promise Green that it will recommend to the court at his sentencing that he be placed on probation.

At the government's re-

quest, Green has executed a sworn written statement detailing his relationship with Mr. Agnew. Green's testimony, the corroborative testimony of other witnesses, and various corroborative documents would prove the following:

Green has been an engineer in Maryland for 21 years. During this period, he has often made cash payments on behalf of his company in return for various state and local consulting contracts and in order to remain eligible for further contracts. He used cash for the simple reason that checks could have been traced and might have led to the discovery of these illegal payments. These payments formed a pattern over the years and reflected his understanding, based upon experience, of the system in which a firm such as his had to participate in order to insure its survival and growth in the state of Maryland. This system had developed long ago in Maryland and in other states as well. Engineering contracts have not been awarded on the basis of public bids in Maryland.

Instead, the selection of engineers for state roads contracts has rested exclusively in the discretion of public officials—in Maryland, the governor and the members of the State Roads Commission. They have had virtually absolute control. There are many engineering companies which seek contracts, but price competition was not allowed under the ethical standards of this profession until October, 1971. Therefore, engineers are very vulnerable to pressure from public officials for both legal and illegal payments. An engineer who refuses to pay can be deprived of substantial public work without effective recourse, and one who pays can safely expect that he will be rewarded.

A few companies developed in time a size, expertise, and stature that insulated them to some extent from this system. One or two developed an expertise, for example, in large bridge design, that other local companies could not match. One or two grew so large and had been awarded so many substantial contracts that the state could not do without their services unless out-

of-state consultants were employed. In these ways, a few companies in effect "graduated" in time from the system to a position of lesser vulnerability, and they could afford to resist and perhaps in some instances, refuse to participate. In fact, Green believed that his own company was in recent years in the process of moving into this class.

It was seldom necessary, in Green's experience, for there to be any express prior agreement between an engineer and a public official in Maryland. Under this system, which each state administration perpetuated, the connection between payments and contracts rested on a largely tacit understanding under which engineers knew that if they did

not pay, they would not receive very many contracts and that if they did pay, they would receive favored treatment. Therefore, when a politician requested a payment or when an engineer offered one, it was not necessary for anyone expressly to refer to the connection between payments and contracts because everyone understood the system, and could rely upon it without actually talking about it.

Green came to know Spiro T. Agnew in mid-1963 when Mr. Agnew was the county executive for Baltimore County, Md. Although his company received some engineering contracts from the county, Green does not recall making any cash payments to Mr. Agnew or to anyone in his administration during these years. Green cultivated his relationship with Mr. Agnew and occasionally had lunch with him. By 1966, they had developed a closer relationship.

In connection with Mr. Agnew's successful 1966 campaign for governor, Green gave him approximately \$8,000 to \$10,000 in campaign contributions. He did so in part because he genuinely admired Mr. Agnew and believed that he would make an excellent governor. He also knew, however, that Mr. Agnew would be grateful for his support, and he anticipated that Mr. Agnew would express his gratitude by giving the Green company state work if he were elected.

After the inauguration,

Green met with Gov. Agnew on several occasions in his new offices, usually in Baltimore, but sometimes in Annapolis. At one of these meetings Gov. Agnew expressed his concern about the substantial financial obligations and requirements imposed upon him by virtue of his new position. He told Green that as the titular leader of the Republican party in Maryland, he would need substantial funds in order to support his own political organization. In addition, he believed that he would be called upon to provide financial assistance to other Republican candidates around the state.

Furthermore, he complained that it was extremely difficult for a person in his limited financial situation to bear the personal expenses of high public office, in the sense that his new position would require him, he believed, to adopt and maintain a life style that was beyond his means. He said that he had served as county executive at substantial financial sacrifice because of the small salary and that, although the governor's salary represented an increase in income, it would still be insufficient to meet the additional demands that he believed his new position would impose upon him.

This was neither the first nor the last occasion upon which Mr. Agnew mentioned to Green his concern about his personal financial difficulties. He had voiced similar complaints while county executive, and he continued from time to time to mention his personal financial difficulties thereafter.

Green inferred from what Mr. Agnew said, the manner in which he said it, and their respective positions that he was being invited in a subtle but clear way to make payments. He, therefore, replied that he recognized Mr. Agnew's financial

problems and realized he was not a wealthy man. Green told him that his company had experienced successful growth and would probably continue to benefit from public work under the Agnew administration. He, therefore, offered to make periodic cash payments to

Gov. Agnew, who replied that he would appreciate such assistance very much.

On the basis of Green's experience, he had developed a policy that, where required, he would make payments in amounts that did not exceed an average of 1 per cent of the fees that his company received on public engineering contracts. This informal calculation included legitimate political contributions as well as cash payments. He knew that many politicians believed that engineers were wealthy and often demanded payments in much greater amounts, frequently 5 per cent and sometimes higher. Although he believed that some engineers made payments in these amounts, he knew that such percentages were unrealistic, given the economics of the engineering industry. An engineering firm could not, in his judgment, make a profit on public work if payments in these excessive percentages were made. He had come to the conclusion that his company could not afford to pay more than 1 per cent and, in areas where more was demanded, he had simply refused to pay and had sought work elsewhere.

Therefore, Green calculated, largely in his head, that it would be appropriate for him to make approximately six payments a year to Mr. Agnew in amounts of \$2,000, \$2,500, or \$3,000 each. The exact amount of each payment to Mr. Agnew depended upon the amount of cash available to Green for such purposes at the time of the payment.

After the meeting at which this subject had first been discussed, Green scheduled appointments with Gov. Agnew approximately six times a year. At the first such meeting, he handed an envelope to Gov. Agnew that contained between \$2,000 and \$3,000 in cash. Green told the governor that he was aware of his financial problems and wished to be of assistance to him. Gov. Agnew accepted the envelope, placed it in either his desk drawer or his coat pocket, and expressed his gratitude. Over the next two years, they gradually said less and less to each other about each payment;

Green would merely hand him an envelope and Gov. Agnew would place it in either his desk drawer or his coat pocket with little or no discussion about it.

During these meetings, Green and Gov. Agnew would discuss a number of matters, but Green almost always made it a point to discuss state roads contracts with him. Indeed, Green's principal purpose in meeting with him was always to increase the amount of work that his company received from the state. They would discuss state contracts in general, and frequently, specific upcoming road and bridge contracts in particular. Green would express his desire that his company receive consideration for proposed work and occasionally would ask for specific con-

tracts that he knew were scheduled to be awarded by the State Roads Commission. Green knew from experience and from what he learned from Wolff that Gov. Agnew played a substantial role in the selection of engineers for State Roads Commission work. Gov. Agnew often would tell him in these meetings that his company could expect to receive substantially work generally and on occasion, he promised Green specific contracts. On other occasions, however, Gov. Agnew would tell Green that a contract had already been or was to be committed to another company.

Green admits that his principal purpose in making payments to Gov. Agnew was to influence him to select the Green firm for as many state roads contracts as possible. Based upon his many years of experience, it was his belief that such payments would probably be necessary and certainly helpful in obtaining substantial amount of State Roads Commission work.

With one exception (to be related later in this statement), Mr. Agnew never expressly stated to Green that there was any connection between the payments and the selection of the Green company for state contracts. According to Green, the understanding

was a tacit one, based upon their respective positions and their mutual recognition of the realities of the system; their relationship was such that it was unnecessary for them to discuss openly the understanding under which these payments were given and received. The circumstances were that Green gave Gov. Agnew cash payments in substantial amounts and asked for contracts, and from time to time, Gov. Agnew told him that contracts would be awarded to the Green company.

Green paid Gov. Agnew approximately \$11,000 in each of the years he served as governor of Maryland (1967 and 1968). Green generated the necessary cash to make these payments through his company by various means that violated the Internal Revenue Code and that were designed to obscure the purpose for which the cash was used.

Green also recalls that during the early part of the Agnew administration, the governor occasionally asked him to evaluate the competency of certain engineering companies that he was considering for State Roads Commission work. On at least one occasion, the governor also asked him if certain companies could be counted upon to provide financial assistance if state work were received.

Under the Agnew administration, the Green company received substantial work from the Maryland State Roads Commission. It was awarded approximately 10 contracts, with fees approximating \$3 million to \$4 million.

On a few occasions during these years, Green was asked by Wolff if he was taking care of his "obligations" with respect to the substantial state work that the Green company was receiving and Green replied that he was.

Green saw little or nothing of Gov. Agnew between his nomination as the republican candidate for Vice President in the summer of 1968 and the election in November. He made some campaign contributions by check to the Nixon-Agnew ticket in the 1967 election.

In November or December, 1968, after Mr. Agnew was elected Vice Prsident,

but before his inauguration, list that he had prepared of the contracts that the Green company had received from Wolff came to Green with a the State Roads Commission under the Agnew administration. Wolff told Green that Gov. Agnew had asked him to prepare the list, and Green concluded that the list had been requested and could possibly be used as a means of assessing what he owed to Gov. Agnew in return for those contracts.

Wolff and Green discussed the contracts and fees and, in effect, dargained about the matter. Green argued that some of the contracts that appeared awarded to his company under the (Millward J.) Tawes administration and that the Agnew administration was simply implementing a contract for which the selection had been made previously. Wolff, however, reminded him that the Agnew administration could have canceled at least some of the contracts, or could have awarded portions of the contracts to other firms. Subsequently, Green prepared a

revised list of his own and submitted it to Wolff.

Sometime thereafter, but still before the inauguration, Green met with the Vice President-elect in his Baltimore governor's office. He gave Mr. Agnew a payment during the meeting. Mr. Agnew began the conversation by making some reference to the list and indicated that the Green company had received a lot of work from the State Roads Commission. Mr. Agnew said that he was glad that things had worked out that way. He then reiterated that he had been unable to improve his financial situation during his two years as governor and that although his salary as Vice President would be higher than his salary as governor, he expected that the social and other demands of the office would substantially increase his personal expenses.

For these reasons, he said,

he hoped that Green would be able to continue the financial assistance that he had been providing to him over the preceding two years, and, Mr. Agnew continued, he hoped he could be helpful to Green with respect to federal work. This was the only occasion upon which Green can now recall that Mr. Agnew made any such express statement to him about the connection between payments and favors. Green did not believe that it was necessary expressly to refer to specific favors in return for payments. Indeed, throughout Mr. Agnew's gubernatorial tenure, it had never been necessary to state expressly that Green would receive anything in return for the payments that he had made, because a tacit understanding on this matter was more than sufficient to satisfy Green and to accomplish his purposes.

Green replied by telling Mr. Agnew that he would be willing to continue to be of financial assistance, but that he was not certain that he could continue to make payments in amounts as great as those he had made during the previous two years. Green knew that contracts awarded by the Agnew administration would generate income to his company over the next several years, and that therefore he could continue to make payments for several years. Green also hoped that his company's federal work might increase in amount as a result of Vice President Agnew's efforts on his behalf. He did tell Mr. Agnew of one important concern: that the new administration in Annapolis might take credit for, and possibly demand payments in connection with, projects that had actually been awarded to the Green company by the Agnew administration. Mr. Agnew, however, confidently indicated that he did not believe that would happen.

Green continued to make cash payments to Mr. Agnew after he became Vice President. Payments were made three or four times a year and were personally delivered to Mr. Agnew by Green either in the Vice President's office in the Executive Office Building in

Washington, or at his apartment in the Sheraton Park Hotel in Washington.

Green made his last payment during the Christmas season in December, 1972. As Green recalls it, these payments invariably amounted to \$2,000 each. As before, the money was always in a plain envelope, and the two men were always alone when the payment was made.

Green particularly recalls the first occasion upon which he paid money to Mr. Agnew in his offices in the Executive Office Building. Green was quite impressed with Mr. Agnew's office and position and felt very uncomfortable about the transaction that was about to occur. In addition, Green had some concern that the conversation between him and Vice President Agnew might be overheard or even taped. For all of these reasons, Green did not believe that it was appropriate or wise to continue to speak of personal financial assistance.

Therefore, he stated to the Vice President that this money was part of his continuing and unfulfilled commitment to Mr. Agnew with respect to "political contributions." Thereafter, Green usually made a similar statement when he delivered money to Mr. Agnew in his Executive Office Building offices. Green recalls that on the first occasion he made such a statement to Mr. Agnew, Green raised his eyes to the ceiling in order silently to suggest to Mr.

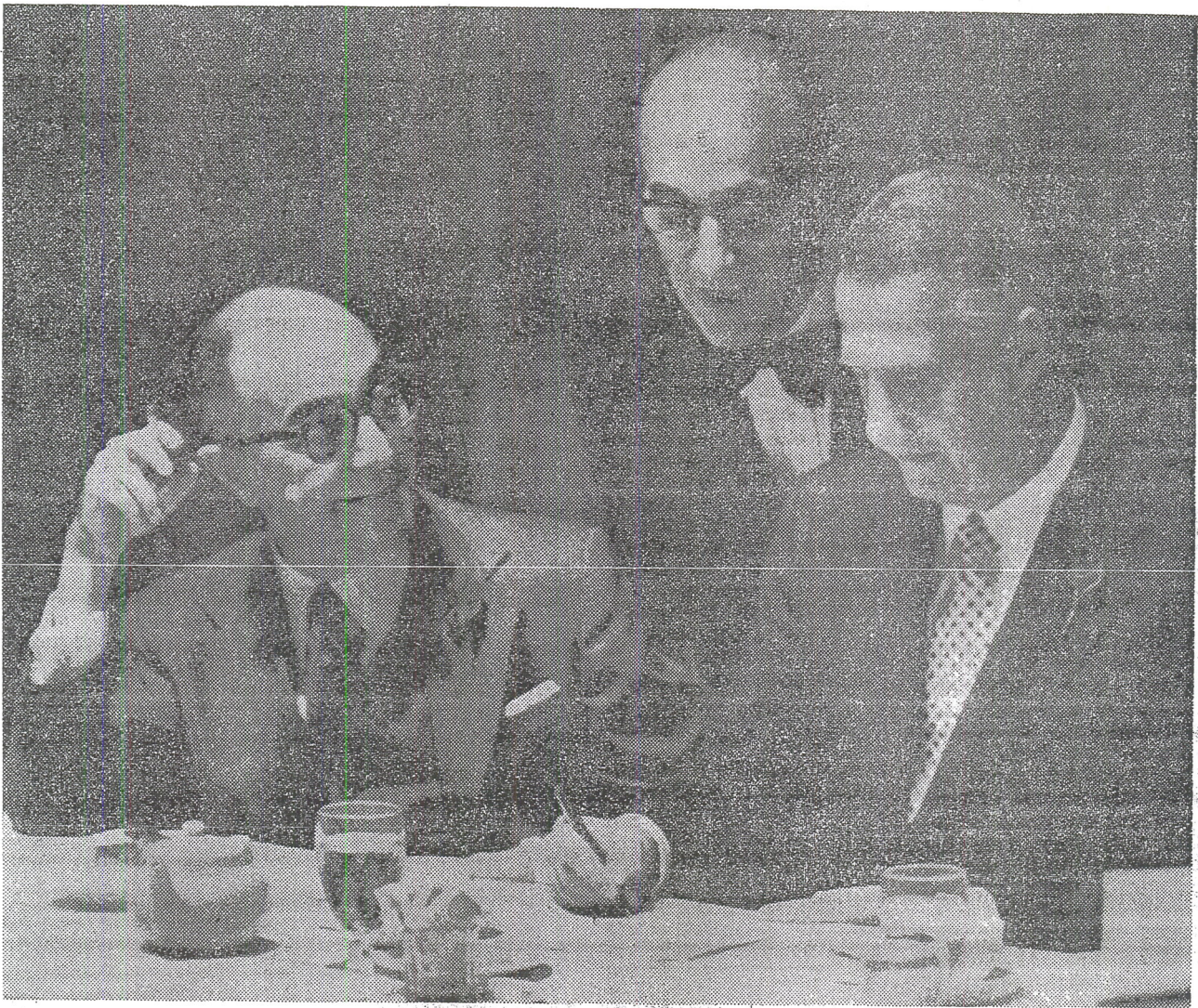
See TEXT, A14, Col. 1

TEXT, From A13

Agnew the reason for the unusual and inaccurate statement.

In 1969 and 1970, Green paid Mr. Agnew \$8,000 a year, four payments of \$2,000 each in both years. In 1971 and 1972, he paid Mr. Agnew \$6,000 a year, three payments of \$2,000 each in both years.

In Green's meetings with Vice President Agnew, he frequently asked about federal engineering contracts for his company, and Mr. Agnew generally indicated to him that he was attempting to be as helpful as he could. Green soon realized,



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Agnew gives an autograph to a waiter at a banquet Tuesday. At left, Michael M. Harris, Building Congress president.

however, that the Vice President did not exercise any substantial control over federal work, and, in fact, the Green company received only one federal job during this period.

The payments were discontinued after December, 1972, because of the investigation conducted by the United States attorney's office into corruption in Baltimore County, Md.

Over the six-year period between 1966 and 1972, Green's cash payments to Mr. Agnew totalled approximately \$50,000.

III. The Relationship Between Mr. Agnew and Lester Matz

Lester Matz has been an engineer in Maryland for approximately 24 years. He is the President of Matz, Childs and Associates, Inc., and Matz, Childs and Associ-

ates of Rockville, Inc., two Maryland engineering companies. John C. Childs is his principal business associate in these two companies. Matz has tendered his complete cooperation to the government in this investigation. The government has not entered into any agreement with him as to what consideration, if any, he may expect in return for his cooperation, other than the assurance that his own truthful disclosures to the government will not be used against him in any criminal prosecution. At the government's request, Matz has executed a sworn written statement that recounts his relationship with Mr. Agnew. His testimony, the corroborative testimony of Childs and other witnesses, and various corroborative

documents, would prove the following:

Between 1956 and 1963, Matz and Childs supplied various engineering services to private developers, principally in the metropolitan Baltimore area. Although they wanted to do so much public work as possible for the Baltimore County government, they found it extremely difficult to receive any substantial amount of county work. They observed that a relatively small number of engineering companies received most of the substantial county engineering work during these years, and that most, if not all, of these companies were closely associated with county administration or public officials. They simply could not break into this group, despite their re-

peated efforts to do so.

They, therefore, welcomed Mr. Agnew's candidacy for Baltimore County executive in 1962 because they believed that his election would present their company with an opportunity to be one of the few engineering companies that, they believed, would inevitably form around his administration and receive most of the substantial county engineering work. Matz had known Mr. Agnew casually for possibly two years, and during the 1962 campaign, he and Childs made a \$500 cash contribution directly to Mr. Agnew.

Prior to the 1962 election, Matz had also worked professionally with one of Mr. Agnew's close associates. Indeed, by this time the three of them (Mr. Agnew, Matz and the close associate) had already begun to develop what would in the next four years become a close personal friendship. Very shortly after Mr. Agnew assumed office as county executive for Baltimore County, Matz was contacted by the close associate. During this conversation the close associate told Matz that the two of them were going to make a lot of money under the Agnew administration. Although he did not elaborate on this comment, Matz inferred from what he said during this conversation that under the Agnew administration, the two of them could expect substantial favors from the Baltimore County government.

Shortly thereafter Matz was invited by the close associate to meet with Mr. Agnew. At this meeting there was no specific discussion about payments for county work, but Mr. Agnew told Matz that he had a lot of "confidence" in his close associate. Matz inferred from what Mr. Agnew said during this meeting that he should work through the close asso-

ciate and make any payments through him.

After Mr. Agnew became county executive, the close associate contacted Matz and asked him to prepare a chart which would set forth the amounts of money that could reasonably be expected from engineers on the various kinds and sizes of consulting contracts that the county generally

awarded. Matz calculated the profits that could generally be anticipated under the various types of contracts, and he determined that, on the average, 5 per cent of the fee was not unreasonable, although the percentage varied depending on the size and nature of the contract. He gave a copy of the chart to the close associate. The chart showed the expected profit on each type of contract and the percentage that engineers could reasonably afford to pay on it. Matz later showed his retained copy of this schedule to Mr. Agnew in his office and told him that he had given a copy to the close associate. Mr. Agnew looked at the chart and thanked Matz for his effort on the matter. Matz cannot recall today whether Mr. Agnew returned the copy to him.

When Matz gave a copy of this schedule to the close associate, he was told that he would be expected to make payments to the close associate for county contracts. The close associate said that as Matz's company received fees from the county, payments were to be made to him in the appropriate percentages, 5 per cent on engineering contracts and 2½ per cent on surveying contracts. He led Matz to believe that this money would be given to Mr. Agnew. These payments were not described by the close associate as "political contributions"; they were payments made in return for contracts.

Thereafter, Matz discussed this proposition with Childs. They were not surprised that payments would be necessary because it was generally understood that engineers had been making such payments for consulting work in a number of Maryland jurisdictions. They agreed that this would be a satisfactory arrangement. In fact, they were delighted that they would be among the small group of engineers who would be close to the Agnew administration and that they would, therefore, receive their share of the substantial county engineering consulting work. Although the 5 per cent payments were not insubstantial, the company could afford to make them,

and Childs both believed that the payments would make a substantial difference in the amount of work that their company would receive from the county.

During the balance of Mr. Agnew's tenure as county executive, Matz and Childs would find out what contracts were coming up in the county, and Matz would then contact the close associate to ask him for as many of these contracts as possible. The close associate always seemed well aware of the work to be let, and from time to time, he would advise Matz that his company had been awarded a particular contract. Matz then knew that, under their arrangement, the necessary payments were due, and he would therefore deliver the required cash payments personally to the close associate in the latter's office. On most occasions, Matz placed the necessary cash in plain white envelopes. Usually he paid in installments rather than in one total payment in advance. Matz and Childs believed that even if they had refused to make these payments their company would have received some county contracts, but that, as before, the company would not have received any substantial amount of work. In short, they believed that the payments made a great difference in the amount of work they received.

At first Matz and Childs personally generated the necessary cash to make these payments. As the size of the various cash payments they were making increased, however, they found it necessary to employ other methods by which to generate these cash funds in their company. These methods violated the Internal Revenue Code and were designed to obscure the purpose for which the cash was used.

During the first year or two of the Agnew administration in Baltimore County, the company's county work increased. Matz, however, was not satisfied because he believed that his company was entitled to an even larger share of the county's work due to his reliability in making payments. He told the close associate that he was dissatisfied, and the close associate arranged a meeting with Mr. Agnew.

The three men met at Mr. Agnew's house. At this meeting, Matz complained that his company had not received enough county work. Both Mr. Agnew and the close associate promised that they would help the company to receive more county work, and in particular, Mr. Agnew told him that he would speak on Matz's behalf to the appointed county officials who were nominally responsible for the selection of engineers for county consulting contracts.

In the 1966 gubernatorial campaign, Matz and Childs made campaign contributions to Mr. Agnew, in part because they believed that Mr. Agnew would make an excellent governor. They also, however, had another substantial reason for supporting Mr. Agnew. Under Gov. Tawes's administration, their company had not received any substantial amount of work from the Maryland State Roads Commission. They realized that their inability to secure any substantial amount of state work was the result of the fact that they were not among the small group of engineering firms that were closely associated with the Tawes administration and that had received most of the state work awarded by that administration. Both men were therefore excited about Mr. Agnew's candidacy because they believed that if he were to be elected governor, their company could begin to receive substantial amounts of work from the State Roads Commission by continuing to make payments to Mr. Agnew through his agents.

Several months after the Agnew administration took office, the State Roads Commission began to generate new projects and to award new contracts, and Matz's company began to receive substantial amounts of state work. On several occasions during the spring and summer of 1967, the close associate called Matz and attempted to perpetuate the arrangement under which payments had been made for contracts in the past. Matz was reluctant, however, to continue this arrangement, for several rea-

sons. First, he knew that if he paid Governor Agnew through any middleman, the credit to which he was entitled by virtue of these payments would be somewhat diluted because the middleman himself would receive a substantial portion of the credit. Second, he suspected that the close associate had, without Mr. Agnew's knowledge, retained for himself some of the money that had been paid to him by Matz between 1963 and 1966. Third, he knew that Mr. Agnew believed that the close associate had given him poor advice on certain matters that had resulted in bad publicity and embarrassment to Mr. Agnew.

Sometime early in Gov. Agnew's administration, Matz met with Gov. Agnew alone in his offices. During this conversation Matz told Mr. Agnew that he believed that the close associate lacked the discretion necessary safely to represent Mr. Agnew's interests and that sooner or later he would lead the two of them into trouble. Therefore, rather than continuing to pay through the close associate, Matz suggested that his company establish a savings account into which he would deposit the money that he owed on state contracts. After Mr. Agnew left office, Matz could pay him the money accumulated in this account, perhaps under the guise of legal fees. Gov. Agnew liked the idea, and at a later meeting he referred to the idea again with approval.

These factors and, in particular, these conversations with Mr. Agnew, led Matz to conclude that he could dispense with the close associate and pay Mr. Agnew directly. He therefore told the close associate that he would take care of his obligations directly. Subsequently, however, he abandoned the savings account idea because he feared that it would involve too many records of payments and thereby lead to the disclosures of the scheme. Instead, he decided to make his cash payments to Mr. Agnew directly.

The amount of work that Matz's company received from the State Roads Commission continued to increase substantially, and, on

at least one occasion, Matz was asked by Wolff if he was taking care of his "obligations" with respect to his contracts. Matz told Wolff that he was taking care of his obligations "directly."

Although Matz's company received several substantial state contracts in 1967, he made no payments that year. On the basis of his experience, he assumed that he would have to pay 5 per cent of the fees that his

company received from the state on these contracts. The contracts and fees that their company was receiving from the State Roads Commission were much more substantial than those it had ever received before, and Matz and Childs therefore decided that they would defer making payments until after they had received fees from the State.

No payment was made until the summer of 1968, by which time Matz knew that he was behind in his obligations. He was anxious to fulfill them because he wanted to maintain his reputation as a man who could be trusted to fulfill his obligations, in order to ensure that he would continue to receive substantial amounts of work from the State Roads Commission. Although his company was in a financial position to make the large payment that was due, he knew that it would be extremely difficult to generate safely the substantial amount of necessary cash, particularly if he continued to rely exclusively upon his usual methods for generating the money with which to make cash payments.

Sometime in late June or early July, 1968, Matz calculated that he owed Gov. Agnew approximately \$20,000 on the basis of 5 per cent of the fees that his company had already received from the state. He reviewed this calculation with Childs, who agreed with it. They did not believe that they could safely generate this amount of cash from within the company and, therefore, decided to go outside the company. Matz approached an old client and friend of his who was in a business in which he customarily dealt in

large sums of cash. Since Matz knew that he would be receiving substantial fees from the state within the next several months, on which he would owe Gov. Agnew approximately an additional \$10,000, he told his friend that he needed \$30,000 in cash in the very near future. He did not disclose to his friend why he needed this money. They agreed upon the following scheme:

Matz's company would by corporate check "lend" his friend \$30,000; his friend would then generate \$30,000 in cash through his own company which he would return to Matz. The "loan" would be repaid to Matz's company by \$1,700 quarterly checks for principal and interest; and Matz would return these "loan repayments" to his friend in cash. This scheme was satisfactory to Matz because his regular procedures were adequate to generate \$1,700 in cash on a quarterly basis.

The friend reluctantly agreed to assist Matz in this manner. He immediately generated \$20,000 in cash, which he delivered to Matz. Matz showed this \$20,000 in cash to Childs before he delivered it to Gov. Agnew. The friend promised that he would supply Matz with the additional \$10,000 in cash as soon as he could generate it, and he did so within the following several months. Thereafter, the "loan" repayment scheme was implemented.

Matz then called Gov. Agnew's office and set up an appointment with the governor. The meeting occurred in mid-July, 1968. Matz met with the governor alone in his office and handed him a manila envelope that contained \$20,000 in cash. Matz expressed his appreciation for the substantial state contracts that his company had received and told the governor that the envelope contained the money that his company "owed" in connection with these contracts. The meeting was a very short one and very little else was said.

To the best of Matz's present recollection, he made no further payments for state work to Mr. Agnew while Mr. Agnew was governor of Maryland. During the 1968 national campaign, however, Matz's firm contributed to Mr. Agnew's campaign. He

also acted as a fund-raiser for Mr. Agnew in 1968. Matz also recalls that at some point in 1967, Gov. Agnew called him and asked him to contribute \$5,000 to Nelson Rockefeller's campaign for the Republican presidential nomination, a campaign which Mr. Agnew was then publicly supporting. Matz asked if he wanted cash or a check, and Mr. Agnew asked for a check, which Matz subsequently sent to him. When Rockefeller later withdrew, Mr. Agnew returned the money to Matz with a letter.

A couple of months after Mr. Agnew had assumed the office of Vice President, Matz decided that it was time for his company to make another payment in connection with contracts that had been awarded by the state of Maryland under the Agnew administration. He was willing to make this payment, even though Mr. Agnew no longer controlled

the contracts awarded by the Maryland State Roads Commission, because he wanted to maintain his reputation as a man who would meet his obligations in order to influence Vice President Agnew to assist him in securing federal engineering contracts for his company.

Matz called the Vice President's office in Washington and set up an appointment to meet with Mr. Agnew. On a piece of yellow legal-size paper, Matz calculated the sum then owed to Mr. Agnew for work received by Matz's company from the state of Maryland. He took this piece of paper with him when he went to the Vice President's office. He met with Mr. Agnew, showed him the calculations, and briefly reviewed them for him. He then handed him an envelope, containing approximately \$10,000 in cash. Matz told him that the envelope contained the money that his company "owed" in connection with the State Roads Commission contracts that had been awarded under Mr. Agnew's administration in Annapolis. Mr. Agnew placed this envelope in his desk drawer. Matz also told the Vice President that the company might "owe" him more money in the future as these contracts continued to generate fees, and that he would fulfill these obligations.

They agreed that Matz was to call Mr. Agnew's secretary when he was ready to make the next payment and to tell her that he had more "information" for Mr. Agnew. This was to be a signal to Mr. Agnew that Matz had more money for him. After this meeting, Matz returned to Baltimore and told Childs of the payment. He also told Childs that he was shaken by his own actions because he had just made a payoff to the Vice President of the United States. Matz also told Wolff, who was then working or about to begin working on the Vice President's staff, that he had made a direct payment to the Vice President.

Although Matz believes that he made several additional cash payments totaling approximately \$5,000 to the Vice President, he never completely fulfilled his obligations to Mr. Agnew with



Associated Press

Carl Albert: invited to make a recommendation.

respect to the State Roads Commission contracts, in part because Mr. Agnew had very little if any influence with respect to federal engineering contracts.

Sometime in late 1970 or early 1971, Matz received a telephone call from the close associate who told him that there was an upcoming federal project and that some or all of the engineering contracts could be controlled by the Vice President. He told Matz that, as usual, he would be expected to make a payment in order to receive a contract. At first, Matz resisted on the ground that he was entitled to this job without a payment by virtue of his prior payments, but the close associate insisted, and Matz agreed to a payment of \$2,500. Matz asked that the contract be awarded to a certain small company in which Matz, Child and Associates had an interest, and that small company was later awarded the contract. Thereafter Matz received another telephone call from

the close associate, during which they agreed that the payment would be made in the Vice President's office.

Matz contacted the president of the small company and explained that a payment was necessary in connection with the contract. The man at first balked and refused to make any such payment, but he subsequently agreed to participate. An appointment was then made for Matz to meet with Vice President Agnew in the latter's office in Washington. This meeting occurred in the spring of 1971. The evidence is somewhat contradictory as to whether or not the close associate was present at the meeting. Matz placed an envelope containing the \$2,500 cash on the Vice President's desk and stated that the envelope contained the money required for the contract. When he left the meeting, the envelope had not been removed from the desk, but moments later Matz reentered the office and noticed that the envelope was gone. Matz received \$1,000 from the president of the small company as his contribution to this payment.

In the spring of 1972, the close associate called Matz and asked him for \$10,000



Associated Press

Press Secretary Ron Ziegler announces the resignation.

for the 1972 Nixon-Agnew campaign. Matz declined. When the close associate continued to press him, Matz complained about these solicitations to Mr. Agnew, who told Matz to say that he gave at the office.

Statement of Attorney General Elliot L. Richardson delivered in the United States District Court for the district of Maryland:

May it please the court, I am, like every other participant in these proceedings, deeply conscious of the critical national interests which surround them. The agreement between the parties now before the court is one

which must be just and honorable, and which must be perceived to be just and honorable, not simply to the parties but above all to the American people.

From the outset of the negotiations which have culminated in these proceedings, the Department of Justice has regarded as an integral requirement of any agreement a full disclosure of the surrounding circumstances, for only with knowledge of these circumstances can the American people fairly judge the justice of the outcome. One critical component of these circumstances is the government's evidence. In accordance, therefore, with the agreement of counsel, I offer for the permanent record of these proceedings an exposition of the evidence accumulated by the investigation against the defendant conducted by the office of the United States attorney for the District of Maryland as of Oct. 10, 1973.

Because this exposition is complete and detailed, it is sufficient for present purposes simply to state that this evidence establishes a pattern of substantial cash payments to the defendant during the period when he served as governor of Maryland in return for engineering contracts with the state of Maryland. Payments by the principal in one large engineering firm began

while the defendant was county executive of Baltimore County in the early 1960s and continued into 1971. The evidence also discloses payments by another engineer up to and including December, 1972. None of the government's major witnesses has been promised immunity from prosecution, and each of the witnesses who would testify to having made direct payments to the Vice President has signed a sworn statement subject to the penalties of perjury.

In the light of the serious wrongdoing shown by its evidence, the government might have insisted, if permitted by the court to do so, on pressing forward with the return of an indictment charging bribery and extortion. To have done this, however, would have been likely to inflict upon the nation serious and permanent scars.

It would have been the defendant's right to put the prosecution to its proof. The Department of Justice had conceded the power of Congress, once an indictment had been returned, to proceed by impeachment. The Congress could well have elected to exercise this constitutional power.

If the Congress chose not to act, the defendant could, while retaining office, either have insisted upon his right to a trial by jury owed to contest the right of the government to try an incumbent Vice President. Whichever of these courses were followed would have consumed not simply months but years—with potentially disastrous consequences to vital interests of the United States. Confidence in the adequacy of our fundamental institutions would itself have been put to severe trial. It is unthinkable that this nation should have been required to endure the anguish and uncertainty of a prolonged period in which the man next in line of succession to the presidency was fighting the charges brought against him by his own government.

On the basis of these considerations, I am satisfied that the public interest is better served by this court's acceptance of the defendant's plea of *nolo contendere* to a single-count information charging income tax evasion.

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There remains the question of the government's position toward the sentence to be imposed. One possible course would have been to avoid this difficult and painful issue by declining to make an affirmative recommendation. It became apparent, however, in the course of the negotiations that without such a recommendation no agreement could be achieved. No agreement could have been achieved, moreover, if that recommendation did not include an appeal for leniency.

I am firmly convinced

that in all the circumstances leniency is justified. I am keenly aware, first, of the historic magnitude of the penalties inherent in the Vice President's resignation from his high office and his acceptance of a judgment of conviction for a felony. To propose that a man who has suffered these penalties should, in addition, be incarcerated in a penal institution, however briefly, is more than I, as head of the government's prosecuting arm, can recommend or wish.

Also deserving of consideration is the public service

rendered by the defendant during more than four and one-half years as the nation's second highest elected official. He has been an effective spokesman for the executive branch in the councils of state and local government. He has knowledgeably and articulately represented the United States in meetings with the heads of other governments. He has participated actively and constructively in the deliberations of the government in a diverse range of fields.

Out of compassion for the man, out of respect for the office he has held, and out of appreciation for the fact that by his resignation he has spared the nation the prolonged agony that would have attended upon his trial, I urge that the sentence imposed on the defendant by this court not include confinement.

Statement by Mr. Agnew to the court:

"My decision to resign and enter a plea of *nolo contendere* rests on my firm belief that the public interest requires swift disposition of the problems which are facing me. I am advised that a full legal defense of the probable charges against me could consume several years. I am concerned that intense media interest in the case would distract public attention from important national problems—to the country's detriment.

"I am aware that wit-

nesses are prepared to testify that I and my agents received payments from consulting engineers doing business with the State of Maryland during the period I was governor. With the exception of the admission that follows, I deny the assertions of illegal acts on my part made by the government witnesses. I admit that I did receive payments during the year 1967 which were not expended for political purposes and that, therefore, these payments were income taxable to me in that year and that I so knew. I further acknowledge that contracts were awarded by state agencies in 1967 and other years to those who made such payments, and that I was aware of such awards. I am aware that government witnesses are prepared to testify that preferential treatment was accorded to the paying companies pursuant to an understanding with me when I was the governor. I stress, however, that no contracts were awarded to contractors who were not competent to perform the work and in most I deny that the payments in any way influenced my official actions. I am confident, moreover, that testimony presented in my behalf would make it clear that I at no time conducted my official duties as county executive or governor of Maryland in a manner harmful to the interests of the County or State, or my duties as Vice President of the United States in a manner harmful to the Nation, and, further assert that my acceptance of contributions was part of a long-established pattern of political fund-raising in the state. At no time have I enriched myself at the expense of the public trust.

In all the circumstances, I have concluded that protracted proceedings before the grand jury, the congress, and the courts, with the speculation and controversy surrounding them, would seriously prejudice the national interest.

These, briefly stated, are the reasons I am entering a plea of *nolo contendere* to the charge that I did receive payments in 1967 which I failed to report for the purposes of income taxation.