1-1-1974


Don Edwards

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19. During the last ten days of April 1971 Geneen and Merriam of ITT wrote four letters to Administration officials -- one to Secretary of the Treasury John Connally and three to Peter Peterson -- containing references to antitrust matters. Two of the letters commented favorably on the ITT-Grinnell appeal delay.

19.1 Memorandum from William Merriam to Peter Peterson, April 22, 1971, with attached letter from Harold Geneen to Peter Peterson, April 22, 1971 (received from Peter Peterson).

19.2 Letter from William Merriam to John Connally, April 22, 1971 (received from White House).

19.3 Letter from William Merriam to Peter Peterson, April 26, 1971, attached to memorandum from Peter Peterson to John Ehrlichman and Dick [sic] Krogh, April 27, 1971 (received from White House).

19.4 Letter from William Merriam to Peter Peterson, April 30, 1971, attached to memorandum from Peter Peterson to John Ehrlichman and Dick [sic] Krogh, May 3, 1971 (received from White House).
20. On April 28, 1971 Ehrlichman wrote a memorandum to the President criticizing McLaren for failure to follow the Administration's antitrust policy, then under study by a Domestic Council Task Force, and recommending action to be taken. The President approved Ehrlichman's recommendations.

20.1 Memorandum from John Ehrlichman to the President, April 28, 1971 (received from White House).

20.2 Memorandum from John Ehrlichman to Members of the Domestic Council, February 19, 1971 (received from Department of Justice).

20.3 Memorandum from Egil Krogh to Richard McLaren, April 30, 1971 (received from White House).

20.4 Memorandum from John Ehrlichman to John Connally, the Attorney General, George Shultz, Paul McCracken, Peter Peterson, and Peter Flanigan, September 14, 1971 (received from Department of Justice).
21. On April 29, 1971 Rohatyn accompanied by four ITT representatives met with Kleindienst, McLaren and Antitrust Division and Treasury Department staff members. The ITT representatives presented ITT's position that there would be adverse economic and financial consequences if the divestiture of Hartford were required. Following the meeting McLaren caused these arguments to be submitted to the Treasury Department and to Richard Ramsden, an independent financial consultant who had previously rendered advice to the Antitrust Division.

21.1 Richard Kleindienst testimony, 2 KCH 98.
21.2 Richard McLaren testimony, 2 KCH 102-03.
21.3 Felix Rohatyn testimony, 2 KCH 114-16.
21.4 Richard Kleindienst notes of April 29, 1971 meeting (received from Department of Justice).
21.5 Letter from Felix Rohatyn to Richard McLaren, May 3, 1971 (received from Department of Justice).
22. Beginning in April 1971 Mitchell, Haldeman, Lawrence Higby, Gordon Strachan, William Timmons, Jeb Magruder and Robert Odle participated in the initial planning of the 1972 Republican National Convention and began to consider San Diego as a possible site. A memorandum from Higby to Strachan dated April 29, 1971 states that Haldeman discussed the possibility of a San Diego convention with California's Lt. Governor Ed Reinecke. The memorandum states that Reinecke would, as a result of his discussion with Haldeman, cause a proposal for San Diego to be the convention site to be made to the Republican National Committee.

22.1 Memorandum from William Timmons to H. R. Haldeman, April 20, 1971 (received from White House).

22.2 Memorandum from Lawrence Higby to H. R. Haldeman, April 20, 1971 (received from White House).

22.3 Memorandum from Gordon Strachan to H. R. Haldeman, April 21, 1971 (received from White House).

22.4 Memorandum from Gordon Strachan to H. R. Haldeman, April 23, 1971 (received from White House).

22.5 Memorandum from Lawrence Higby to Gordon Strachan, April 29, 1971 (received from White House).

22.6 Memorandum from Gordon Strachan to H. R. Haldeman, May 11, 1971 with attached memorandum from William Timmons to H. R. Haldeman, May 6, 1971, and attached report (received from White House).

22.7 Memorandum from Robert Odle to Jeb Magruder, May 19, 1971 (received from White House).

22.8 Memorandum from Robert Odle to William Timmons, May 20, 1971 (received from White House).

22.9 Letter from Lt. Gov. Ed Reinecke to William Timmons, June 2, 1971 (received from White House).
22.10 Memorandum from Robert Odle to Jeb Magruder, June 15, 1971 (received from White House).

22.11 Memorandum from Gordon Strachan to H. R. Haldeman, June 23, 1971 with attached memorandum from Robert Odle to Jeb Magruder, June 22, 1971, and attached memorandum from William Timmons to H. R. Haldeman, June 21, 1971 (received from White House).

22.12 Memorandum from Gordon Strachan to H. R. Haldeman, June 25, 1971 (received from White House).

22.13 Memorandum from Gordon Strachan to H. R. Haldeman, June 29, 1971, with attached memorandum from Jeb Magruder and William Timmons to Attorney General Mitchell and H. R. Haldeman, June 26, 1971, and attachments (received from White House).
23. In a memorandum dated May 5, 1971 Ehrlichman informed Mitchell that he desired to meet with McLaren about the ITT cases to achieve the agreed-upon ends discussed by the President and Mitchell.

23.1 Memorandum from John Ehrlichman to John Mitchell, May 5, 1971 (received from White House).
24. On May 12, 1971 ITT President Geneen discussed with Congressman Bob Wilson, whose district included part of San Diego, the possibility of ITT financial support for a San Diego convention bid.

24.1 Harold Geneen testimony, 2 KCH 647-48.

25. On May 17, 1971 the government's appeal in ITT-Grinnell was perfected by the filing of a jurisdictional statement.


26.2 Richard McLaren testimony, 2 KCH 103, 110.
27. On June 17, 1971 McLaren recommended to Kleindienst that the ITT suits be settled. His proposed settlement included the requirement that ITT divest itself of Grinnell, Canteen, and certain other ITT subsidiaries, but permitted ITT to retain Hartford Fire Insurance Company. The basic terms of the settlement offer were put to ITT on a take it or leave it basis and were accepted. Details of the settlement were then negotiated among ITT and Antitrust Division lawyers.

27.1 Memorandum from Richard McLaren to Richard Kleindienst, June 17, 1971 (received from Department of Justice).


27.3 Felix Rohatyn testimony, 2 KCH 115.

27.4 Richard Kleindienst testimony, 2 KCH 98-99.
28. San Diego's convention bid was authorized by the San Diego City Council on June 29, 1971. On July 21, 1971 ITT-Sheraton's President, Howard James, confirmed by telegram his company's commitment to the San Diego Convention and Tourist Bureau of $100,000 for convention-related expenses plus an additional $100,000 if and when $200,000 was raised by the Bureau from other non-public sources. The pledge was subject to the condition that the Sheraton Harbor Island Hotel, then under construction, be used as Presidential convention headquarters. The decision for San Diego to be the convention site was made within the Administration and transmitted to the Republican National Committee. On July 23, 1971 the Republican National Committee selected San Diego as the 1972 convention site.

28.1 San Diego City Council resolution, June 29, 1971 (received from San Diego City Council).
28.2 Memorandum from Jeb Magruder to John Mitchell, June 30, 1971 (received from White House).
28.3 Memorandum from Herbert Klein to H. R. Haldeman, June 30, 1971 (received from White House).
28.4 Memorandum from William Timmons to Jeb Magruder, July 3, 1971 (received from White House).
28.5 Memorandum from Herbert Klein to the President, July 19, 1971 (received from White House).
28.6 Memorandum from William Timmons to the President, July 19, 1971 (received from White House).
28.7 Memorandum from Jo Good to Robert Dole, July 19, 1971 (received from White House).
28.8 Memorandum from Jeb Magruder to John Mitchell, July 28, 1971 with attached memorandum from Robert Odle to Jeb Magruder, July 27, 1971 (received from White House).

28.9 Telegram from Howard James to Bob Wilson, July 21, 1971, 2 KCH 678-79.

28.10 Harold Geneen testimony, 2 KCH 648-49.

29. On July 31, 1971, after ITT and Antitrust Division lawyers had negotiated details of the settlement of the ITT litigation, the settlement was announced.

29.1 Richard McLaren testimony, 2 KCH 110-14.
29.2 Felix Rohatyn testimony, 2 KCH 115.
29.3 Richard Kleindienst testimony, 2 KCH 99.
30. A Sheraton Harbor Island Corporation check for $100,000 dated August 5, 1971 and representing the non-contingent portion of ITT's pledge was delivered to the San Diego Convention and Tourist Bureau.

31. On February 15, 1972 the President nominated Richard G. Kleindienst to be Attorney General to succeed John Mitchell who was leaving the Department and who later became Campaign Director of the Committee for the Re-election of the President. The Senate Committee on the Judiciary held hearings on the nomination and recommended on February 24, 1972 that the nomination be confirmed.

31.1 Announcement of President's Intention to Nominate Richard Kleindienst to be Attorney General, 8 Presidential Documents 440.

31.2 Letter from President Nixon to John Mitchell, February 15, 1972, 8 Presidential Documents 439.


31.4 Chicago Tribune, February 25, 1972, Section 2A, 1.
32. On February 22, 1972 columnist Jack Anderson obtained from an ITT source a memorandum dated June 25, 1971 purportedly written by ITT lobbyist Dita Beard addressed to ITT Vice President Merriam regarding the ITT-Sheraton convention pledge and settlement of the ITT antitrust cases. Anderson's investigative reporters contacted first Dita Beard to discuss and confirm the memorandum's validity and then ITT and Administration officials to discuss and attempt to confirm the events reported in the memorandum. On February 24, 1972 ITT personnel destroyed documents in the Washington office files.

32.1 Purported memorandum from Dita Beard to William Merriam, June 25, 1971, 2 KCH 447-48 (received from White House).
32.2 Jack Anderson testimony, 2 KCH 449.
32.3 Brit Hume testimony, 2 KCH 408-14.
32.4 Felix Rohatyn testimony, 2 KCH 115-16.
32.6 Howard Aibel testimony, 2 KCH 704-05.
33. In a February 28, 1972 Department of Justice press release, Mitchell said he had met Dita Beard only once, at a party given by Governor Louis Nunn of Kentucky in May 1971. Mitchell denied allegations that he had discussed the ITT antitrust cases with her. He also denied in the press release that he had discussed the ITT matter with the President.

33.1 John Mitchell statement, Department of Justice press release, February 28, 1972 (received from Department of Justice).
34. On February 29, March 1 and March 3, 1972 there were published three columns by Jack Anderson based in part on the Beard memorandum. The articles alleged a connection between the ITT-Sheraton pledge and the ITT antitrust settlement and purported to involve both Mitchell and Kleindienst. As a result of the publication of the first two articles Kleindienst asked that his confirmation hearings be reopened.


35. On March 1, 1972 during his final press conference as Attorney General, Mitchell again denied talking to the President about ITT or any other antitrust case.

35.1 John Mitchell press conference, March 1, 1972, 1-2 (received from SSC).
36. On or about March 1, 1972 a member of the staff of the SEC demanded that ITT produce documents in the files of ITT's Washington, D. C. office. The SEC staff member contended that production of the documents was called for by subpoenas previously issued in connection with SEC proceedings. Attorneys for ITT collected documents believed to be included in the SEC demand.

36.1 Michael Mitchell affidavit, May 1, 1974.
19. During the last ten days of April 1971 Geneen and Merriam of ITT wrote four letters to Administration officials -- one to Secretary of the Treasury John Connally and three to Peter Peterson -- containing references to antitrust matters. Two of the letters commented favorably on the ITT-Grinnell appeal delay.

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TO:

Pete:

I am attaching a letter, a list of names which you requested, and a memorandum drafted by Hal, the subject of which concerns our discussion with your last Friday.

We have no objection to your forwarding this memorandum either as an ITT document, or as one with no sponsorship to Arthur Burns, Secretary Connally, or anyone else you think should receive it.

I will be glad to carry out the mechanics, noting in a cover memorandum that it has been done at your suggestion. I will call your secretary, Miss McAuliffe, tomorrow to determine your wishes.

Best regards,

W. R. MERRIAM
ITT Washington Relations

4/22/71
The Honorable
Peter G. Peterson
Assistant to the President for
International Economic Affairs
Old Executive Building
Washington, D.C. 20500

Dear Pete:

Your time and discussion last week were very much appreciated. Your program would appear to be the first broad constructive approach to the mounting problems of our balance of payments, trade, and overall international position, many factors of which will have direct effect on our economy at home.

I understand that this assignment is new, but let me say it has been urgently needed for a long time.

You have asked if I could suggest some names to work as Committeemen on a fairly intensive basis through a three-month period in the four areas of:

1) Industrial Technology
2) Raw Materials and Clean Energy Source
3) Business - Government Relations, and
4) Productivity

I have attached a list of names for this purpose with some very brief notations.
In addition, if I may, I would like to offer to serve on any of your Committees. I will do my best on time realizing other commitments. The Business - Government Relations and Productivity is where in my opinion the real battle has to be won if we are to be successful in reversing current trends.

On the subject of our conversation last week, I am attaching a brief note which you may find useful as a summation of one aspect of the problem we discussed.

Thank you again for your interest and courtesy.

Sincerely,

Attachments
**Suggested Names**

1. Eugene Black
   - Financial
   - Former Head World Bank
   - Wide Background International and Domestic Government Service

2. John McCone
   - Business and Shipping
   - Former Head Atomic Energy Government Service

3. Andre Meyer
   - Financial
   - Wide Background International and Domestic

4. Rudolph Peterson
   - Former Head Bank of America
   - Wide Background on Government Commissions

1. C. W. Cook
   - Head General Foods

2. Richard Gerstenberg
   - Financial Head General Motors

3. John Harper
   - Head Aluminum Company of America

I know all of these as competent and hard working. The first four are more senior in age and background. The latter three are active in their careers but good.
MEMORANDUM ON ANTI-TRUST POLICY AND ITS RELATION TO THE ECONOMIC POLICY OF THE UNITED STATES

The most significant comment on the Antitrust policy as related to the economic policy of the United States, which is the responsibility of the executive branch of the government, is that there has been little past correlation between the two policies although high interdependence is necessary for successful economic progress.

A specific example in this respect is to be found in the Economic Report of the President, dated February, 1970. What follows are excerpts from the broader text.

Page 95 . . . . Mergers, even between competitors, are not per se violations of the law, however, and they may even favor healthy competition. The ready marketability of a firm may encourage others to become entrepreneurs and establish new enterprises. Mergers may also be an efficient way of replacing incompetent managements. They may lead to greater economies of scale in production and marketing. And they may make it easier to transfer resources to the industries or enterprises that can most effectively employ them. In addition, access to capital markets may be facilitated. Nonetheless, the law prohibits mergers whose effect " . . . may be substantially to lessen competition, or to tend to create a monopoly." An accomplished effect deleterious to competition need not be proved; it is sufficient if there is a reasonable likelihood that such an effect will follow . . . .

Page 96 . . . . The Department of Justice has announced that it intends generally to adhere to its 1968 guidelines, but that it probably will oppose any merger among the top 200 manufacturing firms or firms of comparable size in other industries, or any merger by one of the top 200 manufacturing firms with any leading producer in any concentrated industry. This program is based upon recent decisions of the Supreme Court condemning mergers that eliminate significant potential competition, entrench leading firms in concentrated markets, substantially increase the power of large firms to engage in reciprocity, or further a trend of mergers that would lessen competition. The staff of the Federal Trade Commission has recently issued a report on conglomerate mergers. The Commission is planning to continue its study and to coordinate it with a projected Administration study of economic concentration, including conglomerate mergers . . . . (underline added)

The key sentence in the above is the statement in reference to the Antitrust Division, is that "this program is based upon recent decisions of the Supreme Court . . . ."
However, the Supreme Court is not "making" these decisions. They are in most cases merely affirming the "invitation" to these decisions as sent up by the Antitrust Division of the Department of Justice. In fact since the advent of the Warren Court, 62 out of 65 cases in this area have been affirmed for the Government. The Supreme Court, therefore, is endorsing and confirming what it conceives to be the economic policy desired by the Government almost precisely as presented by the Antitrust Division. In short, the Antitrust Division is writing, in this method, its own economic policy for the nation. Similar comment can be made in certain respects as to the Federal Trade Commission.

Recent and past events indicate that there is often little relationship between the economic policy desired by the Executive Branch of the Government and the Antitrust Division's cases, including landmark precedent cases stretching the intent of the law. The latter in many cases are derived from increasingly unreasonable theories and narrow concepts which are unrelated to real "competition" or to today's realistic problems of Government and present day international and domestic national economic needs.

To emphasize this unreal condition, it should be noted that the most recent amendment by Congress of the Clayton Act was in 1950.

The cases sent by the Antitrust Division to the Supreme Court are therefore in many instances "invitations" to spell out increasingly restrictive economic policy based on the exceedingly vague process of "interpreting" the "intention" of Congress when passing this amendment in 1950.

Since the problems and the conditions faced by the United States today, 20 years later, in its international affairs are almost 180 degrees different than they were in 1950, this at best is a very outmoded model to work from and at worst results in direct conflict with the national interest.

For example, in 1950 -- compared to today's conditions --

1. There was no European Common Market.

2. Both Europe, including Germany, and most particularly Japan were "flat on their backs" as far as trade competition with the United States was concerned as they were still recovering from their own internal problems.

3. The dollar was in short supply in contrast to present conditions today. Our gold stock was then at $23 billion and has since dropped to $11 billion. Our total international reserve assets have similarly dropped from $24 billion to $14 billion. In sharp contrast our liquid liabilities to foreigners directly or indirectly have risen from $16 billion in 1957 to almost $45 billion in 1970. This is dramatic change from 1950.
4. In 1950 the United States was pre-eminent in its position in international markets because of its large excess of exports over imports. In fact, at that time the United States was almost the sole supplier of money, goods and services to a world that was not quite recovered from World War II. For example, in the four years 1946-49 we had a cumulative excess exports over imports of $32 billion. By contrast, today in spite of our much larger economy our cumulative excess of exports for the last four years 1967-70 was only $14 billion, and is still declining.

5. Largely due to inflationary increases in wage costs, the United States has lost, in this intervening period since 1950, the competitive and cost advantage it enjoyed in the early post-World War II years and in prior periods. Perhaps a more direct way of pointing this out is to indicate that names like Volkswagen, Datsun, and Fiat, which today comprise 15% of our domestic auto market were unheard of at that time. Japanese and Far Eastern imports of such companies as Sony, Hitachi, etc., and other Far Eastern sources already represent about 28% of the United States domestic consumer electronics market today. And, finally, the small quantities of foreign steel which turned up in our economy in those days were insignificant and amounted to .2 of 1% of our total steel consumption, whereas today U.S. steel imports would amount to 15%. One could add that Harley Davidson and Indian motorcycles, both good American makes, were occasionally seen on the highways, not the thousands of Honda, Suzuki, Triumph, etc., which today comprise 93% of our domestic market. Many of the same comments could be made for shoes, textiles, cameras, binoculars, and many other areas which have seen major changes.

More importantly, the trend has not stopped.

6. Further, the enlargement of the Common Market to include Great Britain, Ireland, Denmark, and possibly Spain and other countries will present even greater competitive problems to the United States businesses in international markets and even greater impacts from imports and/or other necessary steps taken to protect our domestic markets which can eventually only have the result of higher costs at home and further deterioration of our international situation.

In conclusion, since the amendment to the Clayton Act by Congress in 1950-- the United States has moved from a position of unchallenged pre-eminence in foreign trade-- sharply to a defensive one-- and the trend is still adverse. This trend is not due to "anti-competitive" practices. In addition to being out of date, the Clayton Act is already so vague as to require strict construction rather than continually expansive and theoretical interpretations which are remote from reality and which will further weaken our competitive effort.
Yet, as stated, our government is still forming its broad economic policy in these important areas of our competitive industry capabilities by allowing the Antitrust Division to send to the Supreme Court cases inviting far-reaching new theories of purported "interpretation" of the "intent" of Congress in 1950. This "innovative urge" to expand the meaning of the law through such theoretic devices as, for example, "potentiality" is in sharp contrast with the actual assignment of the pursuit of real anti-competitive practices. This can be economic disaster, since the lawyers presenting to and those comprising the Supreme Court do not have the expertise or responsibility to determine long-term national economic policy.

It would seem clear, therefore, that any meaningful development of economic policy will require review for at least a commonality of purpose of these cases by other areas of the Executive Branch of the Government and of the economic theories and philosophy and legal arguments contained in these requested decisions before they are sent to the courts. Only in this manner can agreement and support be reached for the other areas of the Executive Branch who do have the broad responsibilities for the national economic future -- and who must, therefore, participate actively in such decisions to be taken in the national interest and in the selection of such cases as will give constructive economic policy, or at least to prevent seeking destructive policy, before such "interpretations" are sought and then become binding law, equivalent in impact to major new Congressional legislation.
The Honorable
John B. Connally
The Secretary of The Treasury
Washington, D.C. 20220

Dear Mr. Secretary:

Pete Peterson and I thought you would be interested in the results of the calls Harold S. Geneen and I made on Friday, April 16, when we discussed antitrust matters and their impact on the economy of the country.

I am sure you heard that the Justice Department agreed to postpone for thirty days their filing of jurisdictional papers on the ITT-Grinnell case. This, of course, was great plus and will give us time to work out a settlement. Actually, the thirty-day Administration sponsored delay came as a surprise because we understood that on Monday morning Dick Kleindienst had been negative about a delay.

You might also be interested in knowing that Felix Rohatyn had a very productive conversation on Tuesday of this week with Mr. Kleindienst. The purpose of this visit was to explain to the Deputy Attorney General all of the domestic and international economic ramifications if ITT had to divest Hartford. A meeting between Mr. Rohatyn and Mr. McLaren is now scheduled for May 5 at 3 p.m. Mr. Kleindienst plans to sit in and monitor this meeting.

I will, of course, keep you posted. In the meantime, if there is anything further you think Hal or I should do with other members of the Administration, please do not hesitate to let us know.
Hal and I are most appreciative of the fact that you were able to see us the other day on such short notice. We are certain that you and Pete were most instrumental for the delay.

Kindest personal regards,

Bill Mein
April 27, 1971

FOR: John Ehrlichman  
Dick Krogh
FROM: Peter G. Peterson

Here is latest letter from IT & T on antitrust. Please keep in mind my reason for involvement is that the President asked Hal Genceen to talk with me about antitrust.

Any suggestions on what I might say?

From Mr. Merriam
4/26/71
April 26, 1971

The Honorable
Peter G. Peterson
Assistant to the President for
International Economic Affairs
Old Executive Building
Washington, D.C. 20500

Dear Pete:

In a long conversation with Hal this morning from Florida, he asked me to check in with you to be sure you had heard about the fact that Mr. Celler, the Chairman of the House Judiciary Committee, was planning to introduce legislation that would prohibit the nation's 500 largest industrial corporations from merging with each other or with any small companies with assets of $100,000 or more.

I am sure you realize that he is concerned about this; and while I tried to assure him that such a bill had very little chance of being passed, he is afraid that the press might grab it and blow it out of proportion thus affecting the delicate negotiations we are beginning with Mr. McLaren on Thursday, the 29th. You might have heard of the Attorney General's speech in Savannah almost two years ago in which he cited as antitrust policy for the Nixon Administration almost the same thing that Emanuel Celler has proposed. Mitchell said that none of the top 200 companies should be allowed to merge. We have alerted Clark MacGregor to this matter, and we plan to generate some speeches ridiculing the Chairman's proposed legislation.

We would appreciate any suggestions you might have on what we should do about the matter. Perhaps this is the time...
to resurrect the Stigler Report which was prepared by the Administration in the beginning of Mr. Nixon's term.

Please excuse me for bothering you everyday, but I am sure things will get better sometime soon.

With warm regards,

[Signature]

/cmb
May 3, 1971

FOR: John Ehrlichman
    Dick Krogh

FROM: Peter G. Peterson

You probably have a very similar letter, but if you don’t, here it is.

From Mr. Merriam
4/30
The Honorable
Peter G. Peterson
Assistant to the President for
International Economic Affairs
Old Executive Building
Washington, D. C. 20500

Dear Pete:

Hal Genceen thought you would be interested in seeing a copy of the application for further extension of time, which was submitted by Mr. Griswold as a result, I am sure, of action on the part of certain Administration principals. Hal is particularly impressed with the last paragraph of the application which states:

"The additional time is needed for further study of the case and to permit consultation among various interested government agencies with regard to whether the government should perfect its appeal."

We all are hopeful, of course, that during the next twenty days Paul and the two Johns can convince the Department that the merger policy as now practiced will be suicidal for the economy of the country. I am sure you agree with us that Hal's memorandum which we left with you several weeks ago could serve as a guideline for future merger policy.

The work you and your associates have done has been highly effective--so much so that the Antitrust Division seems to show some evidence of concern. This is a step in the right direction.

With warm regards,
20. On April 28, 1971 Ehrlichman wrote a memorandum to the President criticizing McLaren for failure to follow the Administration's antitrust policy, then under study by a Domestic Council Task Force, and recommending action to be taken. The President approved Ehrlichman's recommendations.

20.1 Memorandum from John Ehrlichman to the President, April 28, 1971 (received from White House).

20.2 Memorandum from John Ehrlichman to Members of the Domestic Council, February 19, 1971 (received from Department of Justice).

20.3 Memorandum from Egil Krogh to Richard McLaren, April 30, 1971 (received from White House).

20.4 Memorandum from John Ehrlichman to John Connally, the Attorney General, George Shultz, Paul McCracken, Peter Peterson, and Peter Flanigan, September 14, 1971 (received from Department of Justice).
THE WHITE HOUSE
WASHINGTON
April 28, 1971

MEMORANDUM FOR
THE PRESIDENT

FROM
JOHN EHRLICHMAN

SUBJECT
ANTI-TRUST POLICY

The ITT cases have surfaced what we have known to be a problem for some time. Your strong views on how the Administration should conduct anti-trust enforcement are not being translated into action.

In a meeting with Pete Peterson and Peter Flanigan I learned that Arthur Burns and the Fed are working on anti-trust policy proposals for you, at forced draft. When these are submitted to you they will leak, no doubt.

May I suggest:

(1) McLaren and the Attorney General be requested to provide you, in writing, with a report of the posture of the ITT and associated cases. (My hunch is that McLaren may have invented reasons to appeal the ITT case and he should be put on his proof). Unless we have a clear picture he will be likely to drive these ahead quickly.

(2) The Fed's project should be suspended for now. We will be studying cartels and foreign trade shortly in the Council on International Economic Policy. We can start it up again then. But right now the Fed getting into this seriously threatens to scare McLaren off our Domestic Council project (getting him to set out Administration anti-trust policy, in writing). That may sound silly, but I'm convinced McLaren's belief that Arthur is about to make conservative recommendations will cause McLaren to be less candid in his work to us. We will, thereby, end up with less ammunition.
(3) You should authorize us to require all government-wide anti-trust policy work to be coordinated through one White House office, preferably the working group under Krogh that has been at work on this for the past 90 days.

Approve: Disapprove: ________
THE WHITE HOUSE
WASHINGTON

February 19, 1971

DOMESTIC COUNCIL STUDY MEMORANDUM #12

TO: MEMBERS OF THE DOMESTIC COUNCIL

SUBJECT: Antitrust Policy

By direction of the President, the Domestic Council will undertake an examination of existing Administration antitrust policy in all of its aspects, including the conduct of American "persons" abroad, as a foundation for further policy determinations.

Accordingly, the first assignment of the working group will be to gather and analyze the state of the law, both statutory and decisional, regulations in effect and policy-in-being employed by the Executive branch.

The Domestic Council Committee on Antitrust Policy will consist of the following:

The Attorney General
The Secretary of Commerce
The Secretary of Treasury
The Secretary of Labor
Director, Office of Management and Budget

The working group will consist of the following:

Assistant Attorney General Richard McLaren
Assistant to the President Peter Flanigan
Assistant to the President Peter Peterson
General Counsel, Department of Commerce, James Lynn
Chairman, Council of Economic Advisers, Paul McCracken
Domestic Council staff contact will be Egil Krogh, Jr.

It is contemplated that the Domestic Council Committee will be convened for its first meeting in the second week in March. At that time a preliminary report of the working group should be received and a calendar should be established for the further work of the Committee, pointing to a Policy Review Paper to be submitted to the President by April 15, 1971.

John D. Ehrlichman
MEMORANDUM FOR:

RICHARD McLAREN
Assistant Attorney General
Antitrust Division

April 30, 1971

John Ehrlichman has reviewed in detail your March 22, 1971, Antitrust Law and Enforcement Policy paper and has asked for clarifications and additions which would make the report a more complete and useful working paper for the Domestic Council Subcommittee.

His recommendations are briefly as follows:


Page 14 Expand upon the section on Webb-Pomerene Associations, giving emphasis to detailing the working law.

Page 20 Flesh out the discussion of the law dealing with antitrust immunity for certain arrangements among airlines, with particular emphasis on mergers.

Page 31 Expand upon and give authority for the statement: "Under the patent system the public interest is paramount; reward to inventors is a secondary consideration."

Page 42 Identify the source of the policy recommendation that state governments should repeal Fair Trade laws. Also, include Miller-Tydings with the discussion of McGuire if this is appropriate. Is there a reason it was left out?

Page 45, 46 Expand upon the basis of the policy for pursuing entire industries for systematic reciprocity.

Page 47 Expand upon and detail the basis for the recommendations made to Congress on ways of reorienting FTC enforcement policy concerning Robinson-Patman Act. Explain how the position was reached.
Page 61 Explain the term "protective" notice of appeal used in connection with ITT-Grinnell case.

Page 62 Detail what is meant by "inherently suspect" in referring to mergers among major firms contributing to the trend toward economic concentration.

Page 62 In the footnote, reference is made to non-economic factors intended to be part of the philosophy of Section 7. List those factors and give authority for the assertion.

Page 65 Expand upon the first section discussion of the applicability of the antitrust laws to various aspects of the patent system.

Page 73 Give more background and specify the relief sought and present status of the Westinghouse-Mitsubishi complaint.

Page 74 Give specific examples of the benefits realized by the American economy from the competitive influence of foreign firms.

Page 77 Expand upon the basis and process by which the Antitrust Division develops its position with regard to antidumping cases and proceedings before the Tariff Commission. Give examples.

Page 83 Spell out the Antitrust Division's position relative to the airline merger criteria recently outlined by the Department of Transportation.

Page 91 Elaborate on the Division's policy concerning the licensing of nuclear reactors to be used in commercial electric power generation.

Page 92 Explain and identify the policy, procedural and substantive, regarding the requirement that the Department submit an annual report surveying effects on competition of state oil conservation controls.

Page 94 Elaborate on the Department's liaison policy and substantive input to HEW's task force examining the high cost of health care and drugs.
It would be worthwhile, particularly since both Jim Lynn and Henry Houthakker raised the points in their issue papers, to include a separate section which delineates present Department policy on case, defendant and forum selection.

You should also include a statement of present policy on informing and/or coordinating antitrust enforcement policy with other federal government agencies, prior to the bringing of litigation. Emphasis should be placed on the new priority enforcement areas such as conglomerate mergers, patents, reciprocity, etc.

More detail on the Department's policy with regard to giving opinions under the Business Review Procedure and other non-litigation or informal procedures relating to antitrust compliance would be most helpful. Indicate the extent to which such procedures are used.

In addition, a statement outlining the sources of economic information upon which the Department bases its enforcement policy and priorities should be included.

A brief analysis of the procedural steps leading to the filing of an antitrust case would be a useful tool for the Committee's work. This would include the point at which a case originates, how it progresses to the filing stage and what, if any, information or advice is sought outside the Division.

It is suggested that when the appropriate changes and additions have been made to the report, that corrected pages be sent to me for further distribution to the working group. If no further comment is then forthcoming from the working group, a meeting of the Domestic Council Subcommittee will be scheduled.

I would hope that we could have additional material from you by Monday, May 17. I will be out of the city for about a week and a half starting May 4. If you have any questions in my absence, please contact Dick Nordahl.

Bud Krogh
THE WHITE HOUSE
WASHINGTON

September 14, 1971

MEMORANDUM FOR

SECRETARY CONNALLY
THE ATTORNEY GENERAL
GEORGE SHULTZ
PAUL McCracken
PETER PETERSON
PETER FLANIGAN

RE: ANTITRUST POLICY REVIEW

As you know, a small unit of the Domestic Council staff has been reviewing current antitrust policy at the President's request.

I am sending you a copy of Lew Engman's memorandum to me dated September 1 with its attachments.

In these 30 or 35 pages are a succinct review of present antitrust policies and some possible future directions.

It seems to me that the next step would be for the gentlemen named above to meet, as a Committee of the Domestic Council, prepared to discuss and make recommendations for the future course of this study.

I am sure that the President will want to know what each of you thinks about these proposals at the time that they are submitted to him for review.

My office will be calling to arrange a meeting in the near future which is mutually accommodated to our calendars.

Meantime, may I request that you not share this document with anyone else. It is for your eyes only at this stage, for obvious reasons.

John D. Ehrlichman
21. On April 29, 1971 Rohatyn accompanied by four ITT representatives met with Kleindienst, McLaren and Antitrust Division and Treasury Department staff members. The ITT representatives presented ITT's position that there would be adverse economic and financial consequences if the divestiture of Hartford were required. Following the meeting McLaren caused these arguments to be submitted to the Treasury Department and to Richard Ramsden, an independent financial consultant who had previously rendered advice to the Antitrust Division.

21.1 Richard Kleindienst testimony, 2 KCH 98.
21.2 Richard McLaren testimony, 2 KCH 102-03.
21.3 Felix Rohatyn testimony, 2 KCH 114-16.
21.4 Richard Kleindienst notes of April 29, 1971 meeting (received from Department of Justice).
21.5 Letter from Felix Rohatyn to Richard McLaren, May 3, 1971 (received from Department of Justice).
RICHARD G. KLEINDIENST—RESUMED

HEARINGS
BEFORE THE
COMMITTEE ON THE JUDICIARY
UNITED STATES SENATE
NINETY-SECOND CONGRESS
SECOND SESSION
ON
NOMINATION OF RICHARD G. KLEINDIENST, OF ARIZONA,
TO BE ATTORNEY GENERAL

PART 2
MARCH 2, 3, 6, 7, 8, 9, 10, 14, 15, 16, 26, and 29, 1972

Printed for the use of the Committee on the Judiciary

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I do not know who arranged the meeting so far as it was concerned, but thereafter, on April 29, a rather large meeting was held in Mr. McLaren's office. He had several members of his staff, there were two representatives from the Treasury Department. I was there, and I.T. & T. with Mr. Rohatyn had several persons there who were economists or financial experts.

That meeting was a rather long meeting as I recall. Mr. Rohatyn led off the discussion, and that was followed by presentations made by other representatives on behalf of I.T. & T. They gave written material and also verbal opinions, and it all went to this whole question of the economic consequences of divestiture by I.T. & T. of the Hartford Insurance Co. My recollection is that unless there was an incidental question raised by Mr. McLaren or members of his staff or of the Treasury Department people that nobody on behalf of the Government contributed anything to that meeting. My recollection is that I sat there and I said nothing myself.

The meeting adjourned, and the next time I had any conversation with anybody about it was on May 10 when Mr. Rohatyn again came to my office. Incidentally, with respect to these visits to my office by Mr. Rohatyn, they were made by appointment. The appointment was put in my calendar, and in the calendar of my secretary, and he came in the regular entrance of the Department of Justice, identified himself to the guards down there, and they would call up and say it is Mr. Rohatyn, and then he would be shown or asked to come up to my office.

On May 10, he came in to ask me what we were going to do about this economic situation, and I told him that the matter had not been decided by Mr. McLaren, and that his company would be advised when that occurred.

Shortly after the April 29 meeting I had a conference with Mr. McLaren, and I believe he initiated it, in which he said that based upon the information given to him by I.T. & T. at that meeting, and the written data that they had provided, he thought that a very serious question in terms of the economic impact of the divestiture of Hartford had been raised and he felt that the Government had a duty, or he had a duty in the discharge of his obligations to have the advice and counsel of an independent consultant to furnish an opinion as to whether or not the information supplied by I.T. & T. was accurate, and whether or not the projected consequences would accrue. Mr. McLaren made arrangements for such an economic consultant, and after he had done that, and after the May 10 meeting with Mr. Rohatyn, Mr. McLaren called me and came up to my office and I believe that that was on June 17, 1971.

And he said that he had gotten the opinion back from the consultant, that he had arrived at the determination that provided an overall settlement could be made with I.T. & T. with respect to all of their antitrust matters before the Department of Justice, that it would be advisable to work out a settlement with I.T. & T. that would not require the divestiture of the Hartford Insurance Co. He had with him a proposed settlement agreement or outline. He then suggested that he call Mr. Rohatyn in my office and indicate what his decision was, and to read to him his proposed settlement framework in these matters.
RICHARD G. KLEINDIENST—RESUMED

HEARINGS
BEFORE THE
COMMITTEE ON THE JUDICIARY
UNITED STATES SENATE
NINETY-SECOND CONGRESS
SECOND SESSION
ON
NOMINATION OF RICHARD G. KLEINDIENST, OF ARIZONA,
TO BE ATTORNEY GENERAL

PART 3
APRIL 10, 11, 12, 13, 14, 17, 18, 19, 20, AND 27, 1972

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Grinnell and ITT-Levitt, as well as certain other subsidiaries of ITT which might be agreed upon, provided that they could retain Hartford. Now, Mr. Rashid, I might interpolate, director of the operations of the division, was with me at this meeting. We discussed the Jacobs' proposal with the staff and we agreed to reject it; I called Mr. Jacobs and told him of this and told him that I could see no reason for any such settlement as they had proposed. Jacobs later wrote me a letter generally confirming this discussion.

At some time in the spring of 1971—I believe in March—we received word from ITT representatives that ultimate divestiture of Hartford would be almost a fatal blow to ITT and that they would like to make a presentation to establish this fact and to establish a basis for negotiations for settlement without a Hartford divestiture. As I recall, someone representing ITT gave that message to Mr. Kleindienst, and he relayed it to me. I said that I would be perfectly willing to meet with the ITT people and to hear their presentation. I am sure that I told him that it would have to be a very persuasive presentation because I had made what I regarded as a "hardship" kind of settlement with Ling-Temco-Vought, and I felt that any such settlement should be made only under very exceptional circumstances.

I might add that his previous approaches had been on the theory that I was wrong on the law, and that even if I possibly could win the cases, they were willing to take an injunction against reciprocity, and they would make no more big acquisitions and that we would finish up the case, and I think we would be saved embarrassment was their view.

Later they made their offers on the basis that they were suggesting all of the relief that we were entitled to and all that we could possibly get in court, so this was the first approach that they had made on the basis that a decree requiring them to divest Hartford would destroy the company.

In any event, a date was set for April 29 and the requested meeting was held in my office at the Department of Justice attended by the following representatives of ITT: Howard J. Aibel, senior vice president and general counsel; Felix Rohatyn, director of ITT, member of Lazard et Freres; Henry P. Sailer, Covington & Burling, who was ITT's counsel in the Grinnell and Hartford cases. Also attending as special consultants to ITT were: Dr. Raymond Saulnier, Columbia University; Prof. Willis J. Winn, Wharton School, University of Pennsylvania. Representing the Government were Mr. Kleindienst, myself, my Deputy, Mr. Walker B. Comegys; our Deputy Director of Operations, Mr. Robert Hummel; Mr. Charles Mahaffie, chief of the trial section; and Mr. Ray Carlson, who was chief of our trial staff on the Hartford case. Also present, at my request, were Mr. Bruce MacLaury, Deputy Under Secretary for Monetary Affairs of the Treasury Department, and one of his assistants, Mr. Timothy Green.

The substance of the ITT presentation was that a Hartford divestiture would cost the ITT stockholders approximately $1 billion, and that ITT would be greatly weakened, particularly in its overseas operations—to the detriment of our balance of payments. The reasons for this are varied but include the fact that ITT paid a $500 million premium for Hartford, which it could not expect to recover on a forced sale; it would have had to pay a very large capital gain tax on any sale of its Hartford stock; and if it spun off the Hartford
stock to its stockholders in a tax-free reorganization, it would be left with an unmanageable issue of preferred stock.

Following the meeting, we of the Antitrust Division requested the Treasury representatives and an outside consultant—I believe Mr. Kleindienst said economist, I think he was a financial expert—to evaluate the ITT claims.

Shortly after the middle of May, the experts reported that there was substantial support for the arguments made by ITT and that a Hartford divestiture would be indeed very difficult for ITT and, because of changes in the law and in accounting practice, such a divestiture would probably entail a very large loss to ITT stockholders; $1.2 billion was one estimate, and that was made in a written report. I believe copies have been furnished to members of the committee, along with a copy of my prepared statement.

(The material referred to follows:)

Ramsden Report
INTERNATIONAL TELEPHONE AND TELEGRAPH CORP.

BACKGROUND

On April 10, 1969 International Telephone and Telegraph Corporation (ITT) and The Hartford Fire Insurance Company (Hartford) entered into an agreement for merger of Hartford with ITT. On August 1, 1969 the Justice Department filed suit in that the transaction violated Section 7 of the Clayton Act. The Government’s application for an injunction was denied in U.S. District Court on October 21, 1969. In November, 1969 the merger received the approval of the Hartford shareholders; however, on December 13th, the Insurance Commissioner of the State of Connecticut disapproved the merger, suggesting an exchange offer to the Hartford stockholders would have been a more proper method. Thereupon, ITT instituted steps to make a voluntary exchange offer to Hartford stockholders. In June, 1970 ITT acquired a 99.8% interest in Hartford through the issuance of 21,735,702 shares of Cumulative Preferred stock, $2.25 Convertible Series N for a like number of shares of Hartford. The transaction was non-taxable and treated as a pooling for accounting purposes.

PENDING trial of the U.S. Government’s suit, ITT is required, based on the October 21, 1969 ruling of Chief Justice William Timbers of the U.S. District Court for Connecticut, to hold the Hartford business separate from the other businesses of ITT.

PURPOSE

The purpose of this paper is to examine the financial and economic consequences of a divestiture of Hartford by ITT. Among the subjects to be considered are:

(a) The present estimated value of Hartford as a separate entity;
(b) The effect upon the market price of ITT of a divestiture of Hartford;
(c) The effect of a divestiture upon ITT’s balance sheet, its ability to borrow outside the United States and to maintain its positive balance of payments position;
(d) Finally, a brief examination of the additional impact of a divestiture of Caneen Corporation and Grinnell Corporation, two additional acquisitions which are being challenged through court action by the Federal Government.

HARTFORD

At the time of the exchange offer on May 22, 1970, Hartford’s mean bid price in the over-the-counter market was $33.25. Based on the 22 million shares outstanding, the market valuation of Hartford was $42 million. ITT, in its exchange offer, for each share of Hartford, was issuing a Series X Preferred stock, convertible into 1.25 shares of ITT. Based on ITT’s mean market price on that day of $39.25, 1.25 shares were worth approximately $49. Thus, ITT at then market values, was paying $1.08 billion for Hartford, a premium of approximately 20%. This price was also 222% of the book value of Hartford’s stockholders equity at December 31, 1969 of $480 million.

73-853—73—pt. 2—2
RICHARD G. KLEINDIENST—RESUMED

HEARINGS
BEFORE THE
COMMITTEE ON THE JUDICIARY
UNITED STATES SENATE
NINETY-SECOND CONGRESS
SECOND SESSION
ON
NOMINATION OF RICHARD G. KLEINDIENST, OF ARIZONA,
TO BE ATTORNEY GENERAL

PART 2
MARCH 2, 3, 6, 7, 8, 9, 10, 14, 15, 16, 26, and 29, 1972

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I have with me copies of the three decrees that were entered against
ITT, pursuant to our settlement. Essentially, they require three
things: (1) a divestiture of firms with approximately $1 billion of
sales—which is one of the biggest, if not the biggest, divestiture in
antitrust history; (2) a prohibition against further acquisitions by
ITT which might have anticompetitive effects, and (3) a prohibition
against use of systematic reciprocity by any of the ITT companies.
I am responsible for that settlement and I stand fully behind it. In
my professional opinion, it is an excellent settlement from the Gov-
ernment’s standpoint not only as a matter of disposition of this
litigation but for its overall impact in promoting compliance with the
antitrust laws in deterring anticompetitive mergers.

The CHAIRMAN. Mr. Rohatyn.

Mr. Rohatyn. Mr. Chairman, I thank you for the opportunity to
appear in front of you and your Committee.

My name is Felix G. Rohatyn. For the past 12 years I have been a
general partner in the investment banking firm of Lazard Freres & Co.,
and since 1958 have been a director of International Telephone and
Telegraph Corp.

I am open to the committee’s questions concerning my role in the
settlement of antitrust litigation brought by the Justice Department
against ITT, but would like to begin by describing the nature of
discussions in which I participated with Justice Department officials.

It had been our belief that a forced divestiture of Hartford Fire
could raise fundamental issues of national policy—
Senator Hart. Mr. Chairman, I wonder if the witness could proceed
more slowly. We do not have a copy of his statement.

Mr. Rohatyn. I am sorry, Senator Hart.

The CHAIRMAN. Do you have extra copies of your statement?

Mr. Rohatyn. Yes, sir. I can get them for you right now, sir, if
you like.

The CHAIRMAN. Let us have order. Proceed, sir.

Mr. Rohatyn. It had been our belief that a forced divestiture of
Hartford Fire could raise fundamental issues of national policy tran-
scending both the narrow scope of traditional antitrust philosophy
and the narrow interest of ITT. Several points were involved, includ-
ing possible United States balance of payments effects and govern-
ment policy toward preserving the underlying strength of domestic
companies competing overseas. In addition, as chairman of the New
York Stock Exchange Surveillance Committee during that period of
financial crisis, I was concerned that so massive a divestiture might
unsettle our securities markets, and with possible impact on some
financial organizations.

Early in April of 1971, I was asked by Mr. Harold Geneen and by
our counsel to prepare a comprehensive treatment of these issues for
presentation at the Department of Justice. I was thought qualified in
these areas as an economic and financial specialist. Since the policy
considerations to be raised ranged beyond antitrust enforcement
policy, and because Attorney General Mitchell had disqualified him-
self, I met first with Deputy Attorney General Richard Kleindienst,
to outline our thinking in general terms. On April 20, 1971, Mr.
Kleindienst directed that a full presentation be made to Mr. McLauren.
This we did late in April, at a meeting chaired by Mr. McLaren and attended by Mr. Kleindienst, several Antitrust Division staff members, ITT counsel, and Mr. Bruce McLaury, then Treasury's Deputy Under Secretary for Monetary Affairs. Two distinguished experts aided in the presentation—

The CHAIRMAN. Speak a little louder now.

Mr. ROHATYN. Mr. Willis Winn, then dean of the Wharton School and now president of the Cleveland Federal Reserve Bank, and Dr. Raymond Saulnier, a professor at Columbia University who chaired President Eisenhower's Council of Economic Advisers. We left our supportive documentation for review, supplemented by a letter to Mr. McLaren sent several days later.

My second significant involvement came 2 months later, June 17, after Mr. McLaren had completed a memorandum detailing the Antitrust Division's recommendation with respect to a proposed negotiation of settlement. In a three-way telephone conversation, Mr. McLaren and Mr. Kleindienst informed me of its content, which I transmitted to Mr. Geneen after expressing my great disappointment. The Antitrust Division had concluded, after review of our economic policy arguments, that ITT might be allowed to retain Hartford Fire if it were to divest Grinnell, Canteen, Avis, and Levitt while limiting certain types of acquisitions and practices in the future. It should be noted that Avis and Levitt previously had not been the subject of any antitrust litigation for asset values subject to divestment. Shortly after my formal presentation to Mr. McLaren and staff, I asked Mr. Kleindienst the status of review. He told me that Mr. McLaren was studying our documentation seriously. I met with Mr. Kleindienst twice following submission of Mr. McLaren's recommendation, once to reiterate our broad policy concerns over so large a divestment and once to state that ITT saw no progress in negotiations. Mr. Kleindienst twice said that efforts to negotiate a settlement would simply have to run their course, and that Mr. McLaren was in full charge.

Every meeting was on the record. No meeting or telephone conversation was held in a covert or surreptitious manner. There was no hint of any favor offered or sought.

When the agreement was finally reached, I felt that a negotiation had run its normal course, with due allowance for the additional time required and tension generated by the extraordinary complexity and financial import of the matters involved. It was always clear to me that Mr. McLaren was making the decisions, approved on his recommendation by Mr. Kleindienst, and that he had negotiated the terms with ITT counsel.

This summarizes my participation in and my view of these discussions. I will be happy to give you any details in a few minutes. Let me now turn to the ITT Sheraton-San Diego commitment.

Last Sunday evening, February 27, 1972, I was at Kennedy International Airport awaiting an outbound flight. I was talking with my children on the telephone and was told that Mr. Hume had called from Washington asking urgently that I speak with him. I didn't know who Mr. Hume was but returned his call from the airport. He identified himself as an associate of Mr. Jack Anderson, then read a
memorandum allegedly written by Mrs. Dita Beard. Mr. Hume asked whether the subject of that memorandum had entered into my conversations with the Justice Department. I flatly denied that anything having to do with the Sheraton commitment had ever been discussed by me with Mr. Kleindienst or any other representative of Justice.

Let me say now that I do not know Mrs. Beard and, in fact, had never heard her name before talking with Mr. Hume. Moreover, I never knew of an ITT commitment of the San Diego Convention Bureau until December 1971, when I read about it in the public press. This was 6 months after the antitrust settlement had been reached. Therefore, it was literally impossible for me to have participated in any conversation regarding the commitment.

The settlement requires, so far as I know, the largest divestment in the history of world enterprise comprising companies with sales approximating $1 billion in assets. Even apart from forced sale, I can think of no case in which a single owner voluntarily parted with values of this magnitude. As a director of the company, I considered this an extremely harsh settlement, arrived at after protracted and difficult negotiations between representatives of Justice and ITT.

If I may, sir, for the record, I would like to place the dates of my meetings with Mr. Kleindienst.

The first one took place on April 20, 1971, where I gave orally some of the policy considerations we thought relevant. Mr. Kleindienst stated that since the Attorney General had disqualified himself, the ultimate decision with respect to any litigation would necessarily be his. He said too he would make that decision based on Mr. McLaren's Antitrust Division recommendations, and told me any presentation should be made to Mr. McLaren and the Antitrust Division.

The next meeting took place on April 29.
This was followed by the meeting of May 10.
The next meeting was June 29.
The last meeting was July 15.
Thank you, Mr. Chairman.
The Chairman. Judge McLaren, you say you were solely responsible for this settlement, with your staff?
Mr. McLaren. I'm sorry. I couldn't hear the last sentence.
The Chairman. Did I understand you to say that you were, you and your staff were solely responsible for this settlement?
Mr. McLaren. That is my testimony, yes, sir.
The Chairman. Now, did you know anything about a $400,000 contribution from ITT to the city of San Diego?
Mr. McLaren. Absolutely not. I knew nothing about any of this whole business, or even that the convention was going there until I read about it in the newspapers where someone tried to make a connection between an alleged payment and the settlement of the case.
The Chairman. Now, did Mr. Kleindienst, Mr. Mitchell, or anyone else attempt to influence your decision in this settlement?
Mr. McLaren. The direct answer to your question is "No, they did not." I would like to add this: when I was first interviewed by Mr. Mitchell and Mr. Kleindienst in the Pierre Hotel in December of 1968 with regard to coming down here, I had an understanding with them
NOTES BY RICHARD G. KLEINDIENST, APRIL 29, 1971, ON MEETING WITH FELIX ROHATYN AND OTHERS ON ECONOMIC HARDSHIP ARGUMENT

4/29/71
10:30 a.m.
McLaren's office

Subjects:

"Some of the economic consequences that would result from a divestiture by ITT of "Hartford"

Confidential:

11:25  Royahan:

- 2 ways to divest
  a) Spin-off to Public
  b) Sale to the public

Common for Common instead of

- ITT could not now acquire
  impossible to sell because of changes in accounting rules.
  purchasers not available.

- What are the econ.
  - outright sale of stock has --
    - Hart. earned 88 m - 30 capital gain last year. Net worth of 500 m.
      by any Standard of Value - high side of value - would be 15 times earnings including Capital Gains = 1.3 billion.
      - ITT has 22 m. shares - 1.76 billion
      - ITT could not sell 1.3 billion on the streets - over a period of time, depressing value of stock.
        1.8 vs 1/3 -
        Capital gains tax of 250 m.
- Hartford on [unreadable] ITT & at 500 m
or less - with a capital gain of on
800 m. = tax of 250 m.
net worth 1 B of a [unreadable] invest a
market value of 1.8 B.
- If ITT invested 1 B -
at 8% return of 40 m.
after taxes.
as a reduction of 40 m in
earnings - reducing Value
of ITT stock by $10/sh -
giving a loss of 1 B to
stock holders-

- paid for Hartford
22 m. shares of preferred of ITT
for Hartford-(no par convertible
preferred).
45-50 trade when Hartford was
selling for 35.
2.25/sh. dividend on ITT Preferred
now July 1.76 B. value today of ITT Preferred
1.6 when acquired.
- 500 m. premium at the time
larger to day because of increase
in value of ITT Comm.
- economic loss at 1 B.

[unreadable]
3.17 earnings - $64 common value
21 times
- ITT w/o Hartford-the maj.
of its domestic earnings reduced -
with loss of 500 m. borrowing
power gone -
ITT's multiple would go down
to 17 times earnings - instead of
21 - and Hartford would be
down to a max. of 15
ITT reduce dividends - because of
loss of Hart. therefore reducing
ITT stock to $40 - instead of 64 -
or 40 for ITT & 12 for Hartford
= 52 vs. 64 or a 1.2 B
loss to the stockholders
ITT would be weaker -
last year had 900 m. foreign loans.
Supported by its domestic balance
sheet as support for-
- another 500 m. of net worth taken
out vis a vis foreign financing -
- also value of comm stock domestically determines the ability of ITT to finance in foreign markets
- as value of security goes down, accumulates problems of financing

250,000 stockholders of ITT.
[unreadable] % Institutions -

- Clor-ox Style of disposition not applicable to this situation with 2 large companies. Why? What is Clor-ox?
  a Spin off would be better Why?

Saulnier Balance of Payments
11:50 A.M.

- U.S. problem - big - [unreadable]?

\[ \Delta \]
- a Sub. plus in B of P:
  - repatriating earnings abroad
    sub. amts of financing overseas
    this no exportation of Capital
- \[ \Delta \] operates as a multi-nat'l unit -
  a vehicle of import. for B of PBenefits

- Quaere: What is nec. for \[ \Delta \] to continue to so operate?
  - Persuaded, \[ \Delta \] needs a strong
domestic base of operations, giving it a standing to do foreign financing
  in order to have a positive B of P effect -
  - Structuring of reg. dist of Sales is
designed with this need in mind -

- So, adverse effects upon this ability and on our nat'l B of P

- ITT's Spanish Co. SeSa sells equipment to the Spanish gov't.
  - they now want 3 yrs - payments vs. 3 mos. - have to - good credits -
  - same thing in France.
- 270 m + B of P ITT -
excess of borrowing

1970 - 103 m. div. royalties.
11:25

Raycean.

2 ways to do it.
1. Equi. of the Puts.
2. Sell the Fund.

A. ITT cannot new acquire.
B. Equi. of the Sells, learning of the 
Accounting rules.

C. Purchases not available.

V. Went an the Cem.

- earned selling stock for

- net. earned 82 m - 30 Esquital pen
- cost pen. not worst of 5 oceans.

1) using Stevens Q. Value - high Q. Value - were be 15 times earning
including capital gains = 1.3 billion

- 171 less 22 m. Stevens - 1.76 billion

- ITT earned sell 1.3 billion on the
Street - over a period of time.

depreciation selling stock.

1.8 vs 1.3

Capital gain tax 250 m.
1st person bar 100° at 500m
Wess - went at 1200m, went at 100m.
net out 1B due to went a
market value 1/2 B.

177 7th return 1B -
at 8:70, return 1, 400m.

about later:

an excellent 400m in
erroneous - reducing value
177 struck by 30%.

stock also g 1 B to
stock better.

paid few Hertford:

2 Bm. damage preferred 177
few Hertford - (no penpw Cm or
preferred).

4.5:50. Goods when Hertford was
selling few 5.

2:46 3/5, dividend on 177 preferred
company 1.76 B. value today of 177 preferred
like when acquired.

1.500 m premium at the limit
lazar to say because increased
in value 177. Time

lemonite bars at 1 B.
Spru - 11.1.22 account
3.17 $200,000 - by Common Value:
21 -

ITT W/o Hunt for - the next
10 it's domestic earning reduced
with long term borrowing
power for -

ITT's multiple came up down
21 - and Hunt for went

10 ITT average dividends - because
10/31 Hunt - therefore reducing
ITT Stock 840 - multiples of 64-

40 for ITT + 12 for Hunt for

= 52. vs. 64 or w/ 1.25.

less to the stock holders

ITT would be weaker
lent year hit 900 m. foreign own
Supported by its domestic balance
Sust as support for

500 m. and worth taken
and LHI to US foreign financing -
also Value Comm Stock Repeal-

ITT's history and ability of ITT to
finance in foreign markets
also Value of Security reduced.

accumulated problems financing
ITT's Spanish Co. Sells Such
equipment to the French Gov't.
- They now want 3 yrs. payment
- No. 3 mes. - Have & Good Credit
- Same Alloy in France

√270m + β of P. ITT.

After delivery

1720 - 103m due. Royelles
May 3, 1971

The Honorable Richard W. McLaren
Assistant Attorney General in
Charge of the Antitrust Division
Justice Department
Washington, D.C.

Dear Mr. McLaren:

I am writing this letter to amplify and augment a point which was made in the course of the discussion which we had in your office last Thursday, in the hope that its importance will not be overlooked even though it was not fully developed in the brief summary memorandum which was left with you, Mr. Kleindienst and Mr. MacLaury.

The point is that in the event a divestiture of the Hartford was carried out by ITT through some kind of spin-off, ITT would be placed in a very difficult cash position which would severely impact its ability to compete in markets abroad. There could be as much as a 45% reduction in cash available to ITT. This shortfall in available cash would arise from the reduction of earnings by $88.7 million on such spin-off while the fixed obligation to pay dividends of $50,000,000 on the Series N preferred stock would continue, since as I explained extensively at the meeting, the exchange could not practically be made for the Series N stock. These reductions would in turn adversely affect borrowing power by an equal amount since every dollar of retained earnings will support a dollar of borrowing. This shortfall is illustrated by the following table:
1970 Earnings and Dividends with Proforma Adjustment to Put N Preferred from Partial Year to Annual Basis

<table>
<thead>
<tr>
<th></th>
<th>1970</th>
<th>Excluding</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Consolidated</td>
<td>Hartford</td>
</tr>
<tr>
<td></td>
<td>(Millions)</td>
<td>(Millions)</td>
</tr>
<tr>
<td>Net Income</td>
<td>$353.3</td>
<td>$265.6</td>
</tr>
<tr>
<td>Dividends Paid and Proforma for N Preferred</td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Preferreds Except N</td>
<td>$40.7</td>
<td></td>
</tr>
<tr>
<td>N Preferred for Hartford - Paid in 1970 Partial Year</td>
<td>$26.0</td>
<td></td>
</tr>
<tr>
<td>N Preferred for Hartford - Proforma to Bring to Annual Amount</td>
<td>24.0 50.0</td>
<td></td>
</tr>
<tr>
<td>Preferred Dividends</td>
<td>90.7</td>
<td></td>
</tr>
<tr>
<td>Common Dividends</td>
<td>71.4</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$162.1 162.1</td>
<td>162.1</td>
</tr>
<tr>
<td>1970 Retained Earnings after Adjustment for 1970 to Put Hartford N Preferred on Annual Dividend Basis</td>
<td>$191.2</td>
<td>$103.5</td>
</tr>
<tr>
<td>Borrowing Capacity on 50/50 Overall debt/equity ratio</td>
<td>191.2</td>
<td>103.5</td>
</tr>
<tr>
<td>Total Cash Available From Retained Earnings</td>
<td>$382.4</td>
<td>$207.0</td>
</tr>
<tr>
<td>Shortfall in Cash Source to Reduction in Earnings due to Extension of Hartford and Retention of Series N Dividend Obligation.</td>
<td>$175.4</td>
<td>or drop of 45%</td>
</tr>
</tbody>
</table>
While the cash problem would be ameliorated to some extent by spinning off the Hartford shares in exchange for ITT shares, thereby reducing partially the total dividend requirement for ITT common shares, the shortfall in available cash would still be a major concern for several reasons. Among these are (1) the Series N preferred dividend requirement of $50,000,000 would remain, and (2) the exchange ratio offered to ITT shareholders would undoubtedly have to be more than one share of Hartford for each share of ITT common tendered in order to induce the exchange. As a result of being required to offer a substantial discount the number of ITT shares retired could be as little as one half the 22 million Hartford shares, distributed, and certainly no more than three-fourths.

You will remember, I am sure, that at the meeting Dr. Saulnier pointed out that the credit worthiness of a borrower in foreign capital markets such as ITT is heavily dependent on the value which is placed on its common stock on the stock exchanges here, and on the credit rating which its outstanding debt securities receive. Dean Willis Winn, in his remarks particularly referred to the importance of the credit worthiness of a U.S. based company in the United States to successful financing abroad, a major requirement for companies with foreign operations like ITT's in light of the current balance of payments situation.

A major reduction in available cash such as that demonstrated above, will, in addition to having the obvious adverse operational impacts which inevitably follow a contraction of cash, have an adverse impact on equity values as dividends on the common stock come under pressure. Such a cash shortfall would also undoubtedly have an adverse impact on the holders of outstanding ITT debt instruments and on ITT's ability to raise additional funds through debt financing here, but more significantly, abroad.
Among the adverse consequences to the nation that would inevitably follow from the requisite contraction by ITT of its foreign operations is loss of market shares to major foreign competitors such as Ericsson, Siemens, Philips, Nippon Electric and Hitachi. Loss of market shares abroad can only result in a diminution of the cash which ITT would have otherwise repatriated to the United States. It would appear contrary to the national interests of this country to take consciously actions which would have such an adverse impact on the balance of payments.

Thank you once again for the courtesies which were extended to me, Dr. Saulnier, Dean Winn, and counsel. We very much appreciated the opportunity to discuss the overall policy implications of this situation with you, Mr. Kleindienst and Mr. MacLaury.

Very truly yours,

cc: The Honorable Richard G. Kleindienst
Deputy Attorney General
Justice Department
Washington, D.C.

TheHonorableBruce MacLaury
Deputy Under Secretary for Monetary Affairs
Treasury Department
Washington, D.C.
22. Beginning in April 1971 Mitchell, Haldeman, Lawrence Higby, Gordon Strachan, William Timmons, Jeb Magruder and Robert Odle participated in the initial planning of the 1972 Republican National Convention and began to consider San Diego as a possible site. A memorandum from Higby to Strachan dated April 29, 1971 states that Haldeman discussed the possibility of a San Diego convention with California's Lt. Governor Ed Reinecke. The memorandum states that Reinecke would, as a result of his discussion with Haldeman, cause a proposal for San Diego to be the convention site to be made to the Republican National Committee.

22.1 Memorandum from William Timmons to H. R. Haldeman, April 20, 1971 (received from White House).

22.2 Memorandum from Lawrence Higby to H. R. Haldeman, April 20, 1971 (received from White House).

22.3 Memorandum from Gordon Strachan to H. R. Haldeman, April 21, 1971 (received from White House).

22.4 Memorandum from Gordon Strachan to H. R. Haldeman, April 23, 1971 (received from White House).

22.5 Memorandum from Lawrence Higby to Gordon Strachan, April 29, 1971 (received from White House).

22.6 Memorandum from Gordon Strachan to H. R. Haldeman, May 11, 1971 with attached memorandum from William Timmons to H. R. Haldeman, May 6, 1971, and attached report (received from White House).

22.7 Memorandum from Robert Odle to Jeb Magruder, May 19, 1971 (received from White House).

22.8 Memorandum from Robert Odle to William Timmons, May 20, 1971 (received from White House).

22.9 Letter from Lt. Gov. Ed Reinecke to William Timmons, June 2, 1971 (received from White House).
22.10 Memorandum from Robert Odle to Jeb Magruder, June 15, 1971 (received from White House).

22.11 Memorandum from Gordon Strachan to H. R. Haldeman, June 23, 1971, with attached memorandum from Robert Odle to Jeb Magruder, June 22, 1971, and attached memorandum from William Timmons to H. R. Haldeman, June 21, 1971 (received from White House).

22.12 Memorandum from Gordon Strachan to H. R. Haldeman, June 25, 1971 (received from White House).

22.13 Memorandum from Gordon Strachan to H. R. Haldeman, June 29, 1971, with attached memorandum from Jeb Magruder and William Timmons to Attorney General Mitchell and H. R. Haldeman, June 26, 1971, and attachments (received from White House).
April 20, 1971

CONFIDENTIAL/EYES ONLY

MEMORANDUM FOR: H. R. Haldeman 003514
FROM: WILLIAM E. TIMMONS
SUBJECT: '72 GOP Convention Site

Dick Capen will not be able to go with me to San Diego for a look-see at that city as a possible convention site until May 1st. He is closing out his work at Defense, packing up, etc. He reports to San Diego on the 1st anyway and asks if that is too late.

What do you think?

Also, I would like a short session with you about this mission. Is it undercover work at this point? Who pays for the trip? Should I solicit information from the RNC?

H. R. Haldeman

CONFIDENTIAL/EYES ONLY
MEMORANDUM

THE WHITE HOUSE
WASHINGTON

April 20, 1971

MEMORANDUM FOR: H. R. HALDEMAN
FROM: L. HIGBY
SUBJECT: Investigation of San Diego as Possible Convention Site

As a result of your discussion with the Attorney General on San Diego as a possible Convention site, you may want to follow-up in talking to Dick Capen.

You will recall that Capen was mentioned as one of those individuals who perhaps along with Timmons, would informally check out San Diego as a possibility as the Convention site.

Capen is leaving DOD effective May 1 and plans on staying there up to that date.

I don't know if this causes a problem or not, but there was an indication in your conversation that some preliminary decisions needed to be made by May 1.

My suggestion would be that you call Bill Timmons and explain the situation and have him informally talk to Capen to see if they couldn't get away for a few days -- perhaps a weekend before May 1 and explore this situation.

4/20 - Timmons will call Capen, go over and prepare a memo to H.

G > H memo
H > Gillester - cover w/Timmons
Timmons - 3/608
April 21, 1971

CONFIDENTIAL

MEMORANDUM FOR: H. R. Haldeman

FROM: Gordon Strachan

SUBJECT: Investigation of San Diego as Possible Convention Site

After your discussion with the Attorney General about San Diego as a possible convention site, Bill Timmons was asked to make a very quiet informal survey with Dick Capen of DOD. They will go to San Diego some week-end soon, possibly when the President goes to San Clemente.

Their expenses will not be paid by the RNC, but through Sloan. Upon Timmons' return he will prepare a report.
April 23, 1971

CONFIDENTIAL

MEMORANDUM FOR: H. R. HALDEMAN

FROM: GORDON STRACHAN

SUBJECT: 1972 GOP Convention Site

Recently you and the Attorney General discussed San Diego as a possible site for the 1972 GOP Convention.

Bill Timmons is ready to make a very quiet, informal survey. Timmons could leave immediately. If Dick Capen of DOD were to join Timmons, the trip would have to be made after May 1.

Their expenses could be paid by the Citizens Committee and not the RNC.

Recommendation:

Timmons and Capen should go to San Diego May 1-2, while the President is in San Clemente. The Citizens Committee would pay their expenses.

Approve_________________ Disapprove_________________

Comment__________________________

So told.

[Handwritten note: Miller writes]
April 29, 1971

MEMORANDUM FOR: GORDON STRACHAN
FROM: L. HIGBY

With regard to the attached memo on the 1972 GOP Convention site—Haldeman raised this subject the other day in a meeting with Ed Reinecke—Lt. Governor of California and Gillenwater of his office. As a result of that meeting Gillenwater is going to cause a proposal to be made to the RNC.

Timmons should get in touch directly with Gillenwater and see exactly what is happening here and then let you know. In either case, there is probably not a need now for an immediate trip as a result of this Haldeman meeting.

Attachment

Research file dates early to prevent Convention in Sept.
MEMORANDUM FOR: H.R. HALDEMAN
FROM: GORDON STRACHAN
SUBJECT: Timmons' Investigation of San Diego as 1972 Convention Site

Bill Timmons, who heads the Attorney General's task force on the convention, talked with Dick Capen and Ed Gillenwaters about San Diego as a possible convention site. Timmons considered it very important that he make a quick survey of the city. He did this last week and submitted the attached report. The report is well done and includes the following points:

1. San Diego will only accept the convention after Labor Day. Some states require Presidential nominees to file before September 1.

Dean has asked Rehnquist at Justice to research this problem and the legal alternatives.

2. GOP Factions pose a problem. Timmons believes the Finch and Reagan forces will have a bloodletting confrontation. Finch has apparently had Al Harutunian make tentative convention arrangements in San Diego, using Billy Graham's name.

3. San Diego has some disadvantages ($400,000 bid instead of $800,000; barely adequate hotel facilities; and a demonstration potential), but Timmons believes these could be solved and that "San Diego would make an excellent location for the next convention".
CONFIDENTIAL/EYES ONLY

MEMORANDUM FOR: H. R. HALDEMAN

FROM: WILLIAM E. TIMMONS

SUBJECT: '72 Convention Site

I spent two days in San Diego this week surveying the city as a possible site for the 1972 Republican National Convention. A report on my findings is attached in Tab A.

There has been no effort in this paper to compare San Diego with other possible locations. Also, there is no evaluation given to California in relation to the possibility of Reagan or McCloskey contesting the nomination or weight given to Vice Presidential politics. Both of these factors must be considered at some point however in the decision process.

I believe San Diego would make an excellent location for the next Convention. However, there are two major obstacles and three minor problems:

TIMING: It is absolutely impossible for San Diego to host the Convention before Labor Day, September 4th. The city’s hotel rooms are always committed during August by tourists and there is an unwillingness to lose regular customers. Also, the Hall is booked by the International Machinists Union September 3-17 and by the Fleet Reserves from September 17-21st. If these two organizations were willing to reschedule their conventions, even the early September date presents a legal difficulty for us. A number of states require Presidential candidates to file by late-August in order to get on the November ballot. In 1968 I'm told the Democrats ran into this problem in several states but were able to get waivers. I am having two groups independently research the various state laws and possible waivers. Unless this is satisfactorily resolved, San Diego will not offer a bid. I'll keep you posted on the results of my investigation.

FINANCES: The RNC estimates it will spend $800,000 to run the convention. Bidding cities are requested to pay the Committee this amount, part of which can be in services, rents, etc. It will be impossible for San Diego to raise this kind of money. They talk of only $200,000, but if they are really in the running I feel the city can come up with
FINANCES: (continued)

$400,000 with the remainder coming from RNC and California GOP sources. If the timing problem can be resolved, I will make the necessary contacts to work on the financial bid.

HOUSING: The lack of excess first class rooms and available parlors present a minor problem. By stretching, San Diego can commit sufficient rooms for the event, I feel.

CONVENTION HALL: The RNC requires 150,000 square feet of work space in - or adjacent to - the Convention Hall. This is mostly for media. The San Diego Sports Arena has only about 30,000 square feet of off-floor work space. Therefore, a temporary building with approximately 120,000 square feet will have to be erected. This can be done.

GOP FACTIONS: If San Diego is chosen as the convention site, we can expect a blood-letting confrontation between the Finch and Reagan forces for control or at least public exposure. The battle lines are already forming, and I suspect the situation could become bitter. NOTE: Al Harutunian apparently has tentatively reserved the Sports Arena for mid-September under the name of Billy Graham. It is widely believed he is acting as an agent for Finch. I have information that Bob will be in San Diego this week-end and may discuss the convention. While I did not see Harutunian, he has learned of my trip and will undoubtedly spread it around. I suspect Dick Capen told him, although this is just a guess.

San Diego will definitely make a formal bid for the 72 convention. I am obligated to report to them if we can consider a September event. The Site Committee of the RNC will have to visit San Diego, but Bob Dole tells me he can arrange for a favorable report on any city the President wants.
A REPORT ON

SAN DIEGO AS

A POSSIBLE 1972

REPUBLICAN NATIONAL

CONVENTION SITE

MAY 6, 1971
CONTENTS

I. GENERAL INFORMATION

II. POLITICAL

III. HOTELS

IV. CONVENTION HALL

V. SECURITY

VI. POINTS OF INTEREST

VII. CONTACTS

VIII. EXHIBITS
San Diego has a county population of 1,357,854 (up 31.4% from 1960 makes it one of the fastest growing areas in the nation) and is the third largest city (700,000) in the West.

August is the hottest month with the average maximum-minimum range 78.0° - 65.5°, and in September it is 77.6° - 62.2°.

San Diego is wholesome, outdoors, casual and slow. There is little urban blight and no poverty areas evident in the hotel-convention sections.

San Diego is a short 20 minute helicopter ride from the President's Western White House.

Excellent new downtown airport, serviced by eight airlines. American, United, National and Delta provide direct flights from eastern cities. Other intra-state carriers. Over 16,000 commercial airline seats daily into and out of San Diego. Major airlines usually add on special convention flights from big cities.

Downtown railroad depot. Three Santa Fe trains daily, connecting with Union Pacific.

Over 200 Greyhound and Continental busses scheduled daily.

Superb highways: Interstate 5 north; Interstate 8 east; U.S. 395 northeast; U.S. 94 east and Interstate 805 north (inland) under construction. A number of other major arteries are four-lane and in good condition.

San Diego has an abundance of gourment restaurants and cocktail lounges.

Home of the San Diego Chargers football team, Padres baseball club, Rockets basketball squad and Gulls hockey team.

San Diego has three daily newspapers: Union (morning Copley), Tribune (evening Copley) and the Independent (afternoon, run by a Republican). The Los Angeles Times has substantial circulation also.

There are three local television stations: KOGO-TV, channel 10 NBC, owned by Time-Life; KFMB, channel 8 CBS, run by a Republican; and XETV, channel 6 ABC. Some areas pull Los Angeles stations. Additionally, there are ten radio stations servicing the San Diego area.
The major industries are: US Navy, tourism, agriculture, aerospace, ship-building, fishing and research (oceanography, nuclear energy and medicine).

Colleges are outlined in the section on security.

Less than 5% of the population is negro and about 3% are Mexican-Americans.
California will have the largest electoral votes (45) of any state in 1972 and more delegate strength (96) than any other state in the Convention.

**Recent Votes in San Diego County**

<table>
<thead>
<tr>
<th>Year</th>
<th>Candidate</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1964</td>
<td>Goldwater</td>
<td>50.3%</td>
</tr>
<tr>
<td>1968</td>
<td>Nixon</td>
<td>56.3%</td>
</tr>
<tr>
<td>1970</td>
<td>Murphy</td>
<td>57.0%</td>
</tr>
</tbody>
</table>

San Diego appears to be a more loyal, regular Republican area than Los Angeles (conservative) or San Francisco (liberal). The Women's GOP Federation is quite active but the Young Republicans, and College Republicans, are not particularly well organized. UROC and CRA have some strength but are not significant factors.

The Governor and Lt. Governor are Republicans and are publicly committed to the President's renomination.

There are three House Members representing parts of San Diego County. They are John Schmitz (R), Bob Wilson (R) and Lionel Van Deerlin (D).

The three State Senators are Clair W. Burgener, Jack Schrade and James R. Mills.

The five State Assemblymen are Pete Wilson, Wadie Deddeke, Richard Barnes, Pete Chacon and John Stull.

The San Diego County Board of Supervisors is non-partisan.

The Mayor of San Diego is Frank Curran, a Democrat. The City Council is non-partisan. It is expected that Pete Wilson will oppose Curran in this year’s mayoral race.

The City Manager -- Walter Hahn -- is non-partisan and well respected.
San Diego GOP County Chairman is retired Admiral Leslie Gehres. Republican National Committeewoman Eleanor Ring is a local resident as is the State GOP Executive Committee Vice Chairman Gordon Luce. Luce has a full-time GOP staff assistant Jan Anton.

A number of identified Nixonites reside in the San Diego area. Among them are Al Harutunian, Bill Evans, Arnhold Smith, Leon Parma, Gaylord Parkinson, Bob Wilson, Dick Capen and Jim Copley.
HOTELS

The Republican National Committee requires 18,000 sleeping rooms and 1,000 parlor suites in first class hotels.

There will be 1,346 delegates and a like number of alternates at the '72 convention. The largest delegations are:

- California: 96
- New York: 88
- Pennsylvania: 60
- Illinois: 58
- Ohio: 56
- Texas: 52
- Michigan: 48
- Florida: 40
- New Jersey: 40
- Massachusetts: 34
- Indiana: 32
- North Carolina: 32
- Missouri: 30
- Virginia: 30

As a rule of thumb, the ratio of rooms required for a state is four to each delegate.

The Greater San Diego area has 23,149 hotel and motel rooms. 17,974 of these are within 20 minute drive of the Convention hall (Note: All rooms cannot be blocked). Most are first class accommodations and prices are reasonable. There are only about 300 parlors available, however. Virtually all the big hotels have private meeting rooms.

The largest hotels are:

- Royal Inn at Wharf: 625 (10 min.)
- Town & Country Hotel: 600 7"
- Sheraton Hotel: 500 10"
- El Cortez: 475 10"
- U.S. Grant: 400 10"
- Le Baron: 400 7"
- Del Coronado: 400 20"
- Sheraton Inn: 345 10"
- Hilton Inn: 325 5"
- Bahia Hotel: 323 5"
- Hyatt Lodge Hotel: 315 7"
- San Diego Hotel: 300 10"
- Hanalei Hotel: 273 7"
HOTELS (continued)

<table>
<thead>
<tr>
<th>Hotel Name</th>
<th>Rooms</th>
<th>Distance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Islandia Hotel</td>
<td>266</td>
<td>5 min.</td>
</tr>
<tr>
<td>Catamaran Hotel</td>
<td>254</td>
<td>10 &quot;</td>
</tr>
<tr>
<td>Pickwick</td>
<td>250</td>
<td>10 &quot;</td>
</tr>
<tr>
<td>Vacation Village</td>
<td>239</td>
<td>5 &quot;</td>
</tr>
<tr>
<td>Plaza International</td>
<td>230</td>
<td>7 &quot;</td>
</tr>
<tr>
<td>Westgate Plaza</td>
<td>229</td>
<td>10 &quot;</td>
</tr>
<tr>
<td>Master Hosts Inn</td>
<td>225</td>
<td>7 &quot;</td>
</tr>
<tr>
<td>Holiday Inn of Mission Valley</td>
<td>225</td>
<td>7 &quot;</td>
</tr>
</tbody>
</table>

7,199 rooms

If the Convention goes to San Diego, the Town & Country Hotel is probably best for the RNC headquarters and can also house several delegations. The Hilton Inn appears to be ideally located with adequate facilities for the Nixon campaign organization and the White House staff (in addition to a friendly delegation). However, there may be some political pressure for the Nixon staff to return to Bahia at Mission Bay.
CONVENTION HALL

The four year old sports arena meets most of the qualifications as a site for the 1972 Republican National Convention.

Maximum seating is 15,000 which is the minimum requirement by the RNC. There are no box seats, but they can be constructed. Parking is for 6,000 cars (33 acres). (The physical arrangement is good with ample room for delegates, alternates and press to have seats on the principal floor.)

The RNC needs 150,000 square feet of work space for various support functions, including media and press. The arena unfortunately has only 30,000 square feet of space suitable for work area, therefore a 120,000 square foot temporary building will have to be constructed adjacent to the convention hall. This will eliminate some of the parking space.

The Arena has lighting suitable for live color TV, is fully air-conditioned, can meet electricity and power requirements and has a quality public address system.

SAN DIEGO STADIUM: Superb new stadium for professional football and baseball. The President has visited the stadium. Capacity is 50,000 in permanent seats with another 10,000 capability in folding chairs on the turf. Could be used for the President's acceptance speech on final night since evening weather should be good.

SAN DIEGO COMMUNITY CONCOURSE: This new downtown facility consists of a convention hall, exhibit hall, theatre and garage. The two adjacent auditoriums can seat 3,000 and 5,000 -- and can cater for 3,000. This would be an ideal location for the RNC Chairman's Dinner, city's traditional press reception, GOP GALA, and other similar events not conducted in the Sports Arena.
There are two security aspects of the 1972 national convention: Presidential and facilities.

San Diego is less than one-half hour by helicopter from the Western White House. Naval base can provide communications support for Presidential travel.

The Sports Arena is located in an area isolated from other buildings and centers of activity. The Arena has almost all the space from Interstate 5 (north), Sports Arena Blvd. (south), Interstate 8 (East) and Midway Drive (west). There are three approaches to the Hall. A six foot fence is on three sides of the arena.

The San Diego Stadium is six miles north of downtown and is a secluded area about one mile square.

The city's police force is reputed to be one of the nation's best. There is excellent cooperation between the California State Highway Patrol, the County Sheriff's Office and the San Diego Police. Additionally, the U.S. Naval Stations have security forces which could be mobilized in an emergency.

San Diego has had no major riots but several peace marches. There is a radical element at the new University of California at San Diego (LaJolla) campus. San Diego State has a large moderate student body and the Catholic University at San Diego is small and conservative by modern standards. Cal Western University and U.S. International College have about 3,000 students each.

Based on 1971 facts:

-- San Diego State has 26,000 students and will open its fall term on September 20th.

-- University of California at LaJolla has 6,000 and starts Sept. 28th.

-- University of San Diego has 1,550 kids and commences fall studies on September 1st.

Therefore, it would appear that outside of summer students, only "conservative" USD will be open if the Convention is held soon after Labor Day.

Because of the climate, beaches and distance from Los Angeles, San Francisco and Berkeley, San Diego could be an ideal location for California students, Los Angeles blacks and Chicano activists to have a last summer "Fling."
San Diego Zoo - world's largest
Balboa Park - 1,400 acres of gardens, museums, etc.
Sea World - giant oceanarium
Harbor - beautiful; all kinds of ships and boats
Palomar - observatory; world's largest telescope
Mexico - Tijuana is 15 minutes away; bullfights, Jai Alai
Missions - Old Spanish style with tours
Golf - 66 golf courses, some lighted; Torrey Pines is most famous
Fishing - both pier and deep sea
Mission Bay Park - 4,600 acre water sports playground: beaches, boat rentals, tennis, water skiing, etc.
Tropical Isles - Shelter Island, Harbor Island and Coronado
Ocean beaches - 70 miles of good surf
Racing - Caliente and Del Mar
La Jolla - jewel-like community
Old Globe Theatre - outstanding players and performances
U.S. Navy - Big Navy installations; ship tours
Desert - Anza Borrego Desert State Park is about 40 miles east
Disneyland - 90 minute drive
San Clemente - 60 minute drive
Salk Institute - medical research
Scripps Clinic - medicine
CONTACTS

Frank Curran, Mayor of San Diego

Walter Hahn, City Manager, San Diego

Robert Gadbois, President of Convention and Visitors Bureau

J. B. "Ace" Simmons, Convention Manager

Lester Land, General Manager, Sports Arena

Robert Breitbard, President, Sports Arena

William Harrington, Washington Representative for City of San Diego

Ed Gillenwaters, Director of Commerce, State of California

Robert Smith, Chairman of Tourism Commission, State of California

Gordon Luce, Vice Chairman, Republican State Executive Committee

Richard Capen, Vice President of Copley Press
May 19, 1971

CONFIDENTIAL

MEMORANDUM FOR: MR. JEB S. MAGRUDER

FROM: ROBERT C. ODLE, JR.

The following is a "status report" of some of the projects on which I am working at the present time.

CONVENTION

Bill Timmons, as you know, has taken a very active interest in the convention and has also been serving as chairman of the planning study on the convention. The planning study is divided into two sections: logistics and strategy. At the present time, we are concentrating on logistics, and particularly the convention site.

The RNC Site Selection Committee is the official group which visits the various cities and makes a final recommendation to the RNC (at its July meeting in Denver) as to the convention site. Bill and I feel that we should button down the site as quickly as possible, call in Senator Dole and have him meet with the President to get the President's thinking as to the site, and then have Dole inform Jo Good and other members of the Site Selection Committee of the President's decision. Ideally, the Site Selection Committee should make its recommendation to the RNC well before the Denver meeting, so that we're on record with a site before the Democrats are. If the media is going to push for both parties using the same city, it would be to our advantage to have the Democrats asked to use the site we have selected rather than vice versa. Thus, time is of the essence.

The following cities have bid for our convention:

CONFIDENTIAL
1. Houston. The Site Selection Committee visited Houston and felt the city's desire to have the convention was, at best, lukewarm. Houston officials would not discuss making any sum of money available in return for Houston being the convention site. Nor would Houston give us a commitment on hotel rooms. The Astrodome would be too large for convention sessions, except on the night of the President's acceptance address, but a 15,000 person "Astrohall" might be available. But the reception in Houston was so cool that Chairman Dole and the committee members are reported turned off to the city.

2. Miami. The city will commit $400,000 of the $800,000 which the RNC wants. The convention hall and the hotel space are available. But Timmons feels, and I agree, that it would not be good to go back to Miami -- one of our biggest jobs at the '72 convention will be to make delegates feel important and happy. Since they're not at a convention to really decide who is nominated, we must make certain they have enough to do. And probably 80% of them were at the 1968 convention in Miami and have seen the local sites, visited the places tourists go, etc. And, too, there is the consideration of avoiding dullness by going where we've been before. There is also Miami's oppressive August humidity with which to contend.

3. Chicago. Chicago is the only city which will commit the full $800,000 and Dole and the RNC are reported to be leaning toward the city. There are enough hotels, but they are miles away from the only convention hall available, the International Amphitheater, which is old and in a bad section of the city.

Timmons feels we cannot risk the possibility of a repeat of the Democratic 1968 convention. Should the Mayor tell the police to look the other way one evening, it could be all over for us. If there were demonstrations or violence, we would be roundly criticized by Middle America for selecting Chicago in the first place. My opinion is that $400,000 isn't worth taking a chance on such a risk.

4. San Francisco. Civic officials have promised $300,000 and an improved hotel situation. But the Cow Palace is miles from downtown and very old. Furthermore, the problems with Berkeley and San Francisco State College and the certainty of large scale demonstrations rule out San Francisco in Timmons' eyes, and in mine, too.

Other cities which have been mentioned:

5. Louisville. There has been speculation that Louisville was going to put up a bid and Dole is in the process of checking with Louie Nunn in
this connection. But it is difficult to envision a national convention in Louisville.

6. Saint Louis. The problem here is the almost total lack of GOP office holders and local enthusiasm to support a convention. But it might be worth looking into if San Diego doesn't work out and Miami is judged not desirable.

7. Philadelphia. A good convention city, but one which is setting its sights on 1976 and a convention there during the Bicentennial year.

8. Detroit. If the other possibilities don't check out, we should explore this one. Detroit has the best and newest convention hall in the country, and it's smack in the middle of downtown within walking distance of all the hotels. A GOP Governor and Senator would be of assistance and the convention might help Senator Griffin's re-election. Geographical proximity to key midwest states such as Ohio and Illinois would also be a factor. But the real drawing card here is the excellence of the convention facility and its closeness to all the big hotels.

9. San Diego. This is Timmons' favorite and mine too. In terms of all the factors, it would be tops. Bill has visited the convention hall and feels it would be adequate with the addition of temporary working space for the RNC and the media. The hotels are adequate, although the RNC asks for 18,000 first class rooms and San Diego has 23,000 rooms, not all of which are first class. The RNC also wants 1,000 parlors and the city has only 250. Many of the hotels are in the fashionable Mission Bay section of town which we visited after the 1968 Miami convention. The convention hall is close by. The climate is superb. The city has informally offered $200,000 and Bill thinks another $200,000 might be promised, bringing the total to that which Miami has offered. The area's many tourist opportunities would make it interesting for the delegates: the zoo, Balboa Park, Mission Bay, Mexico, water sports, Disneyland, etc. It is easily accessible by air and the airport is downtown.

The problem with San Diego is that the city fathers don't want the convention until after Labor Day. Studies which the RNC and the Justice Department have completed show that a September convention would be too late in terms of meeting state requirements for filing Presidential and Vice Presidential candidacies. Timmons and John Dean are now looking at these studies to determine if a September convention is still a possibility, but at the present time they are 90% certain we cannot go after Labor Day.

Should this be the case, Timmons would discuss informally with San Diego officials the possibility of an August convention there. He feels they might be interested.
At the present time, Jo Good and the Site Selection people are not aware of our activities with respect to San Diego, although they are aware that "White House aides" have visited the city. But it seems that Bob Finch has been in touch with San Diego as well and has had Al Harutunian of San Diego tentatively reserve the convention hall for mid-September allegedly for a Billy Graham crusade. Jo Good has telephoned Gordon Luce of the California Republican party in this connection, but Luce has not told her of the Timmons visit. Thus, it appears that if Jo Good has knowledge of a visit by "White House aides," this would refer to the Finch-Harutunian activities rather than Bill Timmons' visit.

By next week we should have a firm idea of whether a convention in September is at all possible and if not, whether San Diego is interested in an August convention. At that time, some preliminary recommendations should be made as to the convention site.

The Justice Department's report is attached.

PRIMARIES AND FIELD ORGANIZATION

As you know, Harry Fleming is chairman of this planning study and I am serving as project manager. We have met with Harry Dent and explained to him that Fleming will be serving as chairman since he is on the staff here and has time available for this purpose. Dent agrees with this and will serve as a sort of senior advisor to the planning study.

For purposes of your meeting with the Attorney General, Harry Fleming can probably best report in person on the activities and accomplishments of this task force thus far.
CITIZENS COMMITTEE

Although you will be serving as chairman of this study, Tom W. Evans of New York will be a key advisor here. I have met with Tom, have obtained many of the records from '68, and you and I will meet with him next Tuesday in New York. Also, if time permits, we will meet with Don Kendall in New York who Peter Flanigan, after consultation with the Attorney General, has suggested as the person to head up the "Businessmen for" aspect for the Citizens operation.

OFFERS OF ASSISTANCE

Now that our organization is official, we are receiving many offers of help from people throughout the country who want to assist in the President's re-election campaign. Letters and resumes are being received at the RNC, the White House, and here. We have set up a system whereby letters to the RNC are acknowledged by Chairman Dole and forwarded to us and letters received at the White House are acknowledged by Harry Dent and turned over to us. Letters received here are answered with letters signed by you, Harry Flemming, or me. There is nothing which turns a person off faster than having his offer of assistance ignored and we are making certain that each letter has a personal response. The RNC is presently designing for us an enclosure to be sent out with our letters which gives a brief description of the President's position on some of the key issues and suggests ways in which people can be of help to the campaign right now, e.g., "take every opportunity to talk up the President," "make his position known," etc.

A filing system has been set up whereby offers of assistance are placed in categories from which they later can be retrieved. Some of the major divisions are Citizens, Primaries and Field Organization, Central Office Staff, Volunteer, Secretarial. Later, these can be broken down by state and the names on file forwarded to our operatives in each state.

OFFICE

All the necessary office supplies and equipment are now on hand and the office is operational. The group hospitalization policy goes into effect June 1 and we are covered for theft, fire, liability, etc. A travel accident policy has been purchased to protect the families of those men on our staff who might be severely injured or accidentally killed while traveling on behalf of the Committee. The telephone system has worked out well thus far.

A system has been set up whereby anyone ordering office supplies, furniture, equipment, etc., gives a requisition to one of the secretaries. All requisitions must be approved by me, thus centralizing this responsibility and saving money. The secretaries check with me before taking time off so that we don't, for example, find ourselves with half a staff just before a holiday. Staff meetings are regularly being held mid-week.
OFFICE -- continued

Our C.P.A., Pat Buchanan's brother, is doing a conscientious job with the payroll, withholding forms and reports, etc., although I'm trying to get his prices down a bit.

At the earliest opportunity, I'm going to try to chart out what our physical requirements will be for 1972 in terms of office space. A large office building is now going up across the street from us and is located where our original FN operation was headquartered in Washington in 1968 -- I will check at a later date to see if we might rent space in this building when it is completed -- hopefully at a reduced rate.
CITIZENS FOR THE RE-ELECTION OF THE PRESIDENT
WASHINGTON

May 20, 1971

CONFIDENTIAL/EYES ONLY

MEMORANDUM FOR: MR. WILLIAM E. TIMMONS
FROM: ROBERT C. ODLE, JR.

Attached are the two reports from Justice relating to the convention which your office requested.

Also attached is a section of a memorandum I prepared for Jeb's meeting with the Attorney General which deals with the convention.

Let's discuss where we go from here at your convenience.

Attachments

CONFIDENTIAL/EYES ONLY
June 2, 1971

PERSONAL & CONFIDENTIAL

Mr. William Timmons
Assistant to the President
for Congressional Affairs
The White House
Washington, D. C. 20500

Dear Bill:

Thank you for taking time out to visit with us last week. I'm still hopeful our project will flower and, with the guidelines you provided well in mind, will keep you posted of our progress.

I had the opportunity to visit with Bob Dole and Attorney General Mitchell by phone prior to leaving for California. Dole mentioned he might be out here within a matter of weeks, at which time he and I tentatively plan to take an unofficial swing through San Diego.

Ed Gillenwaters received the enclosed San Diego Union and San Diego Tribune (both Copley newspapers) articles, but in my view that doesn't seriously deter the effort.

Sincerely,

Ed

ED REINECKE

Enclosure

P.S. Have talked with you by phone since if we can just keep the publicity down, I think we'll make it. Ed
MEMORANDUM FOR:  
MR. JEB S. MAGRUDER

FROM:  
ROBERT C. ODLE, JR.

As we discussed yesterday, there will be four "decision papers" for the Attorney General and Mr. Haldeman in the very near future relating to the convention. These are as follows:

1. RNC Committees. Chairman Dole will appoint four major pre-convention committees at the July RNC meeting in Denver. Bill Timmons, Harry Flemming, and I have come up with suggested members for each. After their names have been carefully re-checked, they must be approved by the Attorney General. Timmons can then communicate them to Dole. You will have the decision paper this week for the Attorney General.

2. The DO Committee. The RNC's Delegates and Organizations Committee met in January to discuss convention procedures, and last weekend to discuss convention delegate selection mechanisms. We have a report on the first meeting and Timmons and I agree with all the DO Committee's recommendations except for one recommendation to the Rules Committee (which will be appointed in July). I am meeting this afternoon with Mrs. Stanley Ginn of Missouri, Chairman of the DO Committee, to be filled in on last weekend's activities. I will go over their most recent recommendations with Timmons and we will then prepare a decision paper in this area noting those recommendations with which we agree and those with which we disagree. This paper should be ready this week or next at the latest.

3. Site. Jo Good (with whom I talked yesterday) and the Site Committee are in San Diego this week. After the Committee returns, Timmons and I can sound out Dole and Good. Assuming we continue to favor San Diego, a decision paper will then go to the Attorney General and Mr. Haldeman; assuming their concurrence thence to the President; and at that point the President's decision would be communicated to Dole who would communicate it to the Site Selection Committee. The Site Committee makes its formal recommendation to the RNC meeting in Denver. However, I think we will recommend in our decision paper that the "decision" by the Site Committee be publicly announced ASAP so as to beat the Democrats. Timing on this paper for the Attorney General: Next week.

CONFIDENTIAL
4. Format. The Arrangements Committee (to be appointed in July) and its eleven sub-committees handle everything from housing to the convention program. Shortly we will call together our convention task force to kick around ideas on the format so that we can get from the Attorney General approval on some very preliminary guidelines in this area which can be used to properly orient the Arrangements Committee. The paper should be ready by July 5.

I am sending a copy of this memo to Bill Horton to assist him in the chart he is preparing for us.

cc: Mr. William L. Horton
    Mr. Gordon C. Strachan
    Mr. William E. Timmons
THE WHITE HOUSE
WASHINGTON

MEMORANDUM FOR:

FROM:

SUBJECT:

Magruder will meet the Attorney General today and discuss memorandum attached at Tab A concerning the RNC Site Committee's visit to San Diego.

To summarize:

1. The Site Committee found the same faults Bill Timmons noted in his May 6 memorandum (limited office space at the convention hall and barely adequate hotel accommodations);

2. The local politicians are indifferent, but the State officials, especially Ed Reinecke, are enthusiastic.

3. The San Diego bid is $500,000 in cash and $1,000,000 in inflated price services. This excellent bid is considered primarily the work of Reinecke and Magruder will suggest that the Attorney General call Reinecke and thank him.

4. San Diego is the favored site of the Attorney General's task force, though Chicago, Miami, and Louisville are still under serious consideration by the Site Committee.

5. Dole, Timmons, and Magruder believe the Convention Site Committee's request to see the President should be denied. Rather, Timmons should see the President, get his decision, relay it to Dole, and have Dole program the Site Committee to recommend formally to the President and announce to the media the location of the 1972 RNC Convention.

6. A formal decision paper will be presented to you and the Attorney General when San Diego submits its formal bid, hopefully this week.

On a related matter, Timmons submitted the memorandum attached at Tab B concerning the number of White House Staff who would be attending the convention. Timmons believes all commissioned personnel (approximately 50) are "entitled to be present whether or not they are actively engaged in the Convention."
The following are the options of which I recommend number two.

1. All commissioned personnel attend

2. Only those Staff who are contributing, whether commissioned or not

3. All male Staff down through Staff assistant level (150)

Wait a bit. To:Timmer 6/2/10

003346
June 22, 1971

CONFIDENTIAL

MEMORANDUM FOR: MR. JEB S. MAGRUDER
FROM: ROBERT C. ODLE, JR.
SUBJECT: 1972 CONVENTION SITE 003348

The RNC's Convention Site Committee has now returned from San Diego, thus completing its series of visits to all the cities which have bid for the 1972 Republican National Convention. The Committee was not as impressed with San Diego as we hoped it would be, citing the lack of office space for the media and the RNC at the convention hall as the main drawback. Also, some political officials in the city, chief among them the mayor, either suggested that the city did not want the convention, or were at best indifferent to the prospect of getting it. On the other hand, business leaders and state officials, led by Lieutenant Governor Ed Reineke of California, were very enthusiastic and members of the Site Committee reacted favorably to these people.

Bill Timmons reports that his contacts in California tell him the city is now offering $400,000 in cash and approximately $600,000 in services bringing the total offer to approximately $1,000,000. However, the city is putting very high price tags on the services, so in reality the figure might be more like $800,000. The final bid is being prepared this week in San Diego and should be received by the National Committee at the end of the week -- we will obtain a copy of it. It is our understanding that in this bid, the city will offer to construct a building adjacent to the convention hall which can house offices for the media and also for the RNC. San Diego will donate the use of the convention hall for as long a time as is needed to ready it for the convention, and also for the convention sessions.

CONFIDENTIAL
Incidentally, San Diego Democrats are reported to be upset that the city did not bid for the Democratic convention and therefore San Diego has decided to put in a pro forma bid for the Democratic convention.

It also should be noted that the Site Committee believes the list of cities under serious contention is now down to San Diego, Miami, Louisville, and Chicago. The committee has ruled out Houston because it has not expressed a real interest in the convention and has refused to make a firm offer of cash and services. San Francisco was ruled out because the committee fears possible problems with the nearby campuses and does not feel the convention hall and hotel situation is as good as it is in other cities.

In the meeting of our convention strategy task force on Friday, San Diego emerged as the very clear favorite, followed by Houston. There was no support for any of the other cities. Those attending that meeting were Pat Buchanan, Bill Safire, Dick Moore, Harry Dent, Len Garment, Don Rumsfeld, and Bill Timmons. Dwight Chapin, Fred La Rue, and Frank Shakespeare were out of town. In addition to favoring San Diego, the task force agreed that the convention should begin the week of August 21, 1972, and should be a three day convention.

Jo Good told me today that members of the Convention Site Committee are in Washington this week and that she would like Chairman Dole, Fred Scribner, and the vice-chairman of the committee to meet with the President later this week or next week to review with him the thoughts of the Site Committee, so that the President might be informed of everyone's views before making up his mind. I have advised Bill Timmons and Gordon Strachan of this, and the three of us have agreed that the following strategy should be employed rather than having the committee see the President. Also, Timmons tells me that Dole agrees with him that we should pursue the following scenario:

As soon as the bid from San Diego comes in, we (Timmons, Magruder, Dole) will examine it. If our inclination is still to go with San Diego, I will prepare a decision paper for the Attorney General and Mr. Haldeman. Assuming their concurrence, we will then request that Timmons discuss with the President his views on all the cities in contention for the convention site and our recommendation that we go to San Diego. Assuming the President concurs with this choice, Timmons would then talk with Dole and communicate the President's decision to him. Dole would talk with the members of the Site Committee regarding this and at some future point in time (next...
week or the week after), either Dole by himself or Dole with the other members of the Site Committee would meet with the President and announce to him their decision that the convention go to San Diego. The President would tell the Site Committee that he concurs with their recommendation that the convention be held there. Members of the Site Committee could then go into the Briefing Room and announce to the media that they had recommended to the President that the convention be held in San Diego, that the President had approved their recommendation, and that they hoped the Republican National Committee would approve the recommendation in Denver on July 23. This would put us publicly on record as having chosen a convention site before the Democrats.

If the general strategy as outlined above is approved, we will proceed as suggested with the initial decision paper.

Approve __________ Disapprove __________

Comments ____________________________________________

003350

bcc: Mr. Gordon C. Strachan (for Mr. Haldeman's approval and concurrence if necessary)
MEMORANDUM FOR: H. R. Haldeman
FROM: William E. Timmons
SUBJECT: '72 Convention

In preparing my preliminary plan for next year's convention, I need to know how many White House staff we may be required to accommodate with rooms, transportation, tickets, etc.

No doubt a number of key staffers will be involved in the convention campaign and, of course, those will be included in our early plans.

I personally feel that all commissioned personnel are entitled to be present whether or not they are actively engaged in the convention or not. This would be a morale booster, give staff a greater insight into politics, and serve as "crowd fillers" for selected events.

RECOMMENDATION:

That I include plans for having all commissioned White House staff attend the '72 Convention.

APPROVE ___________ DISAPPROVE ___________

OPTIONS:

If the recommendation is disapproved, then
1. Only those staff who can make a contribution to the Convention ___________

If the recommendation is approved, then
1. Include male staff down through staff assistant level ___________
MEMORANDUM FOR:  
H.R. Haldeman  
FROM:  
Gordon Strachan  
SUBJECT:  
1972 Convention Site

Technically the RNC will decide on the site for the 1972 Convention on July 22-23, based on the last Site Committee meeting and recommendation of July 21; so the specific, technical answer to your question as to the final date for a decision on the 1972 Convention site is July 21.

However, Timmons, who as Chairman of the Attorney General's task force on the Convention has developed scenario that requires a firm decision earlier:

1. Late today, Timmons will submit his analysis of Chicago;

2. Next week, Timmons will meet with Dole to determine the Site Committee's preferences, and will submit to you and the Attorney General a formal decision paper. This paper will attach the formal bid by San Diego, which is expected to be $500,000 in cash and $1,000,000 in inflated price services;

3. Upon decision by the President on the location of the Convention, Timmons hopes to relay this to Dole, who will in turn have the Site Committee decide on the same location;

4. If the location is San Diego, Timmons suggests that Dole, during the San Clemente trip, formally advise the President and then immediately make the announcement to the media;

5. If San Diego is not chosen, the same scenario would be followed except that there is no need to make the announcement from San Clemente.
Memorandum for:

H.R. Haldeman

From:

Gordon Strachan

Subject:

1972 Convention Site

Magruder delivered the 1972 Convention Site decision paper to the Attorney General today. Your copy is attached.

As you know, Magruder and Timmons have developed a scenario that the Attorney General told you on June 23rd he would slow down until the President has had an opportunity to give serious thought to San Diego.

The decision paper offers the facts for the President's consideration and recommends that San Diego be selected as the site for a three day convention beginning August 21, 1972.

To summarize:

1. The Democrats announced today that their convention will be held in Miami Beach beginning July 9, 1972. Miami Beach bid $950,000 for the honor.

2. Bids for the Republican Convention have been received from cities which are listed in the order of preference: San Diego, Miami Beach, Houston, Louisville, Chicago, and San Francisco.

3. The Summer Olympics will be held in Munich beginning the last week of August. Therefore, the 1972 Convention should begin on August 21, 1972 and continue for three days.
June 26, 1971

MEMORANDUM FOR: THE ATTORNEY GENERAL
H. R. HALEXAN:

FROM: JEB MAcRUDER
WILLIAw TIMMANS

SUBJECT: 1972 Convention

This paper with its attachments is a summary of information relating to decisions that should be made immediately regarding the 1972 Republican National Convention. We make three recommendations:

1. That San Diego be selected as the site city
2. That the Convention start August 21, 1972
3. That it be a three-day Convention

We suggest you discuss these topics, at the earliest opportunity, with the President to get his guidance. When resolved, Chairman Bob Dole should be notified so he can engineer his Site Committee to make identical recommendations to the President. Later, Dole should meet with the President to advise him of the Committee's views, giving the President an opportunity to concur. Should San Diego be selected, this meeting might be considered for San Clemente the first week in July.

I. DEMOCRATS

Every available signal is that the opposition will hold its national convention in Miami Beach, starting on July 10, 1972. While Miami has good facilities, hotels and vacation atmosphere, the Democrats are probably more interested in the security aspects of Miami as a result of the '68 riots in Chicago.

II. REPUBLICANS

Bob Dole is Chairman of the Republican National Committee Site Selection Committee. The Committee membership is listed in Tab A. Bids have been received from:
San Diego
-- Miami Beach
-- Chicago
-- Houston
-- Louisville
-- San Francisco

Committee visitations have been made to all cities except San Francisco. An analysis of each city's bid and some pro and con arguments of the various sites are in Tab B.

Since the President will control the Convention machinery and can schedule events to fit television prime time, media coverage is not a significant factor in site location. Presumably we will try to target time for maximum exposure, and this can be done by a little earlier program on the West Coast or a little later on the East Coast.

Also, while we question the argument that site location helps deliver a state's electoral votes to the Party, it certainly is a false issue for regular convention cities such as Chicago, Miami and San Francisco.

Facilities, security, a healthy "upbeat" atmosphere, confidence and control are important considerations to site location.

The Site Committee will make its formal recommendation to the full Republican National Committee at the Denver meeting on July 23. It is expected that the RNC will ratify the recommendation without difficulty. Additionally, Dole has indicated he recognizes that the President will call the shots on the Convention.

III. DATE OF CONVENTION

The Republican National Committee, Justice Department and White House counsel agree that a September convention would be too late to guarantee that the nominees can legally be placed on the ballots in a number of states. While some waivers may be possible, a September Convention cannot be considered. The Summer Olympics start in Munich, Germany the last week in August, and ABC has exclusive coverage and a commitment to carry events in prime time. ABC officials say that is locked in and it would be difficult for their crews and equipment to cover a convention the last week in August. Also, it is felt we would lose a substantial audience if the Convention were to compete with the Olympics. Therefore, August 21 appears to be the latest date the Convention could start considering the circumstances. The RNC favors the Convention for this period.
IV. THREE-DAY CONVENTION

Historically, both parties have held conventions varying in length from two days to five days. A four day convention has been the most popular. Because of the expected renomination of the President, a shorter convention is felt appropriate for 1972. This would help eliminate delegate and public boredom and leave fewer opportunities for the media to emphasize Republican differences, demonstrators, etc. On the other hand, official business can hardly be condensed to fewer than three days. It is anticipated the sessions might be divided as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Session</th>
<th>Agenda Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aug 21, Mon</td>
<td>Morning</td>
<td>Convening Committees appointed</td>
</tr>
<tr>
<td>Aug 21, Mon</td>
<td>First Session</td>
<td>Temporary Chairman</td>
</tr>
<tr>
<td>Aug 21, Mon</td>
<td>Evening</td>
<td>Keynote Address Permanent Chairman</td>
</tr>
<tr>
<td>Aug 22, Tue</td>
<td>Morning</td>
<td>Reports of Platform Rules, Credentials, etc.</td>
</tr>
<tr>
<td>Aug 22, Tue</td>
<td>Third Session</td>
<td>Nomination Speeches and election of candidates</td>
</tr>
<tr>
<td>Aug 22, Tue</td>
<td>Evening</td>
<td>Acceptance Speeches</td>
</tr>
<tr>
<td>Aug 23, Wed</td>
<td>Evening</td>
<td>Fifth Session</td>
</tr>
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</table>

The principal change in this agenda schedule is that normally the committee reports, including Platform, are held during evening prime time on the second day. With an incumbent Administration, it is felt this event could be held in the morning even though we are exploring ways (films?) to make the platform more interesting and attractive. The RNC favors a four day convention because of anticipated hotel commitments to the host city and fear emergencies may require longer individual sessions.

We urge adoption of our recommendations.

1. San Diego as site
   - APPROVE
   - DISAPPROVE
2. Start August 21, 1972
   - APPROVE
   - DISAPPROVE
3. Three-Day Convention
   - APPROVE
   - DISAPPROVE

CONFIDENTIAL/EYES ONLY
COMMITTEE ON SITE
FOR THE
1972 REPUBLICAN NATIONAL CONVENTION

(Appointed February 5, 1971)

Robert J. Dole, Chairman
Mrs. Jack L. Stacy, Vice Chairman

Mrs. Jean McG. Boese, Member
Republican National Committee
631 City Park Boulevard
Alexandria, Louisiana 71301

Robert A. Marden, Member
Republican National Committee
44 Elm Street
Waterville, Maine 04901

George Thiss, Chairman
Minnesota Republican State Central Committee
Member, Republican National Committee
4940 Viking Drive
Minneapolis, Minnesota 55435

Mrs. Keith McHugh, Member
Republican National Committee
10 Gracie Square
New York, New York 10028

D. Jack Gibson, Member
Republican National Committee
Post Office Box 1233
Sioux Falls, South Dakota 57101

Mrs. Jack L. Stacy, Member
Republican National Committee
Post Office Box 96
Douglas, Wyoming 82633

Fred C. Scribner, Jr., 465 Congress Street, Portland, Maine 04111, General Counsel of the Republican National Committee, will serve as General Counsel of the Committee on Site.
SAN DIEGO

AVAILABILITY:
August date is okay.

HALL:
Seats 15,000. Will require temporary facility for network and service organizations.

BID:
$1,500,000 in cash, goods & services.

HOTELS:
Can meet 18,000 requirement, some rooms better than others. Short on parlors.

SECURITY:
Good local police force and state patrol. Military installations close by. Access to hall is good.

ARGUMENTS:

PRO:
-- Republican Governor (Reagan)
-- Republican Congressman (Wilson)
-- Close to Western White House
-- Outstanding climate
-- New, non-convention city
-- Emphasizes GOP interest in Western votes
-- Best money bid
-- California has most delegates and most electoral votes
-- Many things for delegates to do
-- Outside, wholesome atmosphere
-- Copley papers

CON:
-- Democratic Mayor (up for re-election this year)
-- City never handled big riots
-- Shortage of parlors
-- Construction of temporary facility next to hall
-- Possibility of Reagan candidacy
-- Internal competition between Reagan and Finch forces
-- Proximity to Watts & Berkeley could assure demonstrations
-- Arnhold Smith IRS problems
-- Must have earlier sessions to accommodate national prime time
-- Aerospace unemployment
-- Considered a non-union town

CONCLUSION:
By far the best of bidding cities. Security is main concern.
MIAMI BEACH

AVAILABILITY:
August date is okay

HALL:
Seats 18,000. Excellent hall.

BID:
In neighborhood of $600,000 in cash, goods and services.

HOTELS:
Good rooms and parlors in sufficient numbers. However, they are stretched out with only one artery.

SECURITY:
Excellent because of geography.

ARGUMENTS:

PRO: -- Close to Key Biscayne
-- Sentimental return to '68 site
-- Lot for delegates to do; beaches
-- Best security of all cities
-- Easier for media to cover both conventions

CON: -- Hurricane season
-- Old hat; nothing new
-- Public boredom of having two conventions in same city
-- Democratic Governor and Mayor
-- Afraid of riots; seek shelter
-- Not truly a "southern" city
-- Local Cuban competition
-- Have had racial problems
-- Must have later sessions to accommodate nation's prime time

CONCLUSION: Second best choice
AVAILABILITY: Possible in August subject to rescheduling of baseball games.

HALL: Astrosome is too large but Astrohall has 15,000 seats. Modern facilities.

BID: No firm offer made.

HOTELS: Limited. Must utilize rooms far away from hall.

SECURITY: Probably adequate.

ARGUMENTS:

PRO: -- A new convention site
   -- Will influence Texas and southern votes
   -- Republican Senator (Tower) and one local Congressman (Archer).
   -- Midwest television time
   -- Central geographical location
   -- Few demonstration problems

CON: -- Democratic Governor
   -- LBJ image covers Texas
   -- Hot and humid climate
   -- Not much for delegates to do
   -- It was apparent to the Site Committee that Houston was not genuinely interested in attracting the convention and refused to cooperate. If Houston is chosen, it will require a great deal of RNC staff work to get a decent bid.

CONCLUSION: "Dark Horse" third choice but harder negotiations required.
AVAILABILITY: Anytime we want it.

HALL: New, excellent downtown facility.

BID: Open to negotiation; no firm offer.

HOTELS: Extremely limited; probably have to house in other states.

SECURITY: Probably adequate but untested.

ARGUMENTS:

PRO: -- New convention city
-- Helps with southern and border states votes
-- Republican Governor (election this year) and two Senators (Cook & Cooper)
-- Small town heartland America
-- Kentucky bourbon

CON: -- Housing and transportation limited
-- "Why Louisville?"
-- Nothing for delegates
-- The Site Committee feels Louisville is not sincere in its bid, which was instigated by Col. Sanders of chicken fame and a group of aggressive Jaycees, who are part of the Democratic Mayor's best supporters.

CONCLUSION: Not enough pluses to offset liabilities.
AVAILABILITY: August date would require moving American Legion convention. This may be possible.

HALL: 12,000 seats -- a little small. In black ghetto section.

BID: The required $800,000 anyway we want it.

HOTELS: Excellent number of rooms and parlors.

SECURITY: Police good and have riot experience.

ARGUMENTS:

PRO: -- Republican Governor (Ogilvie)
      -- Midwest location
      -- Transportation center
      -- GOP can do what Democrats couldn't.
      -- Good prime time coverage for nation
      -- Big City atmosphere

CON: -- Red flag to demonstrators
      -- In Daley's hands
      -- Have been there before
      -- Governor Ogilvie is opposed
      -- Chicago is not truly representative of Heartland America
      -- Not much new for delegates
      -- Racial and unemployment problems
      -- Hot, humid climate

CONCLUSION: The risk is too great for any marginal benefit.
**SAN FRANCISCO**

<table>
<thead>
<tr>
<th><strong>AVAILABILITY:</strong></th>
<th>Undetermined</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HALL:</strong></td>
<td>Cow Palace seats 14,000 but is far from city</td>
</tr>
<tr>
<td><strong>BID:</strong></td>
<td>No offer made. Felt could raise $300,000.</td>
</tr>
<tr>
<td><strong>HOTELS:</strong></td>
<td>Tourist season. Hard to commit.</td>
</tr>
<tr>
<td><strong>SECURITY:</strong></td>
<td>Not Good. Center of dissent and unrest.</td>
</tr>
<tr>
<td><strong>ARGUMENTS:</strong></td>
<td>No body considers San Francisco a possibility in light of above and other factors.</td>
</tr>
<tr>
<td><strong>CONCLUSION:</strong></td>
<td>Absolutely out of question!</td>
</tr>
</tbody>
</table>
MEMORANDUM FOR:  
FROM:  
SUBJECT:  

Technically the RNC will decide on the site for the 1972 Convention on July 22-23, based on the last Site Committee meeting and recommendation of July 21; so the specific, technical answer to your question as to the final date for a decision on the 1972 Convention site is July 21.

However, Timmons, who as Chairman of the Attorney General's task force on the Convention has developed scenario that requires a firm decision earlier:

1. Late today, Timmons will submit his analysis of Chicago;

2. Next week, Timmons will meet with Dole to determine the Site Committee's preferences, and will submit to you and the Attorney General a formal decision paper. This paper will attach the formal bid by San Diego, which is expected to be $500,000 in cash and $1,000,000 in inflated price services;

3. Upon decision by the President on the location of the Convention, Timmons hopes to relay this to Dole, who will in turn have the Site Committee decide on the same location;

4. If the location is San Diego, Timmons suggests that Dole, during the San Clemente trip, formally advise the President and then immediately make the announcement to the media;

5. If San Diego is not chosen, the same scenario would be followed except that there is no need to make the announcement from San Clemente.
THE WHITE HOUSE
WASHINGTON
June 30, 1971
12:46 p.m.

PHONE CALL
SENATOR DOLE (Opr.)

(1) Timmons indicates he wants to talk about the Convention.

(2) He has been invited to go to K.C. but has not accepted.

(3) He indicated to Timmons that he wanted to talk to the P about the convention while on the airplane to K.C.

LH
23. In a memorandum dated May 5, 1971 Ehrlichman informed Mitchell that he desired to meet with McLaren about the ITT cases to achieve the agreed-upon ends discussed by the President and Mitchell.

23.1 Memorandum from John Ehrlichman to John Mitchell, May 5, 1971 (received from White House).
MEMORANDUM FOR

THE ATTORNEY GENERAL

Following up our conversation at the Cabinet meeting the other day, I would like to arrange to talk with Dick McLaren about the present status of the ITT cases in order that we can achieve the agreed-upon ends discussed by the President with you.

I would be happy to have anyone else sit in that you might designate.

Would you like me to make this arrangement directly with Dick or would you prefer to have us work through you?

004127

John D. Ehrlichman

bcc: Bud Krogh
24. On May 12, 1971 ITT President Geneen discussed with Congressman Bob Wilson, whose district included part of San Diego, the possibility of ITT financial support for a San Diego convention bid.

24.1 Harold Geneen testimony, 2 KCH 647-48.
ment from the Government's standpoint, while allowing us to continue our operations, which we think are a contribution to the national interest.

Perhaps two or three thoughts in this area will help clarify.

First, there could be no voluntary settlement that divested Hartford Fire Insurance Co. My emphasis is on the word "voluntary." The losses which we would have have suffered, and which had been made more difficult by changes in both the accounting rules and tax laws in the interim period, were such that no board of directors could voluntarily vote to take this action. It was certain therefore that no voluntary settlement could be accepted by us if it included divestiture of Hartford.

Second, as to the Grinnell Co., it was well known to us and to the Department's trial counsel that the Department's concern from an antitrust standpoint was almost wholly ascribable to the Fire Protection Division and that they were not concerned with anticompetitive aspects of the balance of the company. Further, our own trial lawyers, based upon the facts of the case, felt that even if we had lost the case in the Supreme Court it probably would have been remanded back to the district court and the worst we could have suffered would have been a requirement to dispose of the Fire Protection Division. That is precisely what we gave up in this settlement.

I was interested to see in the testimony that the Government's legal thinking followed in much the same order.

Third, the divestiture obtained by the Government of Grinnell fire protection, as well as Avis, Canteen, Levitt, and our life insurance companies eliminated completely any basis for antitrust concern in the Hartford matter in the opinion of antitrust lawyers on both sides.

Fourth, to refer to Dean Griswold's testimony, for the purposes of offering a deterrent to future mergers of size, the sheer size of the divestiture, which was the largest in the history of the antitrust laws, would stand as a practical precedent that conglomerate and antitrust cases could result in massive divestment.

We, of course, were not then aware of the thinking in the Department of Justice. We were only aware of what we needed as a minimum to continue our business and our operations. We wanted to stop not only the risk of further litigation, but also the wide investment of management time and we could go back to running our business.

In short, when one adds the 10-year ban on reciprocity and acquisitions which we accepted, I guess the Government did obtain almost everything that they had started to do. If there is merit, and I believe there is, to the point we have made that we and companies like us are an essential part of the national economy, particularly in our inflow of foreign earned dollars, we have preserved our ability to contribute to the future.

I would like to make one other comment on this part of my statement. At no time did I have any impression at any time or in any way that Judge McLaren was other than in complete control and charge of the policy and of the final settlement.

While I did not and do not agree with Judge McLaren's economic philosophy, I would like to register my respect for the diligence, integrity, and honor that was shown by the Department of Justice.

Now I would like to turn to our commitment to the San Diego Convention and Tourist Bureau. Obviously if the settlement was...
fairly and properly reached, then the concerns about San Diego are limited to the question of whether it in itself is a proper business action.

Let me start by saying very simply that there was absolutely no connection between the action which we took in support of the San Diego Convention and Tourist Bureau’s bid for a national political convention, and any other action or activity of our company other than the promotion of the Sheraton hotels.

I would like to start with why we were in San Diego on May 12, the time I first heard of any suggestion of supporting the local community in this bid for a national convention. We were there for our annual meeting because we are in particular a booster for the city of San Diego. We already had two hotels in the city and we were in construction on a third large hotel. This was to be a sizable hotel on the order of $20 million of value when finished and, as such, it was one of the few new hotels that Sheraton both owned and was erecting in continental United States.

It is understandable, therefore that for purely commercial and business reasons we would be an enthusiastic supporter of the efforts of the San Diego Convention and Tourist Bureau, particularly with a new hotel to open shortly before the projected convention time.

Now I must say that this was broached to me first under very informal circumstances at a dinner party we had there for some 70 people at the conclusion of our annual meeting and it was broached by the local Congressman, Bob Wilson, on the basis of use of hotel space during a period of what I thought to be of less than maximum space demand for a new hotel. Also to be considered was the remarkable news value for a new hotel opening under these conditions and in the climate and scenic environment which has much to offer in an area like San Diego.

There were various discussions, but as that time I thought there were no commitments because it was broached on the theory of a possibility, not a certainty, not even an assurance, that such a convention could be attracted to a city the size of San Diego.

In subsequent review, particularly in terms of the Sheraton operating management, as to what we could properly offer, it was determined that a contribution in services was not feasible for administrative and other reasons, and our outside legal counsel recommended that any contribution should be in cash. Accordingly, it was the decision of the Sheraton Corp. to make the contribution in cash. The Sheraton people felt that a contribution on that basis of $100,000 would be an extremely advantageous business investment for them and they fully expected to earn the bulk of it back during the convention itself. Further, for normal promotional expense by a new sizable hotel this was a very reasonable figure for almost any major hotel that Sheraton opens, even in less dominant position than they would occupy in the San Diego situation. For example, the Waikiki-Sheraton which was opened in July in Hawaii had cost about $250,000 in promotional expenses and Sheraton has in the past incurred over $200,000 on many occasions in opening expenses of new hotels. Moreover the news value of the convention with the presidential headquarters situated in the new hotel was of inestimable value to not only the San Diego hotel but other hotels in the Sheraton chain worldwide.

Therefore, on July 21 prior to the site—and I want to emphasize that—prior to the site selection board’s meeting and prior to the
RICHARD G. KLEINDIENST—RESUMED

HEARINGS
BEFORE THE
COMMITTEE ON THE JUDICIARY
UNITED STATES SENATE
NINETY-SECOND CONGRESS
SECOND SESSION
ON
NOMINATION OF RICHARD G. KLEINDIENST, OF ARIZONA,
TO BE ATTORNEY GENERAL

PART 3
APRIL 10, 11, 12, 13, 14, 17, 18, 19, 20, AND 27, 1972

Printed for the use of the Committee on the Judiciary

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1972

For sale by the Superintendent of Documents, U.S. Government Printing Office
Washington, D.C. 20402- Price $2.75
Let me explain my relationship with some of the people involved in your hearings. I have known Di La Board since 1960 when we worked together in the campaign. I first met Mr. Geneen, head of ITT, about 8 years ago and have since become well acquainted with him, having gone on fishing trips with him on both the west and east coasts. I became reacquainted with Dita Beard about the same time. She subsequently became very active in Republican political circles, also working as a lobbyist for ITT on Capitol Hill. I believe she is a very effective and dynamic person.

I have been proud of my friendship and association with Mr. Geneen and believe I was at least partially responsible for the decision to bring the Sheraton Corp. into my district, with three major hotels, recognizing San Diego's great potential in the field of tourism. I also suggested to Mr. Geneen that my district would be an ideal location for a cable plant which I learned ITT was going to build on the west coast and which is currently under construction in San Diego.

I believe that ITT's expanding interests in the San Diego area resulted in the decision to hold its annual stockholders meeting at San Diego early last May. It was at a dinner attended by many of the ITT executives at the Sheraton Half Moon Inn, one of the hotels which Sheraton recently acquired, when I first broached to Mr. Geneen the possibility of San Diego bidding on the Republican Convention. I am confident this was the first time Mr. Geneen ever heard about San Diego's prospects for the convention.

I had been bitterly disappointed a few weeks earlier when the then Mayor Curran declined an opportunity to bid for the Republican Convention on the grounds that the city could not handle such a large gathering. It is my understanding that he also declined to bid on the Democratic Convention for the same reason.

Just prior to my attending the dinner at the Sheraton Half Moon Inn, as Mr. Geneen's guest, I learned that San Diego still might qualify because of a reduced requirement for rooms and financing for the Republican Convention. The initial requirement for bidding had been for a minimum of 18,000 rooms and roughly $1.2 million in cash and services. I learned that only 12,000 rooms had been used at the Republican Convention in 1968 in Miami and that with little opposition expected for Mr. Nixon's nomination this time, a bid for 12,000 rooms and perhaps $800,000 in cash, plus certain other services, might put us in the ball park.

I casually mentioned this to Mr. Geneen when we were talking about the hotel business and specifically the new Sheraton Harbor Island Hotel, which is scheduled to open in June of this year. I said that although the deadline for bidding was past due, San Diego still might have a chance to put in a successful bid. He showed great interest and mentioned how important it would be for publicity for the opening of a large new hotel such as the Sheraton Harbor Island. I told him I was sure the community could come up with the sufficient financing if we were given a little time and if we got the proper underwriting as was done in San Francisco by Dan London and other business people there.

We kicked around the idea of my going to leading businessmen and getting commitments from them and putting together a bid package. He then suggested if I would take the lead he thought Sheraton would underwrite up to $800,000 and would, of course, be willing to actually
commit for their fair share of the total amount of money needed. I
told him I thought it would not be difficult to put a bid together
quickly. He then told me he would see that they backed me personally
for half the total amount needed, which would be $400,000. There was
no written agreement, not even a handshake, but my personal knowl-
dge of Mr. Geneen satisfied me as to the integrity of his guarantee.
I assured him we could soon work the underwriting down to a
reasonable figure as far as Sheraton's obligation was concerned. Within
the next few weeks I worked with a number of local citizens, plus
Lieutenant Governor Reinecke, persuading the Hotel Association, the
Convention and Visitors Bureau, and the city and county that the
convention was a doable thing if we all worked together quickly and
positively.

The mayor and city council soon thereafter changed their position
and agreed to back San Diego's bid. The mayor appointed Leon
Parma, a former administrative assistant of mine and now a vice
president of Teledyne Ryan Corp., to head a civil committee for the
convention. Pledges were obtained from dozens of local business
people and a total package was put together in time for a formal
presentation to the Site Selection Committee in Denver in late July.
In the latter part of July, I called Mr. Howard James, President of
Sheraton, and told him we had worked the Sheraton underwriting
down to about $200,000 and it would probably be less, but we would
like a definite commitment for $100,000. This commitment was
subsequently made on July 21, 1971, in the form of a wire addressed
to the Convention and Visitors Bureau and sent to me in Washington.
I took this wire with me to Denver when I met with the San Diego
dlegation to press our bid.

A check was subsequently drawn to the Convention and Visitors
Bureau by Sheraton for $100,000 and it is my understanding that it
is being held in an account until the final figure for the Sheraton
commitment is determined. Because of the success of the fundraising
drive among local businessmen, I expect that this time that Sheraton's
total cash outlay for the convention will now be in the neighborhood
of $50,000. I understand several leading Republicans have suggested
that Sheraton's bid be rejected. This is absurd. The contribution of a
reasonable sum to the civil committee is legal and, in my opinion, is a
definite responsibility of Sheraton. After all, they will be a major
beneficiary of the convention and related activities.

I understand Mr. Geneen testified that the only firm commitment
in writing was for a maximum of $200,000. This is correct. I do not
think my statement and his are in conflict. It is also true that his
personal commitment to me got us off dead center and the local
pledges quickly followed.

Now as to the Jack Anderson memo, I first learned of its existence
through a phone call from Dita Beard who was very excited and said
she wanted to see me immediately about a very important matter.
She came to my office and showed me a copy of a memo which she
said Mr. Hume, Jack Anderson's assistant, had brought to the ITT
office and showed her. She was obviously shocked and distraught and
said it just didn't add up, although it was typed on original ITT
stationery and had her initial at the top.

She told me she had written a memo last June at Mr. Merriam's
request to clarify the details about the Sheraton's involvement in
25. On May 17, 1971 the government's appeal in ITT-Grinnell was perfected by the filing of a jurisdictional statement.

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1970

UNITED STATES OF AMERICA
Appellant--Petitioner

vs.

INTERNATIONAL TELEPHONE AND
TELEGRAPH CORPORATION
Appellee--Respondent

No. 1718

To HENRY P. SAILER, ESO., Counsel for Appellee--Respondent:

YOU ARE HEREBY NOTIFIED that an appeal--a petition for a writ of certiorari--in the above-
titled and numbered case was docketed in the Supreme Court of the United States on the
17th day of May, 1971.

At the request of the Clerk of the Supreme Court, we are sending attached hereto an ap-
pearance form to be filed by you, or other counsel who will represent your party, with the Clerk
at or before the time you file your response to our petition or jurisdictional statement.

ERWIN N. GRISWOLD, Solicitor General
Counsel for Appellant--Petitioner

U.S. Department of Justice
Number and Street

Washington, D.C. 20530
City, State and Zip Code

cc Scott E. Bohon, Esq.

NOTE: Please indicate whether the case is an appeal or a petition for certiorari by crossing out
the inapplicable terms. A copy of this notice need not be filed in the Supreme Court.

CO-75

Retyped from indistinct original
SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 19__

UNITED STATES OF AMERICA

Appellant—Petitioner

vs.

INTERNATIONAL TELEGRAPH AND TELEPHONE CORPORATION

Appellee—Respondent

No. 1715

To _________, Counsel for Appellee—Respondent:

YOU ARE HEREBY NOTIFIED that an appeal—a petition for a writ of certiorari—in the above-entitled and numbered case was docketed in the Supreme Court of the United States on the 11th day of ______, 19__.

At the request of the Clerk of the Supreme Court, we are sending attached hereto an appearance form to be filed by you, or other counsel who will represent your party, with the Clerk at or before the time you file your response to our petition or jurisdictional statement.

SOLICITOR GENERAL

Counsel for Appellant—Petitioner

U. S. Department of Justice

Number and Street

Washington, D. C. 20510

cc Scott E. Bohen, Esq.

City, State and Zip Code

NOTE: Please indicate whether the case is an appeal or a petition for certiorari by crossing out the inapplicable terms. A copy of this notice need not be filed in the Supreme Court.

SOLICITOR GENERAL


26.2 Richard McLaren testimony, 2 KCH 103, 110.
RICHARD G. KLEINDIENST—RESUMED

HEARINGS
BEFORE THE
COMMITTEE ON THE JUDICIARY
UNITED STATES SENATE
NINETY-SECOND CONGRESS
SECOND SESSION
ON
NOMINATION OF RICHARD G. KLEINDIENST, OF ARIZONA,
TO BE ATTORNEY GENERAL

PART 2
MARCH 2, 3, 6, 7, 8, 9, 10, 14, 15, 16, 26, and 29, 1972

Printed for the use of the Committee on the Judiciary

U.S. GOVERNMENT PRINTING OFFICE
73-853
WASHINGTON : 1972

For sale by the Superintendent of Documents, U.S. Government Printing Office
Washington, D.C. 20402 - Price $3.25
SCHEDULE OF EXHIBITS

Ramadan Report, International Telephone & Telegraph Corp., May 17, 1971

Memorandum, for the Deputy Attorney General, June 17, 1971, from Richard W. McLaren

Letter, dated December 13, 1971, from Richard G. Kleindienst to Lawrence F. O’Brien

Comparison of antitrust workload by years, 1965-71, submitted by Senator Edward J. Gurney

Letter, dated March 5, 1972, from J. Edgar Hoover, Director, Federal Bureau of Investigation, to the chairman of the committee

Statement, dated March 5, 1972, in regard to the medical condition of Mrs. Dita Beard, signed by Dr. Victor F. Liszka, Dr. Leo Radestky, and Dr. Dave T. Garland

Virginia statute in regard to conversation between physicians and patients, submitted by Senator Marlow W. Cook

Letter, dated March 6, 1972, from Erwin N. Griswold, Solicitor General, to the chairman of the committee, and enclosed statement

Letter, dated April 16, 1971, from Lawrence E. Walsh to Richard G. Kleindienst, and enclosed memorandum

Letter, dated March 6, 1972, from Henry E. Petersen, Assistant Attorney General, to the chairman in regard to the testimony of Dr. Victor L. Liszka

Letter, dated March 7, 1972, from Bruce B. Wilson, Acting Assistant Attorney General, Antitrust Division, to Peter M. Stockett, Committee on the Judiciary

Memorandum, dated March 24, 1969, from Richard Nixon, President, to the heads of executive departments and agencies, establishing a procedure to govern compliance with congressional demands for information


Letter, dated March 6, 1972, to Richard G. Kleindienst from Senator John V. Tunney

Biographical sketch of Erwin N. Griswold, Solicitor General


Three newspaper columns by Jack Anderson, February 29, 1972, March 1, 1972, and March 3, 1972, full text supplied by Mr. Anderson

Letter, dated January 17, 1972, from Henry E. Petersen, Assistant Attorney General, Criminal Division, Department of Justice, by John C. Kenney, Chief, Fraud Section, to Frank DeMarco, Jr., submitted by Senator Roman L. Hruska

Letter, dated January 3, 1972, from Frank DeMarco, Jr., to Henry Petersen, Department of Justice, submitted by Senator Roman L. Hruska


Newspaper article by James R. Polk, “The Covert Collector: GOP’s Kalmbach,” submitted by Senator Edward M. Kennedy

Memorandum, dated June 25, 1971, marked “Personal and Confidential, To W. R. Merriam, From D. D. Beard, Subject: San Diego Convention”

Advising contract for 1972 Democratic National Convention program, submitted by Senator Roman L. Hruska

Newspaper article, dated March 9, 1972, from the Los Angeles Times, in regard to contributions for Republic National Convention, submitted by Senator Birch Bayh

Newspaper article, dated February 16, 1972, from the New York Times by Everett R. Holles

Letter, dated March 9, 1972, from William N. Letson, General Counsel, Department of Commerce, to the chairman, and enclosed statement by the Department of Commerce with respect to Richard Namsden

Letter, dated August 24, 1971, from Richard G. Kleindienst to Senator Alan Cranston, submitted by Senator Edward M. Kennedy

[5212]
stock to its stockholders in a tax-free reorganization, it would be left with an unmanageable issue of preferred stock.

Following the meeting, we of the Antitrust Division requested the Treasury representatives and an outside consultant—I believe Mr. Kleindienst said economist, I think he was a financial expert—to evaluate the ITT claims.

Shortly after the middle of May, the experts reported that there was substantial support for the arguments made by ITT and that a Hartford divestiture would be indeed very difficult for ITT and, because of changes in the law and in accounting practice, such a divestiture would probably entail a very large loss to ITT stockholders; $1.2 billion was one estimate, and that was made in a written report. I believe copies have been furnished to members of the committee, along with a copy of my prepared statement. (The material referred to follows:)

Ramsden Report
INTERNATIONAL TELEPHONE AND TELEGRAPH CORP.

BACKGROUND

On April 10, 1969 International Telephone and Telegraph Corporation (ITT) and The Hartford Fire Insurance Company (Hartford) entered into an agreement for merger of Hartford with ITT. On August 1, 1969 the Justice Department filed suit asserting that the transaction violated Section 7 of the Clayton Act. The Government's application for an injunction was denied in U.S. District Court on October 21, 1969. In November, 1969 the merger received the approval of the Hartford shareholders; however, on December 13th, the Insurance Commissioner of the State of Connecticut disapproved the merger, suggesting an exchange offer to the Hartford stockholders would have been more proper method. Thereupon, ITT instituted steps to make a voluntary exchange offer to Hartford stockholders. In June, 1970 ITT acquired a 99.8% interest in Hartford through the issuance of 21,735,702 shares of Cumulative Preferred stock, 82.25 Convertible Series X for a like number of shares of Hartford. The transaction was non-taxable and treated as a pooling for accounting purposes.

Pending trial of the U.S. Government's suit, ITT is required, based on the October 21, 1969 ruling of Chief Justice William Timbers of the U.S. District Court for Connecticut, to hold the Hartford business separate from the other businesses of ITT.

PURPOSE

The purpose of this paper is to examine the financial and economic consequences of a divestiture of Hartford by ITT. Among the subjects to be considered are:

(a) The present estimated value of Hartford as a separate entity;
(b) The effect upon the market price of ITT of a divestiture of Hartford;
(c) The effect of a divestiture upon ITT's balance sheet, its ability to borrow outside the United States and to maintain its positive balance of payments position;
(d) Finally, a brief examination of the additional impact of a divestiture of Canteen Corporation and Grinnell Corporation, two additional acquisitions which are being challenged through court action by the Federal Government.

HARTFORD

At the time of the exchange offer on May 22, 1970, Hartford's mean bid price in the over-the-counter market was $38.25. Based on the 22 million shares outstanding, the market valuation of Hartford was $842 million. ITT, in its exchange offer, for each share of Hartford, was issuing a Series N Preferred stock, convertible into 1.25 shares of ITT. Based on ITT's mean market price on that day of $39.25, 1.25 shares were worth approximately $49. Thus, ITT at then market values, was paying $1.03 billion for Hartford, a premium of approximately 28%. This price was also 22% of the book value of Hartford's stockholders equity at December 31, 1969 of $486 million.
Hartford is the nation's sixth largest property and casualty insurance group based on net premiums written. These larger are State Farm, a mutual company, Allstate, a subsidiary of Sears Roebuck, Travelers, Continental Corporation and Aetna Life and Casualty.

On the following page as Exhibit I are some brief data on Hartford for the period 1967-1970 and estimated data for 1971. What the data shows is that Hartford's growth in net premiums written has accelerated in the last few years with increases of 6%, 10%, 12% and 21% in the years 1967-70. Most analysts believe, based on a variety of factors, that Hartford has the capability to realize 14-15% annual increases in net premiums written over the next several years.

Like most casualty companies, Hartford has been experiencing underwriting losses. While conditions in the industry are improving, an underwriting loss of more modest proportions is still expected in 1971. Net investment income has been growing steadily, with increases of 15%, 14% and 14% over the last three years. It is generally expected that Hartford, because of good gains in written premiums and the continued rollover of lower yielding securities into higher yielding ones, can realize net investment growth of approximately 15% per annum over the next few years.

### Exhibit I

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<tr>
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<tbody>
<tr>
<td>Net premiums written (million)</td>
<td>$819</td>
<td>$839</td>
<td>$1,005</td>
<td>$1,213</td>
<td>14.9</td>
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<tr>
<td>Adjusted underwriting loss-pretax (million)</td>
<td>(11.7)</td>
<td>(6.1)</td>
<td>(15.4)</td>
<td>(12.7)</td>
<td>(8-10)</td>
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<td>Net investment income-pretax (million)</td>
<td>51.7</td>
<td>59.2</td>
<td>65.8</td>
<td>74.9</td>
<td>87</td>
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<tr>
<td>Net operating income after tax (million)</td>
<td>37.8</td>
<td>45.1</td>
<td>41.1</td>
<td>54.0</td>
<td>63-65</td>
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<tr>
<td>Per share</td>
<td>1.72</td>
<td>2.26</td>
<td>1.87</td>
<td>2.45</td>
<td>2.85-2.95</td>
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<tr>
<td>Net realized gains-after taxes (million)</td>
<td>(3.4)</td>
<td>(8)</td>
<td>(8.0)</td>
<td>(33.8)</td>
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<td>Net income after taxes (million)</td>
<td>34.4</td>
<td>47.3</td>
<td>33.1</td>
<td>50.2</td>
<td>87.9</td>
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<td>Price range of common stock</td>
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<td>23-32</td>
<td>33-39</td>
<td>57-38</td>
<td></td>
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<tr>
<td>Price operating earnings per share</td>
<td>23-13X</td>
<td>27-15X</td>
<td>33-19X</td>
<td>21-15X</td>
<td></td>
</tr>
</tbody>
</table>

In the first quarter ended March 31, 1971, Hartford's net operating earnings increased approximately 23%. For the year as a whole, an increase of approximately 20% is expected from $84 million to $106 million. On a per share basis, based on Hartford's 22 million shares, this results in $2.36-2.55 in operating earnings per share for 1971. In the event underwriting results improve more rapidly, a round figure of $3.00 per share is achievable in 1971.

In Exhibit II are presented some comparative data on several large casualty and multiple line insurance companies. As indicated, the prices of these stocks have appreciated 80-100% or more from their 1970 lows and most are selling at or near their 1971 highs.

The reasons for this are several. First, 1971 should represent a continuation of cyclical recovery of the industry with many companies posting record earnings. However, in addition, some fundamental changes in the industry suggest that the earnings improvements being realized may be more sustainable and predictable than in the past. These changes are:

(a) An improved regulatory climate. Approximately 20 states accounting for over half of all premiums written have adopted open competition or "file and use" rating laws. Under these laws, companies can file rate increases immediately, subject to regulatory review, rather than waiting months, if not years, for rate relief.

(b) The amount of insurance capacity in certain markets has been reduced. One estimate is that $1.5 billion of capital has been taken out of fire and casualty companies (mostly in the form of dividends paid to holding companies). Such capital would support net written premiums of $4.5 billion as compared with the industry's current level of premiums written of $20 billion. The effect has been to reduce excessive competition in certain markets and for companies to withdraw or radically reduce their exposure to unprofitable markets such as high risk urban areas.
(c) As insurance availability has diminished in certain markets and as rates have increased, there are growing indications that policyholders are becoming increasingly circumspect about the claims they submit to their insurance companies. During the last six months especially, various companies have noted a marked reduction in the number of small claims.

(d) As the rate of inflation subsides, the rate of increase in the cost of claims also has begun to subside. In the automobile insurance area, there also is increasing activity, both at the state and federal level, to require the automobile manufacturers to construct autos so that they can sustain crashes without extensive damage. Over time, developments in car design, such as uniform bumper heights, cars designed to withstand 10 mile per hour crashes, etc. could have a favorable effect upon the cost structure of the casualty insurance industry. Changes such as those indicated above are beginning to result in improved underwriting results for the industry.

With investment income growing rapidly because of higher yields and good premium growth, many analysts of the industry feel that the predictability of earnings growth is greater than it has been in many years and that companies in the industry can secure somewhat higher multiples than has been true in the past.

With the above as background, what is a reasonable judgment of the market value of Hartford, assuming it were selling as a separate company.

As indicated in Exhibit II, most comparable companies are selling for 13-17x estimated 1971 operating earnings and at some premium to book value.

During much of the 1960's Hartford sold between $30-$45 per share. Only with the impetus of the proposed merger with ITT did the stock reach prices in the high $40's and prices above $60 per share.

Based on the Company's record of the past few years, a reasonable judgment would be that the Company, on its own, would be valued at between 15 and 17 times 1971 net operating earnings in the market place. One of the reasons Hartford is probably deserving of a multiple at the higher end of the range for the group, is the Company's sizable common stock portfolio. At December 31, 1970, in addition to a bond portfolio of $1 billion, Hartford had a common stock portfolio valued at market at $733 million.
<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Aetna Life and Casualty Co.</td>
<td>$1.57 to $1.61</td>
<td>$1.4 to $1.9 X</td>
<td>$4.00 to $4.67</td>
<td>$57.00</td>
<td>$14.5 X</td>
<td>$17.1 X</td>
<td>177%</td>
</tr>
<tr>
<td>Travelers Corp.</td>
<td>$1.74 to $2.05</td>
<td>$1.8 to $1.9 X</td>
<td>$3.75 to $4.17</td>
<td>$43.20</td>
<td>$11.3 X</td>
<td>$13.4 X</td>
<td>90%</td>
</tr>
<tr>
<td>Continental Corp.</td>
<td>$1.76 to $2.20</td>
<td>$1.75 to $1.9 X</td>
<td>$3.9 to $4.5</td>
<td>$36.34</td>
<td>$11.3 X</td>
<td>$12.1 X</td>
<td>90%</td>
</tr>
<tr>
<td>Crow &amp; Crossley</td>
<td>$1.85 to $2.3</td>
<td>$1.6 to $1.7 X</td>
<td>$4.25 to $4.8</td>
<td>$48.79</td>
<td>$13.5 X</td>
<td>$15.1 X</td>
<td>90%</td>
</tr>
<tr>
<td>Not available</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>St. Paul Co., Inc.</td>
<td>$1.71 to $2.10</td>
<td>$1.4 to $1.7 X</td>
<td>$3.70 to $4.3</td>
<td>$32.74</td>
<td>$11.5 X</td>
<td>$13.8 X</td>
<td>90%</td>
</tr>
<tr>
<td>Salveco Corp.</td>
<td>$1.93 to $2.4</td>
<td>$1.6 to $1.8 X</td>
<td>$4.75 to $5.2</td>
<td>$37.40</td>
<td>$16.2 X</td>
<td>$17.2 X</td>
<td>100%</td>
</tr>
<tr>
<td>Hartford Fire Insurance Co.</td>
<td>$2.45 X</td>
<td></td>
<td>$2.85 to $2.95</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Percentages rounded to nearest whole number.)
Until the Accounting Principles Board agrees to some method by which realized and unrealized long-term average gains may be reflected in income, there is no reasonable way to reflect appreciation in a stock portfolio in income. In Exhibit II, for example, the earnings shown are net operating earnings and do not include realized capital gains. Before the merger Hartford took modest amounts of realized gains; in 1970 ITT reported capital gains of $33.8 million from Hartford. While some analysts have objected to the inclusion of capital gains in ITT’s income, because of its relative contribution ($43.8 million out of $533 million in 1970) it does not seem to have materially affected ITT’s multiple.

As a separate company, Hartford’s realized gains from investments would be reported separately and would not be given any real value in the market place. However, since Hartford has, relatively, a larger equity portfolio than most casualty companies, it can be argued that its net operating earnings are somewhat understated. If a greater portion of its assets were invested in bonds, its investment and operating income would be greater. While it is difficult to be precise as to the amount of the understatement, if Hartford invested just its stockholders equity at December 31, 1970 of approximately $533 million in equities, instead of $722 million, it would have an incremental $200 million invested in its bond portfolio.

If we assume Hartford could realize 2% in higher after tax yield from bonds than from dividends on stock, the effect would be about $4 million per annum or roughly $20 per share. It is in reflection of this modest understatement of earnings that somewhat higher multiple ranges may be appropriate for Hartford.

An additional factor to be considered is the extent of the operating leverage in Hartford. The Company’s combined ratio (losses as a percentage of earned premiums; expenses as a percentage of written premiums) has been as follows for the past four years:

<table>
<thead>
<tr>
<th>Year</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1967</td>
<td>100.8</td>
</tr>
<tr>
<td>1968</td>
<td>99.9</td>
</tr>
<tr>
<td>1969</td>
<td>100.6</td>
</tr>
<tr>
<td>1970</td>
<td>100.2</td>
</tr>
</tbody>
</table>

On the Company’s present base of business a 1% improvement in the combined ratio (from 100% to 99%) would be about $11-12 million pretax or $5.5 million after tax or $.25 per share. Thus, a modest improvement in the Company’s underwriting experience could have a meaningful impact on earnings.

Using a range of multiples of 15x and 17x and net operating earnings of $2.85-$3.00 for 1971 results in marked prices from $43 to $51 per share. These prices would represent premiums of 79% and 113% over book value per share at December 31, 1970.

Using a single figure, a reasonable judgement would be that Hartford would sell for $47 per share in the market place today. On 22 million Hartford shares, this places a total value on Hartford of about $1.034 billion or $9.30 per share on the approximately 111 million fully diluted shares of ITT. $1.034 billion represents a 93% premium over Hartford stockholders’ equity of $533 million at December 31, 1970.

ITT

Since Harold S. Geneen became President of ITT in 1959, the Company has achieved a remarkable record. From 1959 through 1970, ITT’s earnings per share have grown at an annual rate of 11.6%. Of U.S. industrial companies with 1959 sales of $7.50 billion or more, only one American corporation has exceeded this earnings per share growth rate—IBM. With the March, 1971 quarter, ITT had achieved increased sales, net income and earnings per share over the same prior year period for 47 consecutive quarters.

In 1959, ITT’s revenues were approximately $750 million and 30% of the Company’s earnings came from outside the United States, principally from the manufacture of telecommunications equipment and the operation of telecommunications utilities. Beginning in 1959, a commitment was made to diversify the Company both as to business activities and geographical markets. Since 1959 over 100 acquisitions have been consummated. As a result, in 1970 only 13% of the Company’s revenues and 15% of the net income came from telecommunications and 65% of net earnings came from United States and Canadian operations.

In understanding ITT, although the Company has been highly successful in consistently recording earnings per share gains of 11-12% annually, it should be pointed out that there is considerable variation from year to year in each principal product group’s net income. Each group does not grow at the corporate average, or even close to it, consistently. One analyst has stated that “the key point to
understanding ITT is that it is the international diversification, the business mix between manufacturing and services, and the superior management team that blend to create highly predictable earnings increases of 11-12% annually.

On the following page, as Exhibit III, is a ten year summary of ITT's record, as originally reported in it is annual reports. Thus, the price-earnings relate to the actual earnings per share for any given year and not to earnings subsequently restated for acquisitions.

EXHIBIT III.—ITT 10 YEAR SUMMARY

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues (millions)</th>
<th>Net income (millions)</th>
<th>Earnings per share</th>
<th>Price range</th>
<th>Price earnings ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961</td>
<td>$931</td>
<td>$36</td>
<td>$1.09</td>
<td>22-122</td>
<td>28-20x</td>
</tr>
<tr>
<td>1962</td>
<td>1.590</td>
<td>41</td>
<td>1.21</td>
<td>25-17</td>
<td>24-12x</td>
</tr>
<tr>
<td>1963</td>
<td>1.414</td>
<td>52</td>
<td>1.35</td>
<td>28-21</td>
<td>21-16x</td>
</tr>
<tr>
<td>1964</td>
<td>1.542</td>
<td>63</td>
<td>1.79</td>
<td>31-24</td>
<td>27-17x</td>
</tr>
<tr>
<td>1965</td>
<td>1.753</td>
<td>76</td>
<td>1.99</td>
<td>29-21</td>
<td>25-14x</td>
</tr>
<tr>
<td>1966</td>
<td>2.121</td>
<td>99</td>
<td>2.33</td>
<td>30-29</td>
<td>29-16x</td>
</tr>
<tr>
<td>1967</td>
<td>2.755</td>
<td>119</td>
<td>2.67</td>
<td>32-36</td>
<td>27-16x</td>
</tr>
<tr>
<td>1968</td>
<td>4.567</td>
<td>185</td>
<td>2.58</td>
<td>63-45</td>
<td>24-17x</td>
</tr>
<tr>
<td>1969</td>
<td>5.473</td>
<td>224</td>
<td>2.95</td>
<td>61-46</td>
<td>23-17x</td>
</tr>
<tr>
<td>1971 estimate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Over the past eleven years, the price-earnings ratio of ITT has ranged from a high of 28x to a low of 14x, if we exclude the low of 10x in 1970 at the bottom of a major market reaction and caused by massive selling of the common, as accounts swing to the Convertible Preferred Series N. The average high P/E ratio has been 33x and the average low P/E 17x. At the May 14, 1971 price of $64.50, the stock was selling for 19x. 1971 estimated earnings per share of $3.30.

What would be the effect on ITT's stock of a divestiture of Hartford? In 1970, excluding ITT's interest in Hartford's earnings of $8.7 million ($5.0 million of operating earnings and $3.7 million from realized investment gains), ITT earned approximately $266 million. Thus, in 1970, Hartford accounted for 23% of ITT's reported earnings per share of $3.17 or 8.79, and non-Hartford earnings accounted for 77%, or $2.38 per share. In 1971, again excluding Hartford, and based on the present capitalization, it is reasonable to expect a further 10% increase in non-Hartford earnings per share from the $2.38 to approximately $2.62.

The question is, what would those earnings be valued at in the market place. As explained above, ITT has tended to have an average high P/E in recent years of 23x and a low of 17x. At the present time it is selling for 19x estimated earnings for 1971.

A key factor in the ITT multiple is the confidence, based on the last ten years, in the predictability of the earnings increases and conviction that the company will be able to continue to fashion 10% earnings gains because of its international diversification and broad business mix. It seems reasonable to assume that if the Company were required to divest itself of the source of 23% of its earnings in 1970 (and 38% of its 1970 net income from U.S. and Canadian sources) and in addition, one of the presently more dynamic portions of its business mix (Hartford's earnings, including capital gains, were up 31% in the first quarter of 1971) that some of the investor confidence in the Company would be diminished. It seems prudent to assume that in the event of a divestiture of Hartford that there would be some diminution in ITT's multiple—perhaps from 19x, as at present to 17x. A 17x multiple would result in a market valuation of ITT, excluding Hartford, of approximately $44.50 per share.

Adding back the estimated value of Hartford as a separate entity of $9.30 per ITT share results in a total value of $84.50 plus $84.50 or approximately $84 for ITT and Hartford as separate entities compared with the May 14, 1971 ITT market price of $64.50. This would represent a $10.50 per share reduction in value of ITT, or 16%. On the approximately 111 million common shares, or common share equivalents outstanding, it would result in the loss of approximately $1.2 billion in market value to ITT common and preferred shareholders.

There are some additional practical financial problems involved in a divestiture of Hartford by ITT. Because of its position as the sixth largest casualty company and its estimated market value in excess of $1 billion, Hartford presents certain problems from a divestiture point of view.

[5218]
If we assume that a purchaser of Hartford could be neither another insurance company nor a conglomerate similar to ITT itself, there is some question whether suitable purchasers exist. If the Company were sold for cash or debt securities, the transaction would presumably be taxable to ITT as well as representing an immense capital burden for the acquiring company. If the sale were for equity securities, the purchaser would have to be extremely large for ITT not to end up with a major portion of the purchaser’s equity securities. I think both of the above alternatives would be unattractive from ITT’s point of view.

A spin off of Hartford stock to ITT shareholdures would be a simpler way of effecting a divestiture. However, this too has problems, in addition to the diminution in values outlined earlier. After spin off, ITT would continue to have outstanding almost 22 million of its Series X Convertible Preferred stock, the annual dividend requirement for which is almost $30 million annually. The shares cannot be called until September 1, 1970 and only then at $85 per share. Thus, ITT could only force conversion into the common stock 3½ years hence, assuming ITT common stock, ex Hartford, was selling for some premium over $68 per share at that time ($85 divided by 1.25 shares = $68).

While the figures are not readily available, it is conceivable that the elimination of the Hartford dividend to the ITT parent company, while the parent company’s dividend obligation to its Series X Preferred remains outstanding, could result in a sufficient reduction in the ITT parent company cash flow to cause a major cut in ITT’s dividend on its common stock. Only in this way would the parent company be able to maintain cash and balance sheet strength so as not to impair parent company credit.

In approving of the affiliation of Hartford with ITT, the Insurance Commissioner for the State of Connecticut placed several conditions upon the merger. Among these conditions was that for ten years Hartford shall not in any year transmit funds to ITT in excess of earnings of Hartford for that year as reported on the basis of generally accepted accounting principles. Also, Hartford cannot make any investments within the ITT system without the consent of the Connecticut Insurance Department.

Thus, in effect, ITT cannot withdraw capital from Hartford to support its other operations. However, if the Hartford acquisition is not of any direct help, because of the above conditions, in financing the growth of ITT, it is of indirect help.

In accordance with generally accepted accounting for financial companies, ITT includes Hartford as an investment on its balance sheet and includes its equity in Hartford’s earnings in ITT net income. Hartford’s earned premiums are not included in ITT’s revenues. The effect of the acquisition of Hartford on ITT’s balance sheet was an increase in the asset and stockholder equity accounts for both the parent company and ITT consolidated of approximately $300 million. Prior to the pooling, at Dec. 31, 1969, ITT’s consolidated balance sheet showed $1.1 billion of long-term debt and $2.1 billion of equity; after the pooling long-term debt was $1.1 billion and equity was $2.6 billion. Thus, ITT consolidated was able to improve its capitalization with long-term debt decreasing from 34% to 30% of the total.

For the parent company’s balance sheet the effect was even more dramatic. Prior to the pooling parent company long-term debt was $122 million versus stockholders equity of $1.1 billion. After the pooling long-term debt remained the same, but equity increased to $1.6 billion. Whether the Hartford pooling was the major cause is not known, but prior to ITT’s financing in September 1970 of $150 million of debentures and notes, rating agencies raised the ratings on ITT’s debt to “A”.

In the event ITT divests itself of Hartford, the balance sheet effects of the pooling would simply be reversed with a diminution of ITT’s assets and equity by over $300 million.

It should be recognized that of ITT’s total consolidated debt of approximately $1.5 billion at 12/31/70, only $267 million was parent company debt; the great proportion is subsidiary debt. Subsidiaries typically borrow on their own without parent company guaranty. While the divestiture of Hartford would affect the parent company balance sheet, debt capacity and possibly credit rating, it is more difficult to gauge the effect upon subsidiaries and their ability to finance, especially offshore. Obviously, when the strength of the parent is diminished, subsidiaries are somewhat affected, however, in what extent is hard to determine.

Studies by the Office of Foreign Direct Investment, Department of Commerce, have shown that because of its extensive foreign operations, ITT is a very large positive contributor to the U.S. balance of payments. This balance arises from dividends, service fees, royalties, interest and, obviously, exports. It is also aided
to the extent that ITT and its subsidiaries are able to finance foreign operations through foreign borrowings in lieu of expatriating funds or reducing the flow of funds from foreign subsidiaries to the United States.

Hartford is obviously not a major direct factor in ITT's overall favorable balance of payments posture. Hartford's impact is indirect in terms of the balance sheet strength it adds to ITT. To the extent that the divestiture of Hartford affects ITT and its subsidiaries' ability to get credit on favorable terms there would be a longer-term impact upon ITT as an earner of foreign exchange.

A final factor should be mentioned. Several hundred million dollars of ITT stock is held by foreigners. The increase or decrease in such holdings, while representing short-term investment swings, nevertheless affects the balance of payments. If ITT is a less attractive investment, without Hartford, there could be some balance of payments impact from liquidation of foreign holdings.

In addition to Hartford, the Justice Department is also seeking, through court action, the divestiture by ITT of Canteen Corporation and Grinnell Corporation, both acquired in 1969. On December 31, 1970, the U.S. District Court rendered a decision in favor of ITT in the Grinnell litigation; this decision is being appealed by the Justice Department. The Canteen litigation has not yet come to trial.

In 1970 Grinnell earned $18 million after taxes and Canteen earned $10 million after taxes. With Hartford, the three companies accounted for 12% of consolidated revenues of ITT and 33% of consolidated net income. While it is not possible here to comment with definition as to the effect on ITT of divestiture of these two companies, including their value as separate companies, the effect on ITT's capitalization, etc., it is reasonable to assume that divestiture would have some impact upon the investment community's view of ITT and the predictability of its earnings. Most likely it would result in further concern as to ITT's ability to manage consistent earnings increases and such concern would probably be reflected in a diminished multiple on the common stock.

CONCLUSION

In conclusion, I think the following statements can be made:

1. Hartford and ITT as separate companies would be valued in the marketplace at approximately $84 per present ITT share versus $64 1/2 for the combined company on 3/14/71. This represents a 16% diminution in market value, or almost $1.2 billion.

2. A spinoff to ITT stockholders would appear to be the only feasible way of divesting Hartford. However, because of the dividend requirements of the Series N Preferred, the elimination of the dividend from Hartford to ITT would probably have a meaningful impact upon the ITT parent company and its liquidity. A logical result would be a cut in the dividend on the ITT common stock.

3. The divestiture of Hartford would have a negative impact upon the ITT parent company and consolidated balance sheets. The result would be a reduction in ITT's incremental parent company debt capacity and possibly credit rating.

4. Finally, to the extent that the changes in (2) and (3) affected ITT's consolidated credit picture, there could be some indirect negative effect upon ITT's balance of payments contributions.

RICHARD J. RAMSDEIN,
May 17, 1971.

Mr. McClaren. I might say that the man that made that report is the same man I used in analyzing the Ling-Temco-Vought situation when we began to be concerned that that company might go down too during the course of our proceedings.

After receiving this report—the report from the Treasury, as I recall, was an oral report—we in the Antitrust Division gave very careful consideration to possible alternative means of settling the three cases, consistent with antitrust objectives, but without the massive adverse impact upon ITT and its shareholders that would attend a divestiture of Hartford.

Ultimately Mr. Hummel—who as I mentioned was the deputy director of operations—and I, with some participation by Messrs. Comegys, Carlson, and Mr. Joseph Widmar, the principal trial attorney on the Grinnell case, developed a proposal which was reduced
stock to its stockholders in a tax-free reorganization, it would be left with an unmanageable issue of preferred stock.

Following the meeting, we of the Antitrust Division requested the Treasury representatives and an outside consultant—I believe Mr. Kleindienst said economist, I think he was a financial expert—to evaluate the ITT claims.

Shortly after the middle of May, the experts reported that there was substantial support for the arguments made by ITT and that a Hartford divestiture would be indeed very difficult for ITT and, because of changes in the law and in accounting practice, such a divestiture would probably entail a very large loss to ITT stockholders; $1.2 billion was one estimate, and that was made in a written report. I believe copies have been furnished to members of the committee, along with a copy of my prepared statement.

(The material referred to follows:)

Ramsden Report
INTERNATIONAL TELEPHONE AND TELEGRAPH CORP.

BACKGROUND

On April 10, 1969 International Telephone and Telegraph Corporation (ITT) and The Hartford Fire Insurance Company (Hartford) entered into an agreement for merger of Hartford with ITT. On August 1, 1969 the Justice Department filed suit asserting that the transaction violated Section 7 of the Clayton Act. The Government's application for an injunction was denied in U.S. District Court on October 21, 1969. In November, 1969 the merger received the approval of the Hartford shareholders; however, on December 13th, the Insurance Commissioner of the State of Connecticut disapproved the merger, suggesting an exchange offer to the Hartford stockholders would have been a more proper method. Thereupon, ITT instituted steps to make a voluntary exchange offer to Hartford stockholders.

In June, 1970 ITT acquired a 99.8% interest in Hartford through the issuance of 21,735,702 shares of Cumulative Preferred stock, $2.25 Convertible Series X for a like number of shares of Hartford. The transaction was non-taxable and treated as a pooling for accounting purposes. Pending trial of the U.S. Government's suit, ITT is required, based on the October 21, 1969 ruling of Chief Justice William Timbers of the U.S. District Court for Connecticut, to hold the Hartford business separate from the other businesses of ITT.

PURPOSE

The purpose of this paper is to examine the financial and economic consequences of a divestiture of Hartford by ITT. Among the subjects to be considered are:

(a) The present estimated value of Hartford as a separate entity;
(b) The effect upon the market price of ITT of a divestiture of Hartford;
(c) The effect of a divestiture upon ITT's balance sheet, its ability to borrow outside the United States and to maintain its positive balance of payments position;
(d) Finally, a brief examination of the additional impact of a divestiture of Canteen Corporation and Grinnell Corporation, two additional acquisitions which are being challenged through court action by the Federal Government.

HARTFORD

At the time of the exchange offer on May 22, 1970, Hartford's mean bid price in the over-the-counter market was $38.25. Based on the 22 million shares outstanding, the market valuation of Hartford was $842 million. ITT, in its exchange offer, for each share of Hartford, was issuing a Series X Preferred stock, convertible into 1.25 shares of ITT. Based on ITT's mean market price on that day of $39.25, 1.25 shares were worth approximately $49. Thus, ITT at then market values, was paying $1.08 billion for Hartford, a premium of approximately 28%. This price was also 222% of the book value of Hartford's stockholders equity at December 31, 1969 of $468 million.
to the extent that ITT and its subsidiaries are able to finance foreign operations through foreign borrowings in lieu of expatriating funds or reducing the flow of funds from foreign subsidiaries to the United States.

Hartford is obviously not a major direct factor in ITT's overall favorable balance of payments posture. Hartford's impact is indirect in terms of the balance sheet strength it adds to ITT. To the extent that the divestiture of Hartford affects ITT and its subsidiaries' ability to get credit on favorable terms there would be a longer-term impact upon ITT as an earner of foreign exchange.

A final factor should be mentioned. Several hundred million dollars of ITT stock is held by foreigners. The increase or decrease in such holdings, while representing short-term investment swings, nevertheless affects the balance of payments. If ITT is a less attractive investment, without Hartford, there could be some balance of payments impact from liquidation of foreign holdings.

In addition to Hartford, the Justice Department is also seeking, through court action, the divestiture by ITT of Canteen Corporation and Grinnell Corporation, both acquired in 1969. On December 31, 1970, the U.S. District Court rendered a decision in favor of ITT in the Grinnell litigation; this decision is being appealed by the Justice Department. The Canteen litigation has not yet come to trial.

In 1970 Grinnell earned $18 million after taxes and Canteen earned $10 million after taxes. With Hartford, the three companies accounted for 12% of consolidated revenues of ITT and 33% of consolidated net income. While it is not possible here to comment with definiteness as to the effect on ITT of divestiture of these two companies, including their value as separate companies, the effect on ITT's capitalization, etc., it is reasonable to assume that divestiture would have some impact upon the investment community's view of ITT and the predictability of its earnings. Most likely it would result in further concern as to ITT's ability to manage consistent earnings increases and such concern would probably be reflected in a diminished multiple on the common stock.

CONCLUSION

In conclusion, I think the following statements can be made:

1. Hartford and ITT as separate companies would be valued in the market place at approximately $54 per present ITT share versus $64 3/4 for the combined company on 5/14/71. This represents a 10% diminution in market value, or almost $1.2 billion.

2. A spinoff to ITT stockholders would appear to be the only feasible way of divesting Hartford. However, because of the dividend requirements of the Series N Preferred, the elimination of the dividend from Hartford to ITT would probably have a meaningful impact upon the ITT parent company and its liquidity. A logical result would be a cut in the dividend on the ITT common stock.

3. The divestiture of Hartford would have a negative impact upon the ITT parent company and consolidated balance sheets. The result would be a reduction in ITT's incremental parent company debt capacity and possibly credit rating.

4. Finally, to the extent that the changes in (2) and (3) affected ITT's consolidated credit picture, there could be some indirect negative effect upon ITT's balance of payments contributions.

RICHARD J. RAMSEY
May 17, 1971.

Mr. McLAREN. I might say that the man that made that report is the same man I used in analyzing the Ling-Temco-Vought situation when we began to be concerned that that company might go down too during the course of our proceedings.

After receiving this report—the report from the Treasury, as I recall, was an oral report—we in the Antitrust Division gave very careful consideration to possible alternative means of settling the three cases, consistent with antitrust objectives, but without the massive adverse impact upon ITT and its shareholders that would attend a divestiture of Hartford.

Ultimately Mr. Hummel—who as I mentioned was the deputy director of operations—and I, with some participation by Messrs. Comegys, Carlson, and Mr. Joseph Widmar, the principal trial attorney on the Grinnell case, developed a proposal which was reduced