



FEDERAL ELECTION COMMISSION

1125 K STREET N.W.
WASHINGTON, D.C. 20463

THIS IS THE END OF MUR # 254

Date Filmed 1/12/79 Camera No. --- 2

Cameraman GPC



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

June 20, 1978

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

John H. Buck
Bracewell and Patterson
2900 South Tower Pennzoil Place
Houston Texas 77002

Dear Mr. Buck:

On behalf of the Commission I have executed the enclosed copies of the conciliation agreement which represents a conclusion of this matter with respect to Mr. Crews.

Please be advised that portions of the file will now be available for public inspection.

Thank you for your cooperate in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "William C. Oldaker".

William C. Oldaker
General Counsel

Enclosure

70010084168

7 7 0 4 0 0 8 4 1 6 9

MDR 254

PS Form 3811, Apr. 1977

SENDER Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
 Show to whom and date delivered \$
 Show to whom, date, and address of delivery \$
 RESTRICTED DELIVERY
 Show to whom and date delivered \$
 RESTRICTED DELIVERY
 Show to whom, date, and address of delivery \$
 (CONSULT POSTMASTER FOR FEES)

2. ARTICLE ADDRESSED TO:
 John W. Such
 2900 South Tower Pampall
 Place
 Houston, Texas 77002

3. ARTICLE DESCRIPTION:
 REGISTERED NO. | CERTIFIED NO. | INSURED NO.
 | 943346 |

(Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE Addressee Authorized agent
 MB

4. DATE OF DELIVERY: JUN 26 1978

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

POSTMARK: HOUSTON, TX JUN 26 1978

CLERK'S INITIALS

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

Before the Federal Election Commission

In the Matter of)
J. Ray McDermott & Co., Inc.) MUR 254 (76)
and)
R. Nelson Crews)

CONCILIATION AGREEMENT

This matter having been initiated internally on the basis of information voluntarily submitted by certain persons, an investigation having been conducted and the Federal Election Commission ("Commission") having found reasonable cause to believe a violation of the Federal Election Campaign Act has occurred,

Now therefore respondent, R. Nelson Crews ("Respondent") and the Commission having duly entered into conciliation do hereby agree as follows:

I. That the Commission has jurisdiction over the Respondent and the subject matter of this proceeding.

II. That the Respondent has had a reasonable opportunity to demonstrate that no action should be taken in this matter and has cooperated with the Commission in connection with its investigation thereof.

7 2 9 1 0 0 3 4 1 7 0

III. That the pertinent facts in this matter are as follows:

A. That Respondent was from 1947 through December, 1974, an employee of J. Ray McDermott & Co., Inc. ("McDermott"), and an officer thereof for at least ten years.

B. That Respondent during the spring of 1974 participated in the transfer of \$4,000 in cash from a foreign affiliate of McDermott to Mr. Charles L. Graves ("Graves"), President of McDermott.

C. That in July or August of 1974 Respondent received from Graves instructions to obtain checks from certain top executives of McDermott for contributions to the campaign of Congressman Hensen Moore. These individuals would then be reimbursed by Graves through Respondent. At this time, Graves gave the Respondent a personal check. Pursuant to these instructions, in September 1974 Respondent delivered to the Hensen Moore Campaign Committee Graves' check as well as checks drawn by Respondent and certain other McDermott officers.

D. That in October 1974 Respondent delivered to the Hensen Moore Campaign Committee two checks in the amount of \$500 each, one drawn by Graves and the other drawn by Respondent. For the latter Respondent was reimbursed.

121184171

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100

E. That in December 1974 Respondent again received instructions from Graves to collect checks for Moore's campaign, with an understanding that those who participated would again be reimbursed by Graves. Pursuant to these instructions, other McDermott officers made contributions totalling approximately \$1,000 to the Moore campaign. The Respondent reimbursed these contributors with funds supplied by Graves.

F. Respondent assumes that the source of the money he received from Graves in connection with the contributions to the Moore campaign was corporate funds.

G. That to the best of Respondent's knowledge, Congressman Moore was unaware of the reimbursements by Graves in connection with the contributions.

H. That, Respondent recognizes that certain of the foregoing acts might be found to violate provisions of 2 U.S.C. §§ 441b(a) and 441f in the event that any defenses which might be available in connection therewith were not successfully asserted.

I. That the contributions described herein are the sole contributions involving McDermott funds of which Respondent had knowledge or information; that Respondent has not directed or authorized any other transfers of

McDermott funds to candidates for federal office or himself made contributions of said monies.

IV. Wherefore, the Respondent agrees further:

A. To pay a civil penalty in the amount of \$1,000.

B. To testify truthfully concerning the facts as he knows them with respect to the matters set forth herein if the Commission institutes a civil action for relief against any other parties, pursuant to 2 U.S.C. §437g(a)(5)(B).

GENERAL CONDITIONS

A. If the Commission believes that this agreement or any requirement thereof has been violated it may institute a civil action for relief in the United States District Court for the District of Columbia.

B. It is mutually agreed that this agreement shall become effective after the Commission has approved the entire agreement and all parties have executed the same.

C. It is agreed that Respondent shall have not more than 30 days from the date this agreement becomes effective to comply with the requirements in this agreement.

D. It is agreed that upon compliance with this agreement the Commission shall be barred from taking any further

action against the Respondent with respect to the specific matters set forth herein.

6/20/78
Date

William C. Oldaker
William C. Oldaker, General Counsel
For the Federal Election Commission

June 1, 1978
Date

John H. Buck
For the Respondent R. Nelson Crews
John H. Buck
Bracewell & Patterson
2900 South Tower Pennzoil Place
Houston, Texas 77002
(713) 223-2900

70010084171

BRACEWELL & PATTERSON

2900 SOUTH TOWER PENNZOIL PLACE
HOUSTON 77002
713 223-2000
CABLE BRACEPAT HOUSTON
TELEX 76-2141

RECEIVED
FEDERAL ELECTION
COMMISSION

883281

Doc 3708

1978 JUN 5 AM 10:01

1150 CONNECTICUT AVENUE NW
WASHINGTON, D. C. 20036
202 833-3660
AMERICAN BANK TOWER
AUSTIN 78701
512 472-7800

June 1, 1978

Andrew Athy, Jr., Esq.
Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20463

Re: In the Matter of J. Ray McDermott & Co., Inc. and
R. Nelson Crews;
M.U.R. 254 (76)

Dear Mr. Athy:

Pursuant to our telephone conversation Tuesday and in order to consummate the conciliation of the captioned matter pursuant to Section 437g of the Federal Election Campaign Act, enclosed for delivery to you are: (i) four executed counterparts of the Conciliation Agreement in the form agreed upon, and (ii) check no. 6817 drawn on the Hibernia National Bank by R. Nelson Crews to the order of the United States Treasury in the amount of \$1000.00, in full payment of the civil penalty imposed by Paragraph IV(A) of the Conciliation Agreement.

When the Conciliation Agreements have been executed on behalf of the Commission, I would appreciate your returning two executed counterparts to my attention.

We appreciate your and Mr. Spiegel's courteous and professional approach during the course of this matter and are pleased

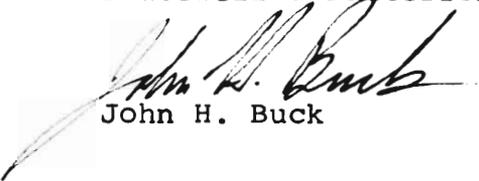
BRACEWELL & PATTERSON

Andrew Athy, Jr., Esq.
June 1, 1978
Page 2

that it was possible to resolve it through the conciliation process. We assume the matter is now concluded.

Very truly yours,

Bracewell & Patterson



John H. Buck

JHB/bas
Enclosures

cc: Mr. R. Nelson Crews
Raymond International, Inc.
2801 South Post Oak Road
Houston, Texas 77027

Personal and Confidential -- To Be Opened by Addressee Only

Mr. Jaworski

2001003117

ROBERT NELSON CREWS
P. O. BOX 22718
HOUSTON, TX 77027

6817

May 30, 19 78 $\frac{14-9}{650}$

PAY TO THE ORDER OF United States Treasury \$ 1000.00

One Thousand and no/100 - - - - - DOLLARS

MEMBER FEDERAL RESERVE SYSTEM
HIBERNIA
NATIONAL BANK
NEW ORLEANS, LOUISIANA 70112

ROBERT NELSON CREWS

Robert Nelson Crews

FOR _____

⑆0650⑉0009⑆13 28⑈8240 ⑆⑈ 6817

70040081177

RECEIVED 040084178

FEDERAL ELECTION
COMMISSION

'78 JUN 5 AM 10:01

From

BRACEWELL & PATTERSON

2900 SOUTH TOWER PENNZOIL PLACE
HOUSTON, TEXAS 77002

To

Andrew Athy, Jr., Esq.
Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20463

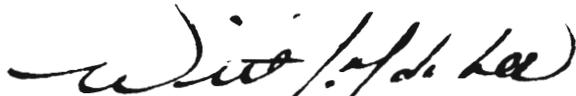
HOUSTON

67
3

recommending for Commission approval.

All of the parties will consent to the entry of a permanent injunction forbidding any violation of 2 U.S.C. §§441b and 441f. In addition, McDermott Inc. will admit to the allegations in our complaint and pay a \$10,000 civil penalty and Charles Graves, chief executive officer, will make a qualified admission and pay a \$1000 civil penalty. No legal action has been contemplated against Nelson Crews, a former McDermott Inc. executive who participated in some of the transfers. Crews agreed to resolve this matter through conciliation and the attached proposed agreement is recommended for Commission approval.

5/5/78
Date


William C. Oldaker
General Counsel

20010084131

Before the Federal Election Commission

In the Matter of)
) MUR 254 (76)
J. Ray McDermott and Company,)
 Inc.)
)
 and)
)
R. Nelson Crews)

Conciliation Agreement

70010084132
This matter having been initiated internally on the basis of information voluntarily submitted by certain persons, an investigation having been conducted and the Federal Election Commission ("Commission") having found reasonable cause to believe a violation of the Federal Election Campaign Act has occurred,

Now therefore respondent, R. Nelson Crews ("Respondent") and the Commission having duly entered into conciliation do hereby agree as follows:

I. That the Commission has jurisdiction over the Respondent and the subject matter of this proceeding.

II. That the Respondent has had a reasonable opportunity to demonstrate that no action should be taken in this matter and has cooperated with the Commission in connection with its investigation thereof.

III. That the pertinent facts in this matter are as follows:

A. That Respondent was from 1947 through December, 1974, an employee of J. Ray McDermott & Co., Inc. ("McDermott"), and an officer thereof for at least ten years.

B. That Respondent during the spring of 1974 participated in the transfer of \$4,000 in cash from a foreign affiliate of McDermott to Mr. Charles L. Graves ("Graves"), President of McDermott.

C. That in July or August of 1974 Respondent received from Graves instructions to obtain checks from certain top executives of McDermott for contributions to the campaign of Congressman Hensen Moore. These individuals would then be reimbursed by Graves through Respondent. At this time, Graves gave the Respondent a personal check. Pursuant to these instructions, in September 1974 Respondent delivered to the Hensen Moore Campaign Committee Graves' check as well as checks drawn by Respondent and certain other McDermott officers.

D. That in October 1974 Respondent delivered to the Hensen Moore Campaign Committee two checks in the amount of \$500 each, one drawn by Graves and the other drawn by Respondent. For the latter Respondent was reimbursed.

E. That in December 1974 Respondent again received instructions from Graves to collect checks for Moore's campaign, with an understanding that those who participated would again be reimbursed by Graves. Pursuant to these instructions, other McDermott officers made contributions totalling approximately \$1,000 to the Moore campaign. The Respondent

7 9 9 1 0 3 4 1 8 3

reimbursed these contributors with funds supplied by Graves.

F. Respondent assumes that the source of the money he received from Graves in connection with the contributions to the Moore campaign was corporate funds.

G. That to the best of Respondent's knowledge, Congressman Moore was unaware of the reimbursements by Graves in connection with the contributions.

H. Respondent recognizes that certain of the foregoing acts might be found to violate provisions of 2 U.S.C. §§441b(a) and 441f in the event that any defenses which might be available in connection therewith were not successfully asserted.

I. That the contributions described herein are the sole contributions involving McDermott funds of which Respondent had knowledge or information; that Respondent has not directed or authorized any other transfers of McDermott funds to candidates for federal office or himself made contributions of said monies.

IV. Wherefore, the Respondent agrees further:

A. To pay a civil penalty in the amount of \$1,000.

B. To testify truthfully concerning the facts as he knows them with respect to the matters set forth herein if the Commission institutes a civil action for relief against any other parties, pursuant to 2 U.S.C. §437g(a)(5)(B).

10010031194

GENERAL CONDITIONS

A. If the Commission believes that this agreement or any requirement thereof has been violated it may institute a civil action for relief in the United States District Court for the District of Columbia.

B. It is mutually agreed that this agreement shall become effective after the Commission has approved the entire agreement and all parties have executed the same.

C. It is agreed that Respondent shall have not more than 30 days from the date this agreement becomes effective to comply with the requirements in this agreement.

D. It is agreed that upon compliance with this agreement the Commission shall be barred from taking any further action against the Respondent with respect to the specific matters set forth herein.

20040084185

Date

William C. Oldaker, General Counsel
For the Federal Election Commission

Date

For the Respondent
John H. Buck
Bracewell & Patterson
2900 South Tower Pennzoil Place
Houston, Texas 77002
(713)223-2900

2648

BRACEWELL & PATTERSON

2900 SOUTH TOWER PENNZOIL PLACE
HOUSTON 77002
713 223-2900
CABLE BRACEPAT HOUSTON
TELEX 76-2141

1150 CONNECTICUT AVENUE NW
WASHINGTON, D. C. 20036
202 833-3660

AMERICAN BANK TOWER
AUSTIN 78701
512 472-7800

February 7, 1978

000334

Mr. Andrew Athy, Jr., Esq.
Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20463

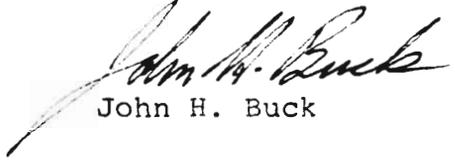
Re: MUR 254 (76)

Dear Mr. Athy:

In line with our telephone conversation this morning, enclosed for your review is a draft of the proposed Conciliation Agreement in the captioned matter, reflecting several modifications in language which I believe to be consistent with the intent of the conciliation process and otherwise reasonable. The proposed changes have been marked for your convenience. Your comments would be appreciated.

Very truly yours,

Bracewell & Patterson



John H. Buck

JHB/bas
Enclosure

68186

DRAFT

FEB 8 1970

CHANGES UNDERLINED
^ = deletions

Before the Federal Election Commission

In the Matter of)	
)	
J. Ray McDermott and & Co.,)	
Inc.)	MUR 254 (76)
)	
and)	
)	
R. Nelson Crews)	

CONCILIATION AGREEMENT

This matter having been initiated internally on the basis of information voluntarily submitted by certain persons, an investigation having been conducted and the Federal Election Commission ("Commission") having found reasonable cause to believe a violation of the Federal Elections Campaign Act has occurred,

Now therefore respondent, R. Nelson Crews ("Respondent") and the Commission having duly entered into conciliation do hereby agree as follows:

I. That the Commission has jurisdiction over the Respondent and the subject matter of this proceeding.

II. That the Respondent has had a reasonable opportunity to demonstrate that no action should be taken in this matter and has cooperated with the Commission in connection with its investigation thereof.

7 9 7 4 0 0 8 4 1 8 7

III. That the pertinent facts in this matter are as follows:

A. That Respondent was from 1947 through December, 1974, an employee of J. Ray McDermott & Co., Inc. ("McDermott"), and an officer thereof for at least ten years.

B. That Respondent during the spring of 1974 participated in the transfer of \$4,000 in cash from a foreign affiliate of McDermott to Mr. Charles L. Graves ("Graves"), President of McDermott. ^

C. That in July or August of 1974 Respondent received from Graves instructions to obtain checks from certain top executives of McDermott for contributions to the campaign of Congressman Hensen Moore. These individuals would then be reimbursed by Graves through Respondent. At this time, Graves gave the Respondent a personal check. ^ Pursuant to these instructions, in September 1974 Respondent delivered to the Hensen Moore Campaign Committee Graves' check as well as checks drawn by Respondent and certain other McDermott officers.

D. That in October 1974 Respondent delivered to the Hensen Moore Campaign Committee two checks in the amount of \$500 each, one drawn by Graves and the other drawn by Respondent. For the latter Respondent was reimbursed.

700100B4188

7 9 0 4 0 0 3 4 1 9

E. That in December 1974 Respondent again received instructions from Graves to collect checks for Moore's campaign, with an understanding that those who participated would again be reimbursed by Graves. Pursuant to these instructions, other McDermott officers made contributions totalling approximately \$1,000 to the Moore campaign. The Respondent reimbursed these contributors with funds supplied by Graves.

F. Respondent assumes that the source of the money he received from Graves in connection with the contributions to the Moore campaign was corporate funds.

G. That to the best of Respondent's knowledge, Congressman Moore was unaware of the reimbursements by Graves in connection with the contributions. ^

H. That, without admitting or denying liability in connection therewith, Respondent recognizes that certain of the foregoing acts might be found to violate provisions of 2 U.S.C. §§ 441b(a) and 441f in the event that any defenses which might be available in connection therewith were not successfully asserted.

I. That the contributions described herein are the sole contributions involving McDermott funds of which Respondent had knowledge or information; that Respondent

has not directed or authorized any other transfers of McDermott funds to candidates for federal office or himself made contributions of said monies.

IV. Wherefore, the Respondent agrees further:

A. To pay a civil penalty in the amount of \$1,000.

B. To testify truthfully concerning the facts as he knows them with respect to the matters set forth herein if the Commission institutes a civil action for relief against any other parties, pursuant to 2 U.S.C. §437g(a)(5)(B).

GENERAL CONDITIONS

A. If the Commission believes that this agreement or any requirement thereof has been violated it may institute a civil action for relief in the United States District Court for the District of Columbia.

B. It is mutually agreed that this agreement shall become effective after the Commission has approved the entire agreement and all parties have executed the same.

C. It is agreed that Respondent shall have not more than 30 days from the date this agreement becomes effective to comply with the requirements in this agreement.

D. It is agreed that upon compliance with this agreement the Commission shall be barred from taking any further

action against the Respondent with respect to the specific matters set forth herein.

Date

William C. Oldaker, General Counsel
For the Federal Election Commission

Date

For the Respondent
John H. Buck
Bracewell & Patterson
2900 South Tower Pennzoil Place
Houston, Texas 77002
(713) 223-2900

20040084121

RECEIVED
FEDERAL ELECTION
COMMISSION

178 FEB 9 AM 11:33

From

BRACEWELL & PATTERSON

2900 SOUTH TOWER PENNZOIL PLACE
HOUSTON, TEXAS 77002

To Mr. Andrew Athy, Jr., Esq.
Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20463





FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

January 27, 1978

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

John Buck, Esq.
Bracewell and Patterson
2900 South Tower
Pennzoil Place
Houston, Texas 77002

Re: MUR 254 (76)

Dear Mr. Buck:

Enclosed is a conciliation agreement which when fully executed by the respondent and approved by the Commission shall, unless violated, constitute a complete bar to any further action by the Commission against Mr. Crews.

If you have no objection to the agreement, please sign and return it to the Office of General Counsel. If you have any questions please contact Andrew Athy, Jr., the staff member assigned to this matter (telephone no. 202/523-4529).

Sincerely yours,

Enc:

201 AA



1. The following service is requested (check one): <input checked="" type="checkbox"/> Show to whom and date delivered. <input type="checkbox"/> Show to whom, date, and address of delivery. <input type="checkbox"/> RESTRICTED DELIVERY <input type="checkbox"/> Show to whom and date delivered. <input type="checkbox"/> RESTRICTED DELIVERY. <input type="checkbox"/> Show to whom, date, and address of delivery. \$ (CONSULT POSTMASTER FOR FEES)		2. ARTICLE ADDRESSED TO: <i>John Buck, Esq.</i> <i>Bracewell & Patterson</i> <i>2900 South Tower</i> <i>Pennzoil Place, Houston, Texas 77002</i>		3. ARTICLE DESCRIPTION: REGISTERED NO. <i>444305</i> CERTIFIED MAIL INSURED NO.		I have received the article described above. SIGNATURE <i>[Signature]</i> Addressed to <input checked="" type="checkbox"/> Addressee <input type="checkbox"/> Authorized agent (Always obtain signature of addressee or agent)		4. DATE OF DELIVERY <i>178 FEB 1978</i> 8:57 AM 5. ADDRESS (Complete only if requested)		6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS	
--	--	---	--	--	--	--	--	--	--	---	--

Before the Federal Election Commission

In the Matter of)
)
)
J. Ray McDermott and Company,)
Inc.) MUR 254 (76)
)
and)
)
R. Nelson Crews)

CONCILIATION AGREEMENT

This matter having been initiated internally on the basis of information voluntarily submitted by counsel for Charles Graves, an investigation having been conducted and the Commission having found reasonable cause to believe a violation of the Act has occurred,

Now therefore respondent, R. Nelson Crews and the Federal Election Commission having duly entered into conciliation do hereby agree as follows:

- I. That the Federal Election Commission has jurisdiction over the respondent and the subject matter of this proceeding.
- II. That the respondent has had a reasonable opportunity to demonstrate that no action should be taken in this matter.
- III. That the pertinent facts in this matter are as follows:
 - A. That respondent was from 1947 through December, 1974, an employee of J. Ray McDermott, Inc., and an officer for at least ten years.

70010084194

B. That respondent during the spring of 1974 participated in the transfer of \$4,000 in cash to Charles L. Graves, President of McDermott and Company, Inc. Respondent believes the money was to be used for political purposes.

C. That in July or August of 1974 respondent received from Graves instructions to collect checks from top executives of the McDermott Corporation for use in the campaign of Congressman Henson Moore. These individuals would then be reimbursed by Graves through Crews. At this time, Graves gave the respondent his personal check of \$500. Pursuant to these instructions, in September 1974 the Henson Moore Congress Committee received Graves' check of \$500 and checks from respondent and certain other McDermott officials.

D. That in October 1974 respondent delivered to the Henson Moore campaign two checks of \$500, one from Graves and the other from Crews. For the latter the respondent was reimbursed.

E. That in December 1974 respondent again received instructions from Graves to collect checks for Moore's campaign, with an understanding he and the other McDermott officials who participated would again be reimbursed by Graves. Pursuant to these instructions, other McDermott officials made contributions totalling \$1,000 to the Moore campaign. The respondent reimbursed these contributors with funds supplied by Graves.

F. Respondent believes that the source of the money he received from Graves in connection with the contributions to the Moore campaign was corporate funds.

G. That to the best of respondent's knowledge, the recipient candidate was unaware of the reimbursements by Graves in connection with the contributions. That the transfer of such funds to a

political candidate constitutes a violation of 2 U.S.C. §441b.

H. That the acts described in paragraphs C through F above constitute a violation of 2 U.S.C. §§441b(a) and 441f.

I. That the contributions described herein are the sole contributions involving McDermott corporate funds of which respondent had knowledge or information; that respondent has not directed or authorized any other transfers of McDermott Corporation funds to candidates for federal office or himself made contributions of said monies.

IV. Wherefore, the respondent agrees further:

A. To pay a civil penalty in the amount of \$1,000.

B. To testify with respect to the matters set forth herein if the Federal Election Commission institutes a civil action for relief against any other parties, pursuant to 2 U.S.C. §437g(a)(5)(B).

GENERAL CONDITIONS

A. If the Commission believes that this agreement or any requirement thereof has been violated it may institute a civil action for relief in the United States District Court for the District of Columbia.

B. It is mutually agreed that this agreement shall become effective after the Commission has approved the entire agreement and all parties have executed the same.

C. It is agreed that respondent shall have not more than 30 days from the date this agreement becomes effective to comply with the requirements in this agreement.

D. It is agreed that upon compliance with this agreement the Commission shall be barred from taking any further action against the respondent with respect to the specific matters set forth herein.

Date

William C. Oldaker, General Counsel
For the Federal Election Commission

Date

For the Respondent

70040084107

ACC 1974

GRAND & OSTROW
375 PARK AVENUE
NEW YORK, N. Y. 10022

RECEIVED
FEDERAL ELECTION
COMMISSION

'77 NOV 4 AM 10:33

TELEPHONE
832-3611

CABLE ADDRESS
'GOJURIS'

November 2, 1977

David Spiegel, Esq.
Assistant General Counsel
Federal Election Commission
1325 "K" Street, N.W.
Washington, D.C. 20463

793222

Re: MUR 254 (76)

Dear Mr. Spiegel:

After receiving the letter of William C. Oldaker, General Counsel, of October 11, 1977, notifying me that the Federal Election Commission was "unable to enter a conciliation agreement" concerning Charles L. Graves, you and I spoke by telephone. In that conversation I suggested that, in the event the outstanding United States Attorney investigation is favorably resolved, we may then be able to offer findings of fact in a conciliation agreement which we cannot at present. I told you that I expected to know no later than the end of December whether the United States Attorney's investigation would be resolved and I urged you to postpone the institution of what may be unnecessary civil action until that time.

You advised me that you would consider my position and that if the Commission decided, nonetheless, to commence a civil action in the near future, you would try to give us as much advance notice as possible. I appreciate this courtesy as well as others you have previously extended to us.

Sincerely,


Paul R. Grand

79040084198

GRAND & OSTROW

375 PARK AVENUE

NEW YORK, N. Y. 10022

LECT

" AM 10:27

17 100

David Spiegel, Esq.
Assistant General Counsel
Federal Election Commission
1325 "K" Street, N.W.
Washington, D.C. 20463



United States Ex

BRACEWELL & PATTERSON

2800 SOUTH TOWER PENNZOIL PLACE
HOUSTON 77002
713 223-2900
CABLE BRACEMAT HOUSTON
TELEX 76-2141

RECEIVED
FEDERAL ELECTION
COMMISSION

1100 CONNECTICUT AVENUE, N.W.
WASHINGTON, D.C. 20006
202 455-4800
AMERICAN BANK TOWER
AUSTIN, TEXAS
512 425-7800

77 OCT 31 AM 4:39

October 25, 1977

Ms. Peggy L. Greenwood
Milton S Greenwood Reporting Associates, Inc.
1078 Connecticut Avenue, N.W., Suite 1110
Washington, D. C. 20036

Re: In Re: J. Ray McBernott, et al.; H.U.R. 254(70);
Federal Election Commission

Dear Ms. Greenwood:

Pursuant to your letter of September 29, 1977, enclosed for return to you is the executed copy of Mr. Nelson Crews' deposition taken in the captioned matter on September 21, 1977. Our delay in returning this is attributable to the fact that Mr. Crews has been abroad on business during most of October.

Mr. Crews has made no changes on the transcript; however, please note that pages 10 and 11 have apparently been inadvertently transposed in the executed copy.

Your assistance is appreciated.

Very truly yours,
Bracewell & Patterson

John H. Buck

JHB/bh
Enclosure

cc: ✓ Mr. David R. Spiegel

79040084200

400-913
MAN

BRACEWELL & PATTERSON

2900 SOUTH TOWER PENNCOIL PLACE

HOUSTON, TEXAS 77002

790-113420

FEB 19 1969

31 AM 9:09



Mr. David R. Spiegel
Assistant General Counsel
Federal Election Commission
1235 K Street, N.W.
Washington, D. C. 20463

ACC 1833
NRN

FEDERAL ELECTION
EDWARD M. SHAW

ATTORNEY AT LAW
1772 OCT AVENUE 11 1:40
NEW YORK, N. Y. 10036

TELEPHONE
(212) 869-8985

October 17, 1977

Andrew Athy, Esq.
Election Commission
1325 K Street
Washington, DC 20463

Re: W.H. Bailey

Dear Mr. Athy:

This will confirm our telephone conversations in which we have discussed an appearance by my client, W.H. Bailey, to give testimony before your Commission. As you know, an investigation is now pending in the United States Attorney's Office in New Orleans, involving the same political contributions which are the subject of your current inquiry.

Although Mr. Bailey and I on his behalf are anxious to cooperate with your inquiry, I have had to advise him, because of the investigation in New Orleans, that he should at this time decline to give testimony before your Commission on Fifth Amendment grounds.

Mr. Bailey has indicated to me that he would follow this advice were he now to be called before your Commission.

7004003420

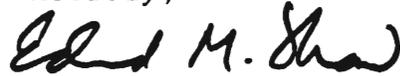
Andrew Athy, Esq.

-2-

I understand that as a result of my notifying you of Mr. Bailey's position by this letter, it will not be necessary for us to appear before your Commission.

I appreciate your cooperation in this matter.

Sincerely,



Edward M. Shaw

EMS:dtr

79040384201

EDWARD M. SHAW

522 FIFTH AVENUE
NEW YORK, N. Y. 10036



1:30

Andrew Athy, Fed.
Election Commission
1325 K Street
Washington, DC 20463



FEDERAL ELECTION COMMISSION

1100 4750 N.W.
WASHINGTON, D.C. 20064

October 11, 1977

CERTIFIED MAIL
REPLY RECEIPT REQUESTED

Mr. Robert Morvillo
Martin, Obermaier & Morvillo
1290 Avenue of the Americas
New York, New York 10019

Re: AUR 254 (76)

Dear Mr. Morvillo:

This is to notify you that the Commission, being unable to enter into a conciliation agreement with respect to its previous determination in the above-numbered matter, has found that it has probable cause to believe that J. Ray McDermott and Co., Inc. violated 2 U.S.C. §41b (formerly 18 U.S.C. §610).

Any further Commission action would come in the form of a civil action for relief in an appropriate district court for the United States pursuant to 2 U.S.C. §437g(a)(3)(B).

Sincerely yours,

William C. Oldaker
General Counsel

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

79010312

7904008130

MUR 254 (76)

PS Form 3811, Mar. 1976

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

● SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).

- Show to whom and date delivered..... 15¢
- Show to whom, date, & address of delivery.. 35¢
- RESTRICTED DELIVERY.
Show to whom and date delivered..... 65¢
- RESTRICTED DELIVERY.
Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:

Robert Morviol; Martin, Obermaier & Morvillo; 1290 Ave. of the Americas, NY NY 10019

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	438192	

(Always obtain signature of addressee or agent)

I have received the article described above.

SIGNATURE Addressee Authorized agent

Maal...

4. DATE OF DELIVERY **OCT 14 1977** POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS



FEDERAL ELECTION COMMISSION

1275 STREET N.W.
WASHINGTON, D.C. 20543

October 11, 1977

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Robert Morvillo
Martin Obermaier & Morvillo
1290 Avenue of the Americas
New York, New York 10019

Re: MR 254 (76)

Dear Mr. Morvillo:

This is to notify you that the Commission, being unable to enter into a conciliation agreement with respect to its previous determination in the above matter, has found that it has probable cause to believe that Ernest B. Gravois violated 2 U.S.C. 2441b (formerly 2 U.S.C. 561c).

Any further Commission action would come in the form of a civil action for relief in an appropriate district court for the United States pursuant to 2 U.S.C. 2437g(a)(5)(B).

Sincerely yours,

William C. Oldaker
General Counsel

7 0 0 4 0 0 8 4 2 0 7

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



79040034203

MUR 254 (76) AA

PS Form 3811, Mar. 1976
RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

● SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).

- Show to whom and date delivered..... 15¢
- Show to whom, date, & address of delivery.. 35¢
- RESTRICTED DELIVERY.
Show to whom and date delivered..... 65¢
- RESTRICTED DELIVERY.
Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO: Robert Morvillo,
Martin, Obermaier & Morvillo
1290 Ave. of the Americas
New York, NY 10019

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	438193	

(Always obtain signature of addressee or agent)

I have received the article described above.

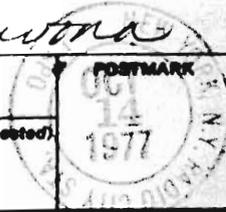
SIGNATURE Addressee Authorized agent

4. *Maie Burton*

DATE OF DELIVERY

OCT 14 1977

5. ADDRESS (Complete only if requested)



6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS



FEDERAL ELECTION COMMISSION

1125 K STREET, N.W.
WASHINGTON, D.C. 20543

October 11, 1977

CERTIFIED MAIL
REGULAR RECEIPT REQUESTED

Mr. Paul Grand
Grand & Ostrow
375 Park Avenue
New York, New York 10022

Re: MUR 254 (76)

Dear Mr. Grand:

This is to notify you that the Commission, being unable to enter a conciliation agreement with respect to its previous determination, has found that it has probable cause to believe that Charles L. Graves violated 2 U.S.C. §441b (formerly 18 U.S.C. §610).

Any further Commission action would come in the form of a civil action for relief in an appropriate district court for the United States pursuant to 2 U.S.C. §437g(a)(5)(B).

Sincerely yours,

William C. Oldaker
General Counsel

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

7 9 0 4 0 3 8 4 2 0 7



MUR 254 aa

● SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
- Show to whom and date delivered..... 15¢
 - Show to whom, date, & address of delivery.. 35¢
 - RESTRICTED DELIVERY.
Show to whom and date delivered..... 65¢
 - RESTRICTED DELIVERY.
Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO: Paul Grand
Grand & Ostrow
375 Park Ave.
New York, N.Y. 10022

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	438194	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE Addressee Authorized agent

4. DATE OF DELIVERY *Paul Grand* POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS

PS Form 3811, Mar. 1976

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

01248004007

BEFORE THE FEDERAL ELECTION COMMISSION

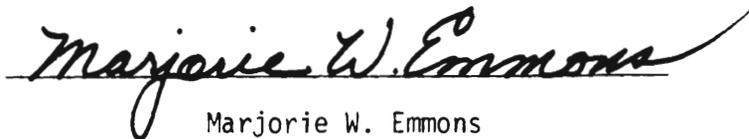
In the Matter of)
J. Ray McDermott, Inc., et al)

MUR 254 (76)

CERTIFICATION

I, Marjorie W. Emmons, Secretary to the Federal Election Commission, do hereby certify that on October 6, 1977, the Commission determined by a vote of 5-0 to terminate conciliation efforts in the above-captioned matter, to find Probable Cause to Believe that the respondents have violated 2 U.S.C. Section 441b(a), and to institute a civil suit.

Commissioner Staebler was not present at the time of the vote.



Marjorie W. Emmons
Secretary to the Commission

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

7 0 0 4 0 0 8 4 2 1 1

September 29, 1977

MEMORANDUM TO: Marge Emmons
FROM: Elissa T. Gatz
SUBJECT: MUR 254 Team #1

Please have the attached General Counsel's Report on MUR 254 distributed to the Commission and placed on the Compliance Agenda for the Commission meeting of October 6, 1977.

Thank you.

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

79040084212

September 28, 1977

Before The Federal Election Commission

In the Matter of)	
J. Ray McDermott and Co., Inc.)	MUR 254 (76)
et al)	

General Counsel's Report on Failure to Conciliate

This matter involves the allegation that Charles Graves, President of J. Ray McDermott and Co., Inc., transferred corporate funds to R. Nelson Crews and Ernest B. Gravois, McDermott employees, who, upon Graves' instruction, contributed these funds to federal candidates by reimbursing themselves and other company employees for personal contributions. McDermott and Co., Inc., Graves, Gravois and Crews were the respondents.

After conducting an investigation in which respondents were given a reasonable opportunity to demonstrate that no action should be taken, the Commission, on August 18, 1977, found reasonable cause to believe that a violation of 2 U.S.C. §441b had been committed by each of the respondents.

Subsequent to the Commission's reasonable cause to believe finding, attempts were made for a period of at least 30 days to correct these violations. The Commission's attempt to conciliate this matter in reaching an agreement that would embody admissions as to the facts and issues underlying the Commission's determination with Graves, Gravois and McDermott has been unsuccessful. Accordingly, the General Counsel recommends that the Commission determine that

**FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL**

September 30, 1977

MEMORANDUM TO: Marge Emmons
FROM: Elissa T. Garr
SUBJECT: MUR 254 Team #1

Please have the attached Conciliation Report on MUR 254 distributed to the Commission and placed on the Compliance Agenda for the Commission meeting of October 6, 1977. (It should be considered with the General Counsel's Report on MUR 254)

Thank you.

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

79040084215

September 28, 1977

Before The Federal Election Commission

In the Matter of)	
J. Ray McDermott Inc. et al)	MUR 254 (76)
)	
)	

Conciliation Report

Status and Summary

The Commission having found reasonable cause to believe that J. Ray McDermott, Inc., Charles Graves, Nelson Crews and Ernest Gravois violated 2 U.S.C. §441b, the staff entered into conciliation with representatives of each of the respondents.

Crews recently provided cooperative testimony in a lengthy deposition and the staff is continuing the conciliation effort with him. However, negotiations with Graves, Gravois, and McDermott, Inc. have not produced an agreement which the staff can recommend for Commission approval. Accordingly, having so endeavored for a period of at least thirty days, we recommend that conciliation with these respondents be terminated.

Analysis

The Commission's previous findings were based on the allegation that Charles Graves, President of J. Ray McDermott, Inc., transferred corporate funds to R. Nelson Crews and Ernest B. Gravois, McDermott employees who, upon Graves' instruction, contributed these funds to federal candidates by reimbursing themselves and others for personal contributions.

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
 OFFICE OF GENERAL COUNSEL

16
 2
 4
 8
 0
 0
 1
 0
 0
 7

The staff proposed an agreement that would include: the principal facts establishing a violation; facts which show a history of secret cash funds maintained by McDermott; an admission of a violation; and a fine. These facts are embodied in testimony of Graves and Crews to the Securities and Exchange Commission and a report prepared by an Audit Committee, empowered to investigate the finances of the McDermott Corporation.

A flexible posture was presented by staff with respect to the amount of the fine, the reference to the history of secret cash funds and whether the violation was knowing and willful.

McDermott, Inc. and Gravois were represented by the same counsel, while Graves maintained separate representation. These representatives will only accept an agreement that includes an admission of a violation by the respondent corporation and not the individuals. Moreover, the admission of a violation by the Corporation would have to be accompanied by a promise that the Commission not investigate any of the Corporation's officers. In view of the facts in this matter, none of which the respondent has attempted to refute, the staff cannot recommend acceptance of the counter proposal.

Recommendation:

Failing to reach an agreement that it can recommend for Commission approval, the staff recommends that conciliation efforts be terminated and that the Commission find probable cause to believe respondents have violated §441b(a) and institute a civil suit.

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

9/30/77
DATE

William C. Oldaker
WILLIAM C. OLDAKER
GENERAL COUNSEL

Attachments

79040094211

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

FEDERAL ELECTION
COMMISSION

September 29, 1977 4 AM 8:34

702901

Mr. Robert Nelson Crews
1617 Inwood Drive,
Houston, Texas 77089

RE: J. RAY MC DERMOTT, et al., MHA 234(76), Before the Federal
Election Commission.

Dear Mr. Crews:

The court copy of your deposition in the above-captioned case
taken September 21, 1977, is submitted herewith for your reading and
signing as requested by counsel.

Please follow the procedure enumerated below in order to comply
with the rules.

1. Make all corrections in ink.
2. Any language stricken or corrected should have a single line
drawn through it and your initials so that the court may have
before it the language as transcribed as well as corrected.
3. Place an asterisk at the end of each correction and at the
bottom of each page state your reason for the correction.

The rules require a reason for any change or correction. It
may be general, such as, "to correct stenographic errors," or "to
clarify the record," or "to conform with the facts."

Please sign on the line indicated and return this court copy to
this office as soon as possible.

Sincerely your,

MILTON & GREENWOOD
REPORTING ASSOCIATES, INC.

Peggy L. Greenwood
Vice President

cc:
David Spiegel, Esq.
John H. Buck, Esq.
file

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

7904008421

BCL

UNITED STATES OF AMERICA
BEFORE THE FEDERAL ELECTION COMMISSION

----- X
:
In Re: :
: MUR 254(76)
J. RAY McDERMOTT, et al. :
:
----- X

Washington, D. C.

Wednesday, September 21, 1977

Deposition of

ROBERT NELSON CREWS

a witness, called for examination by counsel for the Federal Election Commission, pursuant to notice, taken in the offices of the Federal Election Commission, 1325 K Street, Northwest, Washington, D. C., beginning at 12:55 o'clock p.m., before David Spiegel, Esq., when were present on behalf of the respective parties:

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

Milton & Greenwood Reporting Associates, Inc.

(formerly Reynolds Reporting Associates, Inc.)

OFFICIAL REPORTERS

1028 Connecticut Ave., N.W., Suite 1110

Washington, D.C. 20036

Phones: (202) 833-3598

833-3599

79040084220

For the Federal Election Commission:

DAVID SPIEGEL, ESQ. and
ANDREW ATHY, JR., ESQ.
Federal Election Commission
1325 K Street, N. W.
Washington, D. C. 20461

For R. Nelson Crews:

JOHN H. BUCK, ESQ.
Bracewell & Patterson
2900 South Tower
Pennsion Plaza
Houston, Texas 77002

C O N T E N T S

EXAMINATION BY COUNSEL FOR:

FEDERAL ELECTION
COMMISSION
(Mr. Spiegel)

R. NELSON CREWS
(Mr. Buck)

WITNESS:

R. NELSON CREWS

1

(Mr. Athy)

33

E X H I B I T S

Marked for Identification and Attached:

Page

Federal Election Commission Exhibits 1
and 2

38

790-10942

Thereupon,

ROBERT NELSON CREWS

a witness, was called for examination by counsel for the Federal Election Commission and, after having been sworn by Mr. Spiegel, was examined and testified as follows:

EXAMINATION BY COUNSEL FOR THE FEDERAL ELECTION COMMISSION

BY MR. SPIEGEL:

Q Could you state your name for the record, sir?

A Robert Nelson Crews.

Q What is your address?

A 3617 Inwood Drive, Houston, Texas.

Q Do you have an attorney present at this deposition?

A I do.

MR. SPIEGEL: Would the attorney identify himself for the record.

MR. BUCK: I am John Buck with Bracewell & Patterson in Houston.

MR. SPIEGEL: This is an adjourned session of a deposition that was conducted of Mr. Crews in Houston on August 4, 1977, at which time Mr. Crews cited his Fifth Amendment privilege with regard to the subject matter of our subpoena.

BY MR. SPIEGEL:

Q It is our understanding now, Mr. Crews, that you

7004081322

will be testifying with regard to the matters noticed in the subpoena. Is that correct?

A That is correct.

Q Mr. Cross, in the previous deposition you referred to a grand jury in New Orleans before which you anticipated testifying. Have you not testified before that grand jury?

A I have.

Q On what day?

MR. BUCK: I honestly don't recall. Off the record.

(Discussion off the record.)

BY MR. SPIEGEL:

Q Have you discussed with any representative of this office since the time of our previous contact in August any of the matters mentioned in the subpoena?

A With the Federal Election Office?

Q With the Federal Election Commission.

A No, I have not.

Q What is your present position, sir?

A I am Executive Vice President of Raymond International in Houston, Texas.

Q How long have you held that position?

A Since January 1st, 1975.

790408422

Q Where were you previously employed?

A J. Ray McDermott, New Orleans, Louisiana.

Q How long were you employed by McDermott Corporation?

A Twenty-seven and a half years.

Q What positions did you hold with McDermott during that time? I think you should concentrate on the period after 1968.

A Just prior to my leaving, I was executive vice president and a member of the board of directors. Prior to that I had been chief engineer for a number of years. And had been a corporate officer and director for at least ten years.

Q How long were you vice president?

A I don't remember the times.

Q What were the duties of your position with McDermott when you were vice president?

A I was responsible for engineering, sales, up until about December of 1971, at which time I became the chief operating officer for the North Latitude Group. And in that position I was the officer responsible for all operations in Alaska, Canada and the North Sea.

Q Why did you leave the McDermott Corporation?

A In June of 1974, Mr. Graves and I disagreed on the operations of the North Latitude Group, and he being the president, he reassigned me and said that my job henceforth would be government liaison officer and I was not satisfied with that, so I sought employment elsewhere.

Q By Mr. Graves you mean Charles R. Graves?

A Charles L. Graves.

Q What was his position with McDermott?

A He became president in about November of 1971.

And so at the time of my leaving he was president and chairman and chief executive officer.

Q During the time you were employed by McDermott Corporation, were you familiar with an individual named Roger Wilson?

A Yes. He was the president of the company prior to Graves becoming president. He died in February of 1972.

Q And how long was he president?

A I don't recall --

Q The number of years prior to '70.

A I would say five years at least.

Q Did you have contact with Mr. Wilson?

790408422

A Yes.

Q That is business contacts with him?

A Yes, I had business contacts with him. He was president and I was one of the executive vice presidents at that time. There were three of them.

Q I am going to show you, Mr. Crews, a list of payments that are payments to Roger Wilson and are dated from June of 1962 to December of '71. They total \$300,000. They are in various sums of \$30,000 to \$50,000. This list I am showing you is an appendix to a report of the audit committee of the board of directors of McDermott.

Are you familiar with any of the items on this list? They are numbered from one to eleven.

A The only -- my only -- the limit of my knowledge of this is the fact that I have read this audit committee report. Prior to being published I was not aware of this.

Q For the record, let's identify this report. This is the report of the audit committee of the board of directors of J. Ray McDermott & Company and it is dated April 12, 1977. You are not familiar, now, with any of the items on this --

A That is correct. I have no knowledge of that.

790408425

7904084227

Q Did Mr. Wilson ever have occasion to discuss with you the making of contributions to candidates for Federal political office?

A I do not recall any such discussion.

Q Did he ever mention to you his making contributions to candidates for Federal political office?

A No, he did not.

Q Was there any company scuttlebutt that you are familiar with that would regard Mr. Wilson's use of the monies in this list that I showed you?

A I don't recall any such scuttlebutt.

Q Do you have any knowledge, Mr. Crews, of how Mr. Wilson kept the monies that are referred to in this list or any other monies that he may have received?

A I have been told that his secretary kept cash in a safe deposit box. I am not sure where. But it was my impression that it was in a bank in the close vicinity to McDermott's executive offices. But I have no other knowledge than that.

Q Did he ever at any time keep money in his office that you know of?

A I don't know whether -- to my knowledge, no.

Q Did he have a safe in his office?

A Not that I know of.

7 9 6 4 0 9 4 2 2 9

Q You referred to an individual named Charles Graves who you have stated subsequently became president of the McDermott Corporation. Did you have any business contacts with Mr. Graves prior to the time that he became president?

A Well, we were both executive vice presidents of the company and so we had a great deal of contact, yes.

Q Did you ever have occasion to discuss with Mr. Graves in making of contributions to candidates for federal office or other candidates out of McDermott funds?

A Not prior to his becoming president.

Q That is prior to his becoming president.

A No.

Q In your knowledge, did Mr. Graves ever have occasion to discuss with Mr. Wilson his use of the monies in that list that I showed to you, the eleven payments?

A In my knowledge, no.

Q Was Mr. Graves on familiar terms with Mr. Wilson; it is possible they might have discussed that?

A Anything is possible. They were close friends and they saw each other a great deal in the course of business.

Q According to the audit report which you stated

that you were familiar with, there is a reference to a January, 1972 transfer of approximately \$6,000 to Mr. Graves by Mr. Wilson's secretary. Do you have any knowledge of this contribution?

A No, other than the fact that I read it in the audit report.

Q Are you familiar with an individual named James E. Cunningham?

A Yes, he is, as far as I know, presently employed by J. Ray McDermott. He is an executive vice president and the chief financial officer of the company.

Q During the time you were with McDermott did you have occasion to discuss business with Mr. Cunningham?

A Yes.

Q Did Mr. Cunningham ever have occasion to discuss with you his involvement, if any, with the \$6,000 that I just mentioned?

A He did not.

Q Now, as you may have noted in the audit report there is a reference to Mr. Graves becoming president of the McDermott Corporation in 1972. Did that involve a switch of offices on Mr. Graves' part?

A Yes. He occupied Roger Wilson's old office.

7904084229

He moved into it when he became president. I am not sure exactly whether he became president. Wood Wilson was in a terminal condition and later in November of '18 until late February of '19, 1919, when the actual switch over took place. I am not sure. But when he moved into that office, I am not sure of that either. I don't know whether he moved in after his death or just prior to it.

Q Did the office that Mr. Graves occupied after he became president have in your knowledge a safe in it?

A It was the same office as had been previously occupied by Wilson and I don't know of any safe that was in it. There may have been one there but I was not aware of it.

Q Did there come a time in 1918 when you were asked to deliver a sum of money amounting to approximately \$4,500 to Mr. Graves?

A That is correct.

Q Did you have any discussion with Mr. Graves regarding this sum of money?

A Other than I handed him the envelope and said, "Here's the money that you asked to be brought from Europe." That was pretty well the limit of the discussion.

Q Was there any discussion prior to the time that you handed him the money?

A There probably was in that he asked me to bring this envelope or bring an envelope containing currency back from -- initially it was to have been from Beirut. But I don't really remember the details of what he said as far as what he was going to use it for. It is my impression now that it was to be used for political purposes. But I can't swear to that.

Q Well, at this time when he broached the subject with you initially, were there any other individuals present, do you recall?

A I don't believe there were. The way I remember it, he said that he wanted some money brought back and that I and some other individuals would be given envelopes in Beirut and we would bring them back to him in New Orleans.

Q Did he mention the names of the other individuals?

A I don't know whether he did at that time or not.

Q Do you know who the other individuals were?

A Yes. When the transaction actually took place, I was told that I had an envelope, that Robert K. Richey had one and James E. Cunningham had one. Richey gave me

7904004231

Q Now, this was not in Beirut. It was in London and apparently he had brought the envelopes from the Middle East.

Q Let's go back to this original conversation with Graves. About when did this take place? Again, using your best recall.

A I would say early 1974, but I really couldn't -- I don't have any way of putting a date on it. But as I recall, the transaction took place in the spring of '74. I mean -- yes, in the spring of '74, and I would guess that this conversation was a couple of months prior to that. But I am really guessing, now, and groping because I don't have anything to tie it to.

Q You said that Mr. Graves said to you in this conversation that you had that you were to bring him \$4,000?

A Yes.

Q Did he go into any more specifics than that in the conversation about how you would get the \$4,000?

A I don't remember, but I am sure that he said someone would give it to me in the Middle -- you know, in Beirut, and that I would carry it back. But I don't recall he said who would do it.

7904081252

Q Was this the first time Mr. Graves made such a request of you?

A Yes.

Q Were you surprised when he made the request?

A I don't recall. I don't know whether I was or not.

Q In your knowledge had Mr. Graves made such a request of other persons at other times?

A Not to my knowledge, no, I don't know of any such requests.

Q Was there any occasion in this conversation about how the company would account for this \$4,000?

A No, not at all, no occasion to me.

Q Was this a matter that would have been of concern to you?

A Not particularly. The amount of money was inconsequential in a billion-dollar-a-year company. And second, my responsibilities were not -- I was not a financial officer. I was an operating officer.

Q Do you have any knowledge of what Mr. Graves did with the money when he got it from you, by that I mean where did he put it?

7904084233

790408423
A I do not know. When I handed him the envelope which had been at that point unopened, he put it in his coat. Now, what he did subsequent to that, I don't know.

Q Did you get a receipt from him?

A I did not.

Q Do you know if he had any sort of record-keeping system to keep track of transfers like that?

A I don't know.

Q Did you speak to Mr. Richey or Mr. Cunningham -- I believe or the other two gentlemen you identified in connection with this -- as to their dealing with Graves with respect to the monies they gave to him?

A No, I did not.

Q You say that in June of '76 you were offered, or Mr. Graves advised you you would be given a position that would involve political liaison work; is that correct?

A In June of '74?

Q June of '74. Excuse me.

A That is correct, yes.

Q What was the title of that position?

A We didn't discuss titles. He just said I want you to be McDermott's government liaison officer, and I said I am not a

lobbyist and he said, "Yes, but you know the company intimately." And I said, "I am not interested in the position."

Q Was there such a position at any time prior to June of '74?

A No, there was not.

Q Do you have any reason to know why Mr. Graves would have asked you to take this position at that time?

A He had become interested in activities. There is an organization known as the National Offshore Industry Association, which is an organization made up of oil industry and service industry in which they attempt to keep track of legislation and lease sales and things that affect the off-shore industry. And Graves was one of the directors of this company. It was my impression that he had through this acquired an interest in the activities of the government since it had a great effect on the industry. And he felt -- at least this is what he told me -- that McDermott should have someone involved in this.

Q Did he mention to you in the course of this discussion when he had acquired this interest in the government?

A No. This was my supposition.

7904084235

7904084236

Q Well, again, let's go on your supposition. When in your knowledge do you think his interest in the government dated back to?

A I don't know when that association started. It was two or three years old at that time.

Q So it would be around the time he became president of the company?

A I suppose that is correct.

Q Other than yourself, were there any other McDermott officials that you are aware of who might have brought Mr. Graves money through this envelope system you mentioned, brought it to him personally in his office?

A At the time that I brought the envelopes back, Robert Richey and James Cunningham also brought envelopes and as far as I know — that is the limit of my knowledge.

Q Were these individuals and persons who Mr. Graves was personally familiar with, Mr. Richey and Mr. Cunningham?

A They were senior officers of the company and yes, they were friends of his. We all were friends.

Q Was H. W. Bailey a senior officer of the company?

A That is correct. He was, and as far as I know still is an executive vice president of J. Ray McDermott.

Q So he also would have been a member of this group that Mr. Graves associated with and was friendly with?

A In a business way, yes.

Q How about John Dupy?

A John Dupy was and I think still is a vice president, and he is a member of the management of Hobernet.

Q And how about E. B. Gravois? Was he another individual that Mr. Graves had intimate business dealings with as a member of this high executive --

A Not at all. E. B. Gravois was an administrative assistant of Bailey's. As far as I know he officed in Morgan City, Louisiana, and I would doubt that he saw Graves more often than maybe once a year.

Q Let's stop a minute at this point.

(Discussion off the record.)

BY MR. SPIEGEL:

Q Mr. Crews, I am going to show you a copy of a document that is called 'Correction to Transcript of Interview of Robert Nelson Crews by Peter Clark, and goes on basically to describe your testimony with the SEC. It is a three-page document. At the end there is a signature line for R. Nelson Crews and a signature. Is the signature

7904084237

at the end of this document your signature?

A It appears to be, yes.

Q Okay, let's go off the record a minute.

(Discussion off the record.)

BY MR. SPIEGEL:

Q This document, as I have indicated, Mr. Crews, is titled a correction to previous testimony that you gave to the SEC. What sources did you use to make this correction?

A Can we go off the record, please? I want to discuss this with my lawyer.

(Discussion off the record.)

THE WITNESS: Just my memory.

BY MR. SPIEGEL:

Q You stated in the second paragraph of this following the conclusion of the interview -- and I gather you mean the Securities and Exchange Commission interview, "I recalled certain occurrences." Is this recall just based solely on your memory?

A Yes, that is right.

Q You didn't consult any documents or persons?

A No, this occurred to me just out of my mind.

Q In this document at page two at the top you refer

7904084238

7904004239

on an occasion when you spoke with Charles Graves regarding contribution to candidates for federal office, in this case the candidate was a Hensen Moore. The conversation took place in July or August of '74. Is that the first occasion on which you spoke to Mr. Graves specifically about a contribution to a candidate for federal office?

A Yes, as far as I can recall, yes.

Q Did that ever come up at that occasion when you were discussing your change of position to this liaison position you mentioned?

A No, there was no discussion of that sort of thing.

Q At this time that this conversation took place, what was your position with McDermott?

A I was still an executive vice president, but I had no operating responsibility. As far as Graves was concerned, my job was government liaison. As far as I was concerned, I was looking for another job.

Q What was the substance of your conversation with Mr. Graves?

A The one referring to Hensen Moore?

A Hensen Moore.

A He said that he had made the acquaintance of the candidate, Hansen Moore, who was running for the office of congressman from one of the districts in Louisiana, and that he felt he probably needed some financial help. He said that he wanted me to collect some checks from individuals, that they would be reimbursed by cash that he would provide and that I should journey to Baton Rouge, meet Hansen Moore and give him these checks and I did.

Q Did he tell you who these individuals would be that you would collect the checks from?

A I can't recall whether he told me exactly who to go to or whether he said from the top executives of the company, to go to the top executives of the company. Now, as I recall, he gave me a check at that time, I wrote a check, and I think Bailey and Cunningham did also.

Q This is subsequent now, to this conversation?

A Yes, well, within a matter of hours of that conversation. The conversation started when he came into my office with his check and gave it to me and said, "I would like for you to write a check," and I did for \$200, and he gave me \$200. Then he said collect some other checks and take them up to Baton Rouge.

7904084240

Q Now, when he said collect these other checks, did he say to you that he would similarly reimburse the persons who would be giving you the checks?

A Yes, that is right, that he would provide cash for them in return for a check.

Q When you spoke to these other individuals, I think you mentioned the names Bailey and who is the other individual?

A I think it was Cunningham. I am not -- some things -- in the, some of these other corrections, the Hensen Moore record, of course, are available as to when this money was received. And referring to that, I find where in this statement I said there were two transactions. In fact, there were three instances when checks were delivered to Hensen Moore's campaign headquarters.

Q Three instances in which you were involved?

A Three instances in which I was involved. There may have been other instances.

Q This is the first instance we are talking about right now?

A First instance, that is correct.

Q When you spoke to these other individuals, did you relay to them the substance of your conversation with

79040084241

Graves?

A Well, I told them that I would like to have a check made out to the Bernard Moore company and that I would give them cash in return for it.

Q Did you tell them who had asked you to do this?

A Oh, yes.

Q Now, going back to your conversation with Mr. Graves, did he indicate to you where this cash was coming from?

A He did not, no.

Q Did you have any reason or any understanding of where it might have been coming from?

A Well, I didn't think it was his money. So I presume that it was company funds. But this was never discussed.

Q Did he give you additional money for these other individuals at the time that he reimbursed you for your check?

A I don't remember whether he gave it to me and/or whether I collected it later and gave it to them.

Q He did give you this money at a subsequent date?

A Yes, that is correct.

7 9 0 4 3 0 8 4 2 4 2

Q And then you gave it to the other individual?

A That is correct.

Q Now, did there ever a subsequent time when you had another conversation with Mr. Graves regarding contributions to the Moore campaign or to any other candidates for federal office?

A The only one that was ever involved, as we have said earlier, that as far as my knowledge, is Hansen Moore. And I think we ought to correct the statement as it appears to have happened on the basis of the information that I have been shown recently. The second event was when Ronald Reagan made a luncheon speech in Baton Rouge. This is shortly prior to the election.

Q About October of '74?

A Yes, I think that is correct. But anyway, it was shortly prior to the election. And I took a check of mine for \$500 and one of Graves' for \$500. Now, I believe that he reimbursed me for that. I took them to the luncheon and gave them to the campaign manager or someone in charge there. There was a third occurrence, and that -- excuse me.

Q Let's go back to the second occurrence. Where did this conversation take place? What were the circumstances

79040084243

under which he spoke to you?

A Same sort of thing, in my office or his office. I am not sure which. He either came in or asked me to come into his.

Q What did he say to you about this contribution?

A The same sort of thing, that we needed to help Hansen Moore's campaign and there is a luncheon coming up. And it is conceivable this was to have bought tickets for the luncheon and this sort of thing. I don't recall the exact circumstances.

Q Did he say to you please make a contribution or words to that effect?

A Yes, as I recall, that is what he said.

Q And he said something to the effect, "I will reimburse you for this contribution?"

A Yes.

Q You say he made a contribution at this time, too, or gave you a check at this time?

A That is right.

Q The check was made out to this luncheon?

A Made out to Hansen Moore campaign fund.

Q Do you know where he got the funds for that check?

A I do not.

7904008424

Q Now, was there a third occasion on which you spoke with Mr. Graves about contributions?

A Yes, this was after the election, and evidently it was in December of 1974, and apparently the campaign manager was attempting to wipe out the debt. Hensen Moore was successful in his election and I presume he called Graves, along with, I am sure, a lot of other people who had made contributions, looking for some more help. Graves told me to get checks from individuals, the same group, and to convey them to Baton Rouge and that he would reimburse them through me.

Q Do you remember the names of the individuals?

A It was from the group of Bailey, Dupy, Cunningham. Now who gave me the checks, I don't recall. We would have to take a look at the record to do that.

Q Now, again in this conversation did Mr. Graves say to you, "I would like you to make a contribution to Hensen Moore?" Was that the substance of the conversation?

A I did not make one at that time.

Q What exactly did he say to you?

A I can't remember the exact words, obviously. It has been a number of years, but in essence that the

790408424

campaign needed some additional funds to wipe out the debt and that we should continue to help him or he should help. And therefore, would I please get some more checks and the individuals would be reimbursed.

Q Did he give you money with which to reimburse these individuals?

A That is correct.

Q Did you give the money to these individuals?

A I did.

Q When you spoke to these individuals, did you tell them that you were asking them to make contributions at the request of Mr. Graves?

A Yes.

Q Did you tell them they would be reimbursed?

A Yes. I reimbursed them. I went in and told them what I wanted and they wrote a check and I handed them the money. And then I went to the next guy.

Q Did any of these individuals that were involved in this occasion or on the other occasion in July get surprised when you made this request to them?

A I don't recall whether they did or not.

Q Have you at any time made any contributions to

7904084246

persons who refreshed his recollection with regard to the incidents that you were referring to. Do you have any knowledge who these records or persons might have been?

A I do not. I was no longer employed there and had very little contact with Graves or any of the other individuals at that time.

Q Did Mr. Graves ever contact you after you left the McDermott Company?

A Not in this regard, no.

Can we have a clarification of the question?

MR. SPIEGEL: Off the record.

(Discussion off the record.)

BY MR. SPIEGEL:

Q With regard to the three transactions we have just been talking about, 1974, have you had any occasion to discuss these with Mr. Graves after you left the McDermott Company?

A I have not.

Q I am going to, Mr. Crews, refer you to an appendix to the audit committee report which you referred to previously. This is really Exhibit 4 rather than appendix. It is a list of payments to an individual named Schacht McCollum. They

7900084249

are numbered one to five. Are you familiar with any of the transactions that are listed on that page?

A Yes.

Q The numbers of these transactions are from one to five. Would you state for the record which of the numbered transactions you have any knowledge of?

A I handled the deliveries on items 2, 3, 4, and 5, to S. V. McCollum.

Q How were these figures derived for each of these transactions?

A This involved an arrangement apparently made by Roger Wilson with S. V. McCollum, and they were a percentage of the business that McDermott did for Tensaco in the Gulf of Mexico under certain contractual arrangements.

Q The transactions you are referring to all took place after Mr. Wilson's death. Is that not correct?

A That is correct.

Q Did Mr. Graves in your knowledge have knowledge of these transactions?

A He certainly did.

Q Did you discuss them with him?

A Every payment.

Q Do you know what was done with the money?

7904084250

A It was given to S. V. McCollon. And what he did with it, I don't know.

Q Did Mr. Graves ever have occasion to discuss with you what the reasons were for giving Mr. McCollon the money?

A Not that I can recall, no.

Q Have you ever been interviewed by the audit committee of the board of directors of McDermott Corporation which prepared the report that we have been referring to, this 1977 report?

A Yes.

Q Is there a transcript available of this interview?

A It was not taken in front of a court reporter. The audit committee attorney simply made notes.

Q Do you have any notes available of that?

A I didn't make any notes.

Q Did you have an attorney present?

A Mr. Buck, yes.

Q Are there notes made by your attorney?

A I don't know whether he made any or not.

(Discussion off the record.)

THE WITNESS: There are handwritten notes.

BY MR. SPIEGEL:

Q Have you been interviewed by any other federal

7904084231

7 9 0 4 0 8 4 2 5 3

agencies besides the Securities and Exchange Commission and of course the Federal Election Commission?

A In regarding the McCollum payments?

Q Regarding the McCollum payments -- let's start with the McCollum payments.

A Yes, the Justice Department. I have been interviewed by them in front of a grand jury.

Q Other than the grand jury interview, have you been interviewed at any other time by the Justice Department with regard to the McCollum payments or with regard to any of the other matters we have been discussing?

A Let's go off the record so I can refresh my memory.

(Discussion off the record.)

THE WITNESS: I have been interviewed by the Justice Department, the Internal Revenue Service, the Federal Election Commission, the Securities and Exchange Commission, and the federal attorney in New Orleans on these matters.

BY MR. SPIEGEL

Q Was the interview with the Justice Department in the weeks or month prior to your appearance before the grand jury or was there some other time?

over to a receptionist.

Q Fine, with respect to the first occasion you do not recall specifically, if I presented you, which individuals you obtained the checks from.

A That is correct, I don't remember.

Q If I showed you a list of contributors, employees of McDermott who were contributors to the Hansen Moore committee, would that refresh your memory?

A It probably would.

Q Can we go off the record just a second?

(Discussion off the record.)

BY MR. ASBY:

Q Let me just recite this. The Hansen Moore Campaign Committee reports show that in 1974 in September and October, Charles Graves, on two occasions, contributed \$500. You mentioned that you received one \$500 check from Charles Graves. Were there two \$500 checks from Charles Graves? Was the second one probably in reference to the Ronald Reagan appearance?

A Yes, that is correct.

Q On September 9, four individuals are listed as giving \$200 contributions to Hansen Moore; Cunningham, \$200.

7904084253

Would that have been \$200 that you would have obtained?

A Yes, right.

Q Bailey, \$200, would that have been \$200 that you would have obtained?

A Yes.

Q Yourself, Bailey Group, \$200?

A Yes.

Q And E. B. Gravois, was he one of the individuals from whom you obtained \$200?

A No, I did not.

Q In October there is a listing of \$500 from yourself. That again would have been in connection with the Ronald Reagan appearance about which you are testifying for the first time today, or we are getting the testimony for the first time today.

A Yes.

Q Again in November I see \$1,100 from E. B. Gravois, again you say you had no contact with E. B. Gravois?

A I did not.

Q As late as December two contributions, \$500 from Bailey and \$500 from Dupy. Were those checks that you transferred?

A These were the three transactions, yes. Now, let's classify Gravois. The first occasion which I went to Baton Rouge and met the candidate, Gravois was not there. Graves said take Gravois with you, and he met me a few blocks from the campaign headquarters, and we went over together. And he sat there and we were introduced to the campaign manager and then subsequently met the candidate. And he was there. Now, I did not give him any money for a check, no.

Q First of all, in each of these situations that I just mentioned to you, that is Cunningham, Bailey, and Dupy, you specifically reimbursed each of those individuals?

A That is certainly my recollection.

Q Correct. Do you have any knowledge whether or not the candidate was aware of circumstances of these gifts?

A I am positive that he was not.

Q Very good. Did the reverse happen, that is, on any occasion while you were employed by J. Ray McDermott, did any other individual come to you and say I would like a check from you and I will reimburse you?

A I can't recall such an instance.

Q The Russell B. Long committee reports show that

7904084250

in November of 1974 you contributed \$100 to the Russell Long committee. Would you recall seeing such a contribution?

A. Yes. In fact I have a copy of the cancelled check. But to the best of my recollection, I was not reimbursed for this.

Q. Do you have any -- this is a general question that Mr. Spiegel has already asked you. Do you have any other knowledge of any other employees being reimbursed with corporate funds for donations to federal candidates?

A. Other than what I have discussed with you.

Q. Fine. That is all the questions I have.

Do you have any questions, Mr. Buck?

MR. BUCK: I have none. We will tender some checks in response to the subpoena if this is what you want now.

MR. SPIEGEL: Are these the records you have been able to find in response to the subpoena?

MR. BUCK: That is correct.

MR. SPIEGEL: Thank you.

MR. BUCK: May we go off the record just a second?
(Discussion off the Record.)

MR. SPIEGEL: There are two exhibits that we have referred to in the course of this deposition. The first is

7904084257

correction to a transcript taken of Mr. Crews by the Securities and Exchange Commission. We will enter that as Exhibit 1. And the second thing which we will enter as Exhibit 2 is an exhibit to the audit report of McDermott entitled Payments to Schacht, McCollon. And that will be Exhibit 2, Federal Election Exhibit 2.

(The documents referred to were marked Federal Election Commission Exhibits 1 and 2 for identification, copies of which are attached to the court copy of this deposition.)

(I have read the foregoing pages 3 through 38, inclusive, which contain a correct transcript of the answers made by me to the questions therein recorded.)

R. NELSON CREWS

7904084258

7 9 0 4 0 0 8 4 2 6 0



FIRST CLASS MAIL

Milton & Greenwood Reporting Associates, Inc.
(Formerly Reynolds Reporting Associates, Inc.)

General Newsletters Reporting
Suite 1110

1028 Connecticut Ave., N.W.
Washington, D.C. 20036
Phone: (202) 833-3598

**Official
Transcript**

David Spiegel, Esq.
Federal Election Commission
1325 K St., N. W.
Washington, D. C. 20463

**FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
Grade of Electoral Counsel**

FIRST CLASS MAIL

ACC # 1663

FEDERAL ELECTION COMMISSION
17 SEP 26 AM 9

MARTIN, OBERMAIER & MORVILLO

ATTORNEYS

1290 AVENUE OF THE AMERICAS

NEW YORK, N. Y. 10019

THOMAS FITZPATRICK
JOHN S. MARTIN, JR.
ROBERT G. MORVILLO
OTTO G. OBERMAIER

TELEPHONE (212) 489-1500
CABLE: LITIGATOR, NEW YORK

702833

September 20, 1977

David Speigel, Esq.
General Counsel's Office
Federal Election Commission
1325 K Street, Northwest
Washington, D.C. 20463

RE: MUR 254 (76)

Dear Mr. Speigel:

In accordance with your telephone conversation on Monday with Maurice M. McDermott, Esq., on behalf of our client, J. Ray McDermott & Co., Inc., this letter sets forth our position concerning your proposed conciliation agreement between the Federal Election Commission and our client. At the outset, I should note that any tentative agreement reached by counsel in this matter is, of course, not binding upon our client and will require the prior approval of the Board of Directors of J. Ray McDermott & Co., Inc.

We believe that the proposed agreement would be acceptable if ¶'s III(B)(C)(D)(I) and IV(B) were stricken and if ¶V(A) was modified by reducing the civil penalties from \$5,000 to \$1,000. With respect to the reduction of the civil penalty, we feel that this reduction is warranted in light of what we perceive to be serious legal questions concerning certain of the allegations contained in ¶'s III(F)(1)-(4). Specifically, in our view the violation alleged in ¶III(F)(1) is time barred. Also, with respect to the violations alleged in ¶'s III(F)(3) and (4), our research suggests that because the alleged contributions were made after the elections in question, no violations could have occurred. Moreover, under prior law, which would be applicable to the violations alleged, no provision was made for the inclusion of any civil penalty in a conciliation agreement. To attempt to apply the civil penalty provisions to the 1976 Act to prior violations would clearly amount to a denial of due process.

70040034261

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

David Speigel, Esq.
September 20, 1977
Page 2

However, despite the above, in order to avoid the great expense of time and money of a protracted litigation of these and other issues, we feel that it would be in the best interests of our client and indeed of the Federal Election Commission as well, to enter into an agreement along the lines described above. This, of course, assumes that upon reaching such an agreement, your investigation of certain employees of J. Ray McDermott & Co., Inc. in connection with the matters covered by the agreement would terminate without the issuance of process against them.

Concerning the individual employees of J. Ray McDermott & Co., Inc. subpoenaed by you, it is our understanding that none of these individuals finds it in his best interest to enter into a conciliation agreement, which would require admission of wrongdoing, with the Commission at this time.

Kindly contact us at your earliest convenience with your views on the matters discussed herein.

Very truly yours,



Robert G. Morvillo

RGM:kh

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

MARTIN, OBERMAIER & MORVILLO

1290 AVENUE OF THE AMERICAS

NEW YORK, N.Y. 10019



David Speigel, Esq.
General Counsel's Office
Federal Election Commission
1325 K Street, Northwest
Washington, D.C. 20463

FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL
OFFICE OF GENERAL COUNSEL
1325 K STREET, N.W.
WASHINGTON, D.C. 20463

See # 1520

RECEIVED
FEDERAL ELECTION
COMMISSION

77 SEP 19 AM 11:51

LAW OFFICES
MALONEY, VIVIANI & HIGGINS

WALTER J. HIGGINS, JR.
ANDREW J. MALONEY
ARTHUR J. VIVIANI

630 FIFTH AVENUE
NEW YORK, NEW YORK 10020
(212) 586-6006

September 16, 1977

David Speigel, Esq.
General Counsel's Office
Federal Election Commission
1325 K Street N.W.
Washington, D.C. 20463

275770

Re: MUR 254 (76)

Attention: Andrew Athy, Esq.

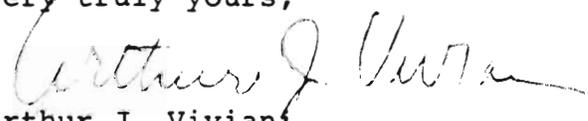
Dear Mr. Athy:

As you know, I represent Robert Richie who is to be deposed by the commission in New Orleans on Thursday, September 22, 1977. Upon my advice, my client will invoke his privilege in response to your questions.

In view of his position, I wonder if it is necessary to hold the above examination.

Would you please contact me and let me know whether the deposition will occur as scheduled.

Very truly yours,



Arthur J. Viviani

70910084264

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

MALONEY, VIVIANI & HIGGINS

630 FIFTH AVENUE

NEW YORK, NEW YORK 10020



SEP 19 11:23

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

David Speigel, Esq.
General Counsel's Office
Federal Election Commission
1325 K Street N.W.
Washington, D.C. 20463

ATTENTION: Andrew Athy, Esq.

Rec # 1519

MARTIN, OBERMAIER & MORVILLO

ATTORNEYS

1290 AVENUE OF THE AMERICAS

NEW YORK, N.Y. 10019

FEDERAL ELECTION COMMISSION

'77 SEP 19 AM 11:42

TELEPHONE

(212) 489-1500

CABLE: LITIGATOR, NEW YORK

THOMAS FITZPATRICK
JOHN S. MARTIN, JR.
ROBERT G. MORVILLO
OTTO G. OBERMAIER

September 16, 1977

772780

Davis Speigel, Esq.
General Counsel's Office
Federal Election Commission
1325 K Street, Northwest
Washington, D.C. 20463

RE: MUR 254(76)

Dear Mr. Speigel:

In connection with the Commission's subpoena to our client, Mr. John D. Dupy, to appear for a deposition in the above-referenced matter on the adjourned date of Thursday, September 22, 1977, I hereby represent that upon my advice, Mr. Dupy will invoke his Constitutional rights and refuse to answer all questions directly or indirectly relating to the matters mentioned in the subpoena.

In view of this, it is my hope that Mr. Dupy's presence at the above-mentioned deposition will no longer be required.

Kindly inform me promptly as to your decision, so that I may plan accordingly.

Very truly yours,

Robert G. Morvillo

Robert G. Morvillo

70010084266

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

MARTIN, OBERMAIER & MORVILLO

1290 AVENUE OF THE AMERICAS

NEW YORK, N.Y. 10019

REC'D
FEDERAL ELECTION COMMISSION
SEP 12 AM 11:24

David Speigel, Esq.
General Counsel's Office
Federal Election Committee
1325 K Street, Northwest
Washington, D.C. 20463

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

ACC 1603

GRAND & OSTROW
375 PARK AVENUE
NEW YORK, N. Y. 10022

FEDERAL ELECTION
COMMISSION
17 SEP 22 AM 10:00

CABLE ADDRESS
"GOJURIS"

TELEPHONE
832-3611

September 15, 1977

David R. Spiegel, Esq.
Assistant General Counsel
Federal Election Commission
1325 "K" Street, N.W.
Washington, D.C. 20463

702312

Re: MUR 254 (76)

Dear Mr. Spiegel:

Enclosed is a proposed form of Conciliation Agreement acceptable to Mr. Graves which I respectfully request that you submit to the Federal Election Commission together with this letter. You will note that our proposal differs from yours principally in that ours does not include an admission of the facts set forth in Paragraph III. Aside from this, certain of the provisions have been clarified or modified.

The reason for the principal change is the pendency in the Eastern District of Louisiana of a grand jury investigation into the affairs of J. Ray McDermott & Co., Inc. That investigation is concerned with, among other matters, the precise subject matter covered by your proposed Conciliation Agreement. Obviously, under these circumstances, I cannot advise my client to admit facts which might adversely affect his interests in the grand jury investigation. Indeed, admission of the facts proposed by you without more, might be deemed by some to be sufficient to warrant indictment.

On the other hand, Mr. Graves is, as you know, anxious to enter into a Conciliation Agreement with the Commission. To achieve both his and the Commission's goals, I have redrafted your proposal in a form akin to that used by the Securities and Exchange Commission and have provided for the payment

70010031268

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
Office of General Counsel

by Mr. Graves of a penalty of \$500. This amount was arrived at after careful analysis of the available evidence. As I indicated to you at our recent meeting, I believe only one person has acknowledged being reimbursed with corporate funds for a 1974 contribution to Henson Moore. The amount involved was \$500. While there has been some acknowledgment that the purchase of tickets to Senator Long's post-election dinner in November, 1974 involved \$600 of corporate funds and that the contribution to Congressman Treen's campaign deficit in March, 1975 of \$1,200 similarly involved corporate funds, it does not appear that these transfers violated 2 U.S.C. §441b. That section limits forbidden contributions to those which are "in connection with any election in which ... a Senator or Representative in ... Congress are to be voted for" Since both Senator Long and Representative Treen had been voted for well before the transfers, it does not appear they violated the Act. This interpretation is supported by United States v. Boyle, 482 F.2d 755, 760 (D.C. Cir. 1973) in which the Court noted that a contribution is not lawful unless it is for "active electioneering". It is also relevant to a fair disposition of this matter that certain of the Commission's allegations, particularly those embodied in subparagraphs (F) and (G) of Paragraph III are beyond the applicable statute of limitations. See 2 U.S.C. §455.

Finally, it is my understanding that most of the questioned payments have been returned to the donors. More importantly, Mr. Graves has already been severely penalized as a result of the activities which are the subject of this Conciliation Agreement. You are, of course, aware of an earlier investigation by an independent Audit Committee of McDermott's Board of Directors. As a result of that Committee's report on the subject of political contributions, Mr. Graves was asked to, and did, personally pay to McDermott \$3,500. In addition, the Audit Committee Report recommended that in determining supplemental compensation for 1977, Mr. Graves' and the other officers' involvement in the payments covered by the Audit Committee Report be taken into consideration. This resulted in Mr. Graves being awarded no supplemental compensation in 1977, when he otherwise could have expected to receive

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

\$163,000. In short, he has already been penalized in amounts which greatly exceed the penalties the Commission could impose.

There is every reason to believe that the Federal Election Act will be fully complied with in the future. Not only is Mr. Graves willing to make the representations contained in paragraph V of our proposed Conciliation Agreement, he is presently the subject of a final judgment of permanent injunction against McDermott which enjoins McDermott and its officers from, among other things, using corporate funds for unlawful political contributions. (This injunction was entered in SEC v. J. Ray McDermott & Co., Inc., Civil Action No. 76-1854, United States District Court for the District of Columbia, Oct. 6, 1976.) Accordingly, the purposes of the Federal Election Act have already been achieved.

Under all of the circumstances, I respectfully submit that our proposed Conciliation Agreement should be accepted by the Commission.

Sincerely yours,



Paul R. Grand

Encl.

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

79091018427

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
J. Ray McDermott and Co.,) MUR 254 (76)
Inc. and Charles L. Graves)

CONCILIATION AGREEMENT

7 0 0 4 0 0 8 4 2 7 1
This matter having been initiated internally on the basis of information voluntarily submitted by counsel for Charles L. Graves, an investigation having been conducted and the Commission having found pursuant to 2 U.S.C. §437g(a)(5)(A) reasonable cause to believe a violation of 2 U.S.C. §441b(a) has occurred.

Now, therefore respondent, Charles L. Graves and the Federal Election Commission having duly entered into conciliation do hereby agree as follows:

I. That the Federal Election Commission has jurisdiction over the respondent and the subject matter of this proceeding.

II. That the respondent has had a reasonable opportunity to demonstrate that no action should be taken in this matter.

III. That the Commission contends that its investigation demonstrates:

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

- 7 0 0 4 0 0 8 4 2 7 2
- (A) That respondent has been an officer of J. Ray McDermott and Co., Inc. ("McDermott") since 1955 and its President since 1972.
 - (B) That in the course of that employment respondent became aware of an "off-the-books" cash fund maintained by the predecessor President, Roger Wilson.
 - (C) That in January, 1972, respondent received an envelope containing \$6,000 in corporate funds from Wilson's secretary. After Wilson's death in February, 1972, respondent put the money in a safe in his office.
 - (D) That upon respondent's instructions \$12,000 in cash was transferred in May, 1974, from foreign subsidiaries of McDermott to him and maintained as part of this fund.
 - (E) That in August of 1974 respondent gave \$1,000 from this fund to R. Nelson Crews, a company officer, with instructions that arrangements were to be made to transfer this amount to the campaign of Henson Moore, a candidate for Congress.
 - (F) That in September of 1974 part of the amount so given to R. Nelson Crews was in the name of company employees contributed to the campaign committee of Henson Moore.
 - (G) That in October of 1974 respondent again transferred \$1,000 of this fund to R. Nelson Crews with instructions that arrangements be made to transfer this amount to the campaign of Henson Moore.
 - (H) That during the remainder of 1974 part of the amount so given to R. Nelson Crews was in the name of company employees contributed to the campaign committee of Henson Moore.
 - (I) That respondent in November, 1974, gave \$600 from this fund to Ernest B. Gravois, a company employee with instructions that this amount be used to purchase tickets to a dinner in honor of Senator Russell Long.

- 7 2 0 4 0 0 3 4 2 7 3
- (J) That in November of 1974 after the election of Senator Long the amount so given to Ernest Gravois was in the name of company employees used to purchase tickets to said dinner.
 - (K) That respondent in March of 1975 gave Ernest Gravois from this fund \$1,200 with instructions that this amount be transferred to Congressman David Treen to defray part of the deficit from Treen's recent election campaign.
 - (L) That in March of 1975 the amount so given to Ernest Gravois was contributed in the name of company employees to Congressman David Treen for said purpose.
 - (M) That in the instance of each of these contributions the recipient candidates were unaware that they involved corporate funds.
 - (N) In October, 1976 respondent turned over to an Audit Committee, investigating McDermott, \$13,200 from funds in his office. Respondent no longer maintains a cash fund of corporate monies.
 - (O) That the transfers of corporate funds through various employees to the candidates herein enumerated constituted a violation of 2 U.S.C. §441b.

IV. That this Conciliation Agreement is entered into and will be carried out without trial, argument or adjudication of any issue of fact or law and will not constitute or be deemed an admission with respect to any such issue, except that the Commission agrees and finds that the allegations of paragraph III hereof do not

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
 OFFICE OF GENERAL COUNSEL

constitute knowing or willful violations of 2 U.S.C. §441.

V. Wherefore, the respondent, out of a desire to conciliate with the Commission and to avoid protracted litigation, without admitting any of the allegations set forth in paragraph III hereof, solely for purposes of this Conciliation Agreement

(A) Consents to pay a civil penalty in the amount of \$500, and

(B) States that, other than the matters covered by the allegations in paragraph III hereof, he has no knowledge of any transfers of McDermott funds to candidates for federal office by himself or others over which the Commission currently has jurisdiction, and

(C) Further states that neither he, nor, to the best of his knowledge, McDermott or any employee thereof, presently maintains any "off-the-books" cash fund of corporate monies.

GENERAL CONDITIONS

(A) If the Commission believes that this agreement or any requirement thereof has been violated it may institute a civil action for relief in the United States District Court for the District of Columbia.

(B) It is mutually agreed that this agreement

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

70040081274

shall become effective as to the date that all parties hereto have executed same and the Commission has approved the entire agreement.

(C) It is agreed that respondent shall have no more than 30 days from the date this agreement becomes effective to comply with the requirements in this agreement.

(D) It is agreed that upon compliance with this agreement the Commission shall be barred from taking any further action against the respondent with respect to the specific matters set forth herein.

Date: _____

For the Federal Election
Commission
WILLIAM C. OLDAKER
General Counsel

Date: _____

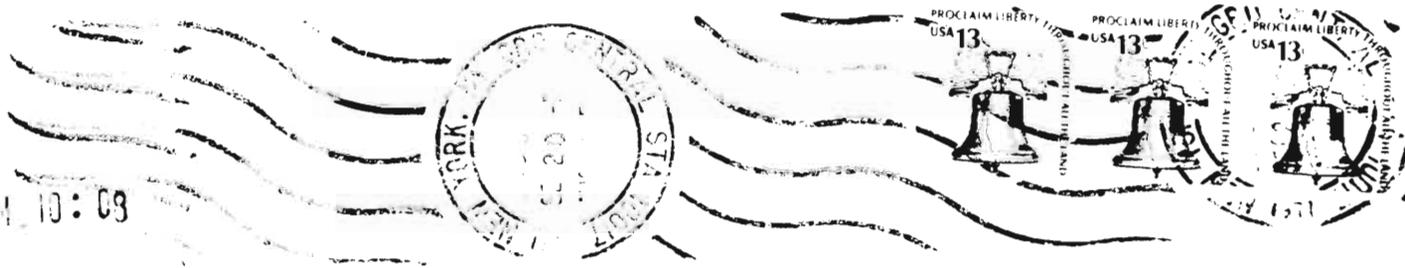
For the Respondent
CHARLES L. GRAVES

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

7 9 0 4 0 0 3 4 2 7 5

GRAND & OSTROW
375 PARK AVENUE
NEW YORK, N. Y. 10022

'77 SEP 22 AM 10:09



David R. Spiegel, Esq.
Assistant General Counsel
Federal Election Commission
1325 K Street N.W.
Washington, D.C. 20463

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

7 9 0 4 0 7 8 4 2 7 6

GRAND & OSTROW
375 PARK AVENUE
NEW YORK, N. Y. 10022

100-1603

FEDERAL ELECTION COMMISSION
17 SEP 22 AM 10:03

CABLE ADDRESS
'GOJURIS'

TELEPHONE
832-3611

September 15, 1977

David R. Spiegall, Esq.
Assistant General Counsel
Federal Election Commission
1325 "K" Street, N.W.
Washington, D.C. 20463

709312

Re: MUR 254 (76)

Dear Mr. Spiegel:

Enclosed is a proposed form of Conciliation Agreement acceptable to Mr. Graves which I respectfully request that you submit to the Federal Election Commission together with this letter. You will note that our proposal differs from yours principally in that ours does not include an admission of the facts set forth in Paragraph III. Aside from this, certain of the provisions have been clarified or modified.

The reason for the principal change is the pendency in the Eastern District of Louisiana of a grand jury investigation into the affairs of J. Ray McDermott & Co., Inc. That investigation is concerned with, among other matters, the precise subject matter covered by your proposed Conciliation Agreement. Obviously, under these circumstances, I cannot advise my client to admit facts which might adversely affect his interests in the grand jury investigation. Indeed, admission of the facts proposed by you without more, might be deemed by some to be sufficient to warrant indictment.

On the other hand, Mr. Graves is, as you know, anxious to enter into a Conciliation Agreement with the Commission. To achieve both his and the Commission's goals, I have redrafted your proposal in a form akin to that used by the Securities and Exchange Commission and have provided for the payment

7094008427

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

by Mr. Graves of a penalty of \$500. This amount was arrived at after careful analysis of the available evidence. As I indicated to you at our recent meeting, I believe only one person has acknowledged being reimbursed with corporate funds for a 1974 contribution to Henson Moore. The amount involved was \$500. While there has been some acknowledgment that the purchase of tickets to Senator Long's post-election dinner in November, 1974 involved \$600 of corporate funds and that the contribution to Congressman Treen's campaign deficit in March, 1975 of \$1,200 similarly involved corporate funds, it does not appear that these transfers violated 2 U.S.C. §441b. That section limits forbidden contributions to those which are "in connection with any election in which ... a Senator or Representative in ... Congress are to be voted for" Since both Senator Long and Representative Treen had been voted for well before the transfers, it does not appear they violated the Act. This interpretation is supported by United States v. Boyle, 482 F.2d 755, 760 (D.C. Cir. 1973) in which the Court noted that a contribution is not lawful unless it is for "active electioneering". It is also relevant to a fair disposition of this matter that certain of the Commission's allegations, particularly those embodied in subparagraphs (F) and (G) of Paragraph III are beyond the applicable statute of limitations. See 2 U.S.C. §455.

Finally, it is my understanding that most of the questioned payments have been returned to the donors. More importantly, Mr. Graves has already been severely penalized as a result of the activities which are the subject of this Conciliation Agreement. You are, of course, aware of an earlier investigation by an independent Audit Committee of McDermott's Board of Directors. As a result of that Committee's report on the subject of political contributions, Mr. Graves was asked to, and did, personally pay to McDermott \$3,500. In addition, the Audit Committee Report recommended that in determining supplemental compensation for 1977, Mr. Graves' and the other officers' involvement in the payments covered by the Audit Committee Report be taken into consideration. This resulted in Mr. Graves being awarded no supplemental compensation in 1977, when he otherwise could have expected to receive

70040034278

\$163,000. In short, he has already been penalized in amounts which greatly exceed the penalties the Commission could impose.

70010081270

There is every reason to believe that the Federal Election Act will be fully complied with in the future. Not only is Mr. Graves willing to make the representations contained in paragraph V of our proposed Conciliation Agreement, he is presently the subject of a final judgment of permanent injunction against McDermott which enjoins McDermott and its officers from, among other things, using corporate funds for unlawful political contributions. (This injunction was entered in SEC v. J. Ray McDermott & Co., Inc., Civil Action No. 76-1854, United States District Court for the District of Columbia, Oct. 6, 1976.) Accordingly, the purposes of the Federal Election Act have already been achieved.

Under all of the circumstances, I respectfully submit that our proposed Conciliation Agreement should be accepted by the Commission.

Sincerely yours,


Paul R. Grand

Encl.

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
J. Ray McDermott and Co.,) MUR 254 (76)
Inc. and Charles L. Graves)

CONCILIATION AGREEMENT

This matter having been initiated internally on the basis of information voluntarily submitted by counsel for Charles L. Graves, an investigation having been conducted and the Commission having found pursuant to 2 U.S.C. §437g(a)(5)(A) reasonable cause to believe a violation of 2 U.S.C. §441b(a) has occurred.

Now, therefore respondent, Charles L. Graves and the Federal Election Commission having duly entered into conciliation do hereby agree as follows:

I. That the Federal Election Commission has jurisdiction over the respondent and the subject matter of this proceeding.

II. That the respondent has had a reasonable opportunity to demonstrate that no action should be taken in this matter.

III. That the Commission contends that its investigation demonstrates:

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

7001008121

- 70010034281
- (A) That respondent has been an officer of J. Ray McDermott and Co., Inc. ("McDermott") since 1955 and its President since 1972.
 - (B) That in the course of that employment respondent became aware of an "off-the-books" cash fund maintained by the predecessor President, Roger Wilson.
 - (C) That in January, 1972, respondent received an envelope containing \$6,000 in corporate funds from Wilson's secretary. After Wilson's death in February, 1972, respondent put the money in a safe in his office.
 - (D) That upon respondent's instructions \$12,000 in cash was transferred in May, 1974, from foreign subsidiaries of McDermott to him and maintained as part of this fund.
 - (E) That in August of 1974 respondent gave \$1,000 from this fund to R. Nelson Crews, a company officer, with instructions that arrangements were to be made to transfer this amount to the campaign of Henson Moore, a candidate for Congress.
 - (F) That in September of 1974 part of the amount so given to R. Nelson Crews was in the name of company employees contributed to the campaign committee of Henson Moore.
 - (G) That in October of 1974 respondent again transferred \$1,000 of this fund to R. Nelson Crews with instructions that arrangements be made to transfer this amount to the campaign of Henson Moore.
 - (H) That during the remainder of 1974 part of the amount so given to R. Nelson Crews was in the name of company employees contributed to the campaign committee of Henson Moore.
 - (I) That respondent in November, 1974, gave \$600 from this fund to Ernest B. Gravois, a company employee with instructions that this amount be used to purchase tickets to a dinner in honor of Senator Russell Long.

- 10010084282
- (J) That in November of 1974 after the election of Senator Long the amount so given to Ernest Gravois was in the name of company employees used to purchase tickets to said dinner.
 - (K) That respondent in March of 1975 gave Ernest Gravois from this fund \$1,200 with instructions that this amount be transferred to Congressman David Treen to defray part of the deficit from Treen's recent election campaign.
 - (L) That in March of 1975 the amount so given to Ernest Gravois was contributed in the name of company employees to Congressman David Treen for said purpose.
 - (M) That in the instance of each of these contributions the recipient candidates were unaware that they involved corporate funds.
 - (N) In October, 1976 respondent turned over to an Audit Committee, investigating McDermott, \$13,200 from funds in his office. Respondent no longer maintains a cash fund of corporate monies.
 - (O) That the transfers of corporate funds through various employees to the candidates herein enumerated constituted a violation of 2 U.S.C. §441b.

IV. That this Conciliation Agreement is entered into and will be carried out without trial, argument or adjudication of any issue of fact or law and will not constitute or be deemed an admission with respect to any such issue, except that the Commission agrees and finds that the allegations of paragraph III hereof do not

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

constitute knowing or willful violations of 2 U.S.C. §441.

V. Wherefore, the respondent, out of a desire to conciliate with the Commission and to avoid protracted litigation, without admitting any of the allegations set forth in paragraph III hereof, solely for purposes of this Conciliation Agreement

(A) Consents to pay a civil penalty in the amount of \$500, and

(B) States that, other than the matters covered by the allegations in paragraph III hereof, he has no knowledge of any transfers of McDermott funds to candidates for federal office by himself or others over which the Commission currently has jurisdiction, and

(C) Further states that neither he, nor, to the best of his knowledge, McDermott or any employee thereof, presently maintains any "off-the-books" cash fund of corporate monies.

GENERAL CONDITIONS

(A) If the Commission believes that this agreement or any requirement thereof has been violated it may institute a civil action for relief in the United States District Court for the District of Columbia.

(B) It is mutually agreed that this agreement

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

shall become effective as to the date that all parties hereto have executed same and the Commission has approved the entire agreement.

(C) It is agreed that respondent shall have no more than 30 days from the date this agreement becomes effective to comply with the requirements in this agreement.

(D) It is agreed that upon compliance with this agreement the Commission shall be barred from taking any further action against the respondent with respect to the specific matters set forth herein.

Date: _____

For the Federal Election
Commission
WILLIAM C. OLDAKER
General Counsel

Date: _____

For the Respondent
CHARLES L. GRAVES

20010081281

MARTIN, OBERMAIER & MORVILLO

ATTORNEYS

1290 AVENUE OF THE AMERICAS

NEW YORK, N.Y. 10019

THOMAS J. PATRICK
JOHN S. MARTIN, JR.
ROBERT G. MORVILLO
OTTO G. OBERMAIER

TELEPHONE
(212) 483-1500
CABLE LITIGATOR, N. Y. N. Y.

September 20, 1977

David Speigel, Esq.
General Counsel's Office
Federal Election Commission
1325 K Street, Northwest
Washington, D.C. 20463

RE: HUR 254(76)

Dear Mr. Speigel:

In accordance with your telephone conversation on Monday with Maurice M. McDermott, Esq., on behalf of our client, J. Ray McDermott & Co., Inc., this letter sets forth our position concerning your proposed conciliation agreement between the Federal Election Commission and our client. At the outset, I should note that any tentative agreement reached by counsel in this matter is, of course, not binding upon our client and will require the prior approval of the Board of Directors of J. Ray McDermott & Co., Inc.

We believe that the proposed agreement would be acceptable if 4's III(B)(C)(D)(I) and IV(B) were stricken and if IV(A) was modified by reducing the civil penalties from \$5,000 to \$1,000. With respect to the reduction of the civil penalty, we feel that this reduction is warranted in light of what we perceive to be serious legal questions concerning certain of the allegations contained in 4's III(F)(1)-(4). Specifically, in our view the violation alleged in III(F)(1) is time barred. Also, with respect to the violations alleged in 4's III(F)(3) and (4), our research suggests that because the alleged contributions were made after the elections in question, no violations could have occurred. Moreover, under prior law, which would be applicable to the violations alleged, no provision was made for the inclusion of any civil penalty in a conciliation agreement. To attempt to apply the civil penalty provisions to the 1976 Act to prior violations would clearly amount to a denial of due process.

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

David Speigel, Esq.
September 20, 1977
Page 2

However, despite the above, in order to avoid the great expense of time and money of a protracted litigation of these and other issues, we feel that it would be in the best interests of our client and indeed of the Federal Election Commission as well, to enter into an agreement along the lines described above. This, of course, assumes that upon reaching such an agreement, your investigation of certain employees of J. Ray McDermott & Co., Inc. in connection with the matters covered by the agreement would terminate without the issuance of process against them.

Concerning the individual employees of J. Ray McDermott & Co., Inc. subpoenaed by you, it is our understanding that none of these individuals finds it in his best interest to enter into a conciliation agreement, which would require admission of wrongdoing, with the Commission at this time.

Kindly contact us at your earliest convenience with your views on the matters discussed herein.

Very truly yours,



Robert G. Morvillo

RGM:kh

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

7 0 0 1 0 0 8 4 2 8 5



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

September 15, 1977

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

79040084287

Robert McGuire, Esquire
630 5th Avenue
New York, New York 10020

Re: MUR 254

Dear Mr. McGuire:

This is to confirm that the deposition of Mr. James Cunningham, originally set for September 8, 1977, has been rescheduled for September 22, 1977, at 11:00 a.m.

Sincerely,

David R. Spiegel
Assistant General Counsel

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



68218004067

MIRAS4 Athu

PS Form 3811, Nov. 1976

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

● SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
 Show to whom and date delivered 25¢
 Show to whom, date, & address of delivery 45¢
 RESTRICTED DELIVERY.
 Show to whom and date delivered 85¢
 RESTRICTED DELIVERY.
 Show to whom, date, and address of delivery .. \$1.05
 (Fees shown are in addition to postage charges and other fees).

2. ARTICLE ADDRESSED TO:
 Robert + Mc Guire

3. ARTICLE DESCRIPTION:
 REGISTERED NO. | CERTIFIED NO. | INSURED NO.
 | 438068 | |

(Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE Addressee Authorized agent
 [Signature]

4. DATE OF DELIVERY | POSTMARK
 9-20-77 |

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: | CLERK'S INITIALS

☆ GOP: 1976-O-203-456

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

September 15, 1977

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Robert Morvillo, Esquire
1290 Avenue of the Americas
New York, New York 10019

Re: MUR 254

Dear Mr. Morvillo:

This is to confirm that the deposition of Mr. John D. Dupy, originally set for September 8, 1977, has been rescheduled for September 22, 1977, at 3:00 p.m.

Sincerely,

David R. Spiegel
David R. Spiegel
Assistant General Counsel

7701008428

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



00248001002

MUR254 Atty

PS Form 3811, Nov. 1976

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

● **SENDER:** Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
 Show to whom and date delivered 25¢
 Show to whom, date, & address of delivery 45¢
 RESTRICTED DELIVERY. Show to whom and date delivered 85¢
 RESTRICTED DELIVERY. Show to whom, date, and address of delivery \$1.05
 (Fees shown are in addition to postage charges and other fees).

2. **ARTICLE ADDRESSED TO:**
Robert Morvillo, Esq

3. **ARTICLE DESCRIPTION:**

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	438065	

(Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE Addressee Authorized agent

4. DATE OF DELIVERY: SEP 10 1977

5. **ADDRESS (Complete only if requested)**

6. **UNABLE TO DELIVER BECAUSE:**

CLERK'S INITIALS

POSTMARK: SEP 10 1977

☆ GOP, 1976—O-203-456

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

September 15, 1977

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Edward M. Shaw, Esquire
522 5th Avenue
New York, New York 10020

Re: MUR 254

Dear Mr. Shaw:

This is to confirm that the deposition of Mr. H. W. Bailey, originally set for September 8, 1977, has been rescheduled for September 22, 1977, at 1:00 p.m.

Sincerely,

David R. Spiegel
David R. Spiegel
Assistant General Counsel

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



70040084201

7900010067

MUR 254 Athu

PS Form 3811, Nov. 1976

● SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).

- Show to whom and date delivered 25¢
- Show to whom, date, & address of delivery 45¢
- RESTRICTED DELIVERY
Show to whom and date delivered 85¢
- RESTRICTED DELIVERY
Show to whom, date, and address of delivery .. \$1.05

(Fees shown are in addition to postage charges and other fees).

2. ARTICLE ADDRESSED TO:
Edward M. Wheeler, Esq

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	438667	

(Always obtain signature of addressee or agent)

I have received the article described above.

SIGNATURE Addressee Authorized agent

E. Wheeler

4. DATE OF DELIVERY: 9/21/76 SEP 21 1976

POSTMARK: SEP 21 1976

* ADDRESS (Complete only if requested):
Wheeler

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

☆ GOP: 1976-O-203-456

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

September 15, 1977

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Arthur Viviani, Esquire
630 5th Avenue
New York, New York 10020

Re: MUR 254

Dear Mr. Viviani:

This is to confirm that the deposition of Mr. Robert K. Richie, originally set for September 8, 1977, has been rescheduled for September 22, 1977, at 9:00 a.m.

Sincerely,

David R. Spiegel
Assistant General Counsel

7901003429



FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

10218001007

MUR 254 AMU

PS Form 3811, Nov. 1976

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

● **SENDER:** Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
 Show to whom and date delivered 25¢
 Show to whom, date, & address of delivery 45¢
 RESTRICTED DELIVERY.
 Show to whom and date delivered 85¢
 RESTRICTED DELIVERY.
 Show to whom, date, and address of delivery... \$1.05
 (Fees shown are in addition to postage charges and other fees).

2. **ARTICLE ADDRESSED TO:**
 Arthur V. Ani, Esq.

3. **ARTICLE DESCRIPTION:**
 REGISTERED NO. | CERTIFIED NO. | INSURED NO.
 | 438066 | |

(Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE Addressee Authorized agent
AC McShane

4. DATE OF DELIVERY | POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: | CLERK'S INITIALS

☆ GOP 1976-O-203-456

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

September 13, 1977

Bracewell & Patterson,
Esquires
2900 South Tower Pennzoil Place
Houston, Texas 77002

Attn: John Buck, Esquire

Re: MUR 254 (76)

Dear Mr. Buck:

This is to confirm our telephone conversation of this date, in which we agreed that Nelson Crews would appear at an adjourned session of his deposition, on September 21, 1977, at 11:00 a.m. As I indicated to you, we were reluctantly agreeing to this day, on the basis of your representation that the earlier date we had agreed to--September 15, 1977--was inconvenient to Mr. Crews.

Sincerely,

David R. Spiegel
Assistant General Counsel

FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL
SEP 13 1977

0040084295



Sec # 1426

MC GUIRE & LAWLER
ATTORNEYS
630 FIFTH AVENUE
NEW YORK, N. Y. 10020

ANDREW M. LAWLER, JR.
ROBERT J. MCGUIRE

FEDERAL ELECTION
COMMISSION
77 SEP 12 AM
TELEPHONE
765-6990
pp: 21

77908

September 9, 1977

7904008127

David Speigel, Esq.
Office of the General Counsel
Federal Election Commission
1325 K Street, N.W.
Washington, D. C. 20463

RE: Your Reference Number: MUR 254 (76)

Dear Mr. Speigel:

I am the attorney for James Cunningham who was recently served with a subpoena by the Federal Election Commission returnable in New Orleans on September 8, 1977 and thereafter adjourned by consent to September 15, 1977. On September 9, 1977 I was advised by Maurice McDermott, an attorney for J. Ray McDermott, that in his discussions with you, you had indicated that your office might accept a letter from counsel in lieu of a physical appearance by Mr. Cunningham in the event that Mr. Cunningham intended to assert his privilege against self-incrimination to all questions asked of him concerning matters reflected in the subpoena.

In furtherance of my conversation with Mr. McDermott and in anticipation that this letter will preclude the necessity for Mr. Cunningham's personal appearance on September 15, 1977, please be advised that if Mr. Cunningham responded to said subpoena he would, upon the advice of counsel, respectfully decline to answer any questions concerning the various matters referred to in the subpoena served upon him by the Federal Election Commission on August 19, 1977.

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

I would greatly appreciate your communicating with my office upon receipt of this letter either in writing or by telephone to advise me that Mr. Cunningham's appearance is not required on September 15, 1977.

If you have any questions concerning the above please communicate with me.

Thank you for your cooperation.

Very truly yours,



Robert J. McGuire

RJM/jmh

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

McGUIRE & LAWLER

630 FIFTH AVENUE
NEW YORK, N. Y. 10020



SEP 10 1977

David Speigel, Esq.
Office of the General Counsel
Federal Election Commission
1325 K Street, N.W.
Washington, D. C. 20463

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

400 1337

RECEIVED
FEDERAL ELECTION
COMMISSION

770584

MARTIN, OBERMAIER & MORVILLO

ATTORNEYS

1290 AVENUE OF THE AMERICAS
NEW YORK, N.Y. 10019
76 SEP 2 AM 10:38

THOMAS FITZPATRICK
JOHN S. MARTIN, JR.
ROBERT G. MORVILLO
OTTO G. OBERMAIER

TELEPHONE
(212) 489-1500
CABLE: LITIGATOR, NEW YORK

August 30, 1977

William Oldaker
General Counsel
Federal Election Commission
1325 K Street, N.W.
Washington, D.C.

Re: MUR 254(76)

Dear Mr. Oldaker:

This is to inform you that our firm represents
J. Ray McDermott & Co., Inc. in the above-referenced matter.

Kindly direct any correspondence concerning this
matter to my attention.

Very truly yours,
Robert G. Morvillo
Robert G. Morvillo

RGM:pg

72010734209

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

MARTIN, OBERMAIER & MORVILLO

1290 AVENUE OF THE AMERICAS

NEW YORK, N.Y. 10019

RECEIVED
FEDERAL ELECTION
COMMISSION

'76 SEP 2 AM 10:11

William Oldaker
General Counsel
Federal Election Commission
1325 K Street, N.W.
Washington, D.C.

RECEIVED
OFFICE OF THE
GENERAL COUNSEL
FEDERAL ELECTION COMMISSION



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

August 26, 1977

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Robert K. Richie
P. O. Box 19 G
Covington, Louisiana

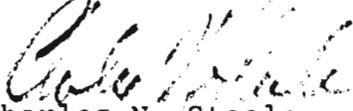
Re: MUR 254 (76)

Dear Mr. Richie:

In furtherance of its investigation in the above referenced matter, the Commission has issued a subpoena requiring your appearance for a deposition on September 8, 1977. (The subpoena is enclosed herewith.) Please note that the subpoena also contains a request that you produce certain documents at the time of your appearance.

Sincerely yours,

William C. Oldaker
General Counsel


Charles N. Steele
Associate General Counsel

Enclosure

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



70040384301

UNITED STATES OF AMERICA
FEDERAL ELECTION COMMISSION

Subpoena to Appear for Deposition Upon Oral Examination and
to Produce Books, Records and other Relevant Documents.

TO: Robert K. Richie
P.O. Box 19 G
Covington, LA

At the instance of the Federal Election Commission pursuant to §437d of Title 2 of the United States Code, you are hereby subpoenaed to appear for deposition with regard to possible illegal campaign contributions from funds of J. Ray McDermott, Inc. in connection with the campaign of candidates for federal office; including but not limited to Congressman W. Henson Moore, Congressman David C. Treen and Senator Russell Long. Notice is hereby given that the deposition is to be taken at Suite 1221, Mason Temple Building, 333 St. Charles Ave., New Orleans, Louisiana, 70130, on September 8, 1977, at 9:00 A.M. and at any and all adjournments thereof.

You are hereby subpoenaed to appear for this deposition and, pursuant to §437d of Title 2, United States Code, to produce at the time of the deposition;

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

7004008133

A) All documents and all tangible things including but not limited to letters, memoranda, inter office communications, telephone logs, cancelled checks with back up data for any account held in the name of J. Ray McDermott, Inc. or any of its subsidiaries or any account under you control or the control of your wife, or records of any bank checks which refer, relate or pertain in any way to the transfer or contribution directly or indirectly of funds of J. Ray McDermott, Inc. and any of its subsidiaries since December of 1971 to any candidate for federal office or any such candidate's committee or any committee supporting federal candidates.

B) All documents and all tangible things which refer, relate or pertain in any way to any off book fund maintained by J. Ray McDermott, Inc. or any of its officers, since December 1, 1971 from which any transfers or contributions were made directly or indirectly to any candidate for federal office or any such candidate's committee or any committee supporting federal candidates.

C) All documents and all tangible things including but not limited to all cancelled checks from accounts maintained in your name or the name of your wife or records of

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

bank checks which refer, relate, or pertain to any contributions made since December 1, 1971 by either you or you and your wife from funds under the ownership or control of you or you and your wife to any candidate for federal office or any such candidate's committee or any committee supporting federal candidates.

WHEREAS, the Chairman of the Federal Election Commission has hereunto set his hand at Washington, D.C., this *19th* day of *August*, 1977.

Thomas E. Harris

THOMAS E. HARRIS
CHAIRMAN

ATTEST:

Marjorie W. Emmons
Secretary to the Commission

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

70010981334



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

August 26, 1977

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. James E. Cunningham
16 Tennison Place
New Orleans, Louisiana

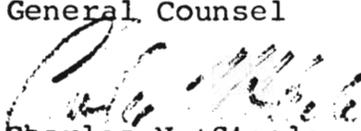
Re: MUR 254 (76)

Dear Mr. Cunningham:

In furtherance of its investigation in the above referenced matter, the Commission has issued a subpoena requiring your appearance for a deposition on September 8, 1977. (The subpoena is enclosed herewith.) Please note that the subpoena also contains a request that you produce certain documents at the time of your appearance.

Sincerely yours,

William C. Oldaker
General Counsel


Charles N. Steele
Associate General Counsel

Enclosure

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



UNITED STATES OF AMERICA
FEDERAL ELECTION COMMISSION

Subpoena to Appear for Deposition Upon Oral Examination and
to Produce Books, Records and other Relevant Documents.

TO: James E. Cunningham
16 Tennison Place
New Orleans, LA

At the instance of the Federal Election Commission pursuant to §437d of Title 2 of the United States Code, you are hereby subpoenaed to appear for deposition with regard to possible illegal campaign contributions from funds of J. Ray McDermott, Inc. in connection with the campaign of candidates for federal office; including but not limited to Congressman W. Henson Moore, Congressman David C. Treen and Senator Russell Long. Notice is hereby given that the deposition is to be taken at Suite 1221, Mason Temple Building, 333 St. Charles Ave., New Orleans, Louisiana, 70130, on September 8, 1977, at 11:00 A.M. and at any and all adjournments thereof.

You are hereby subpoenaed to appear for this deposition and, pursuant to §437d of Title 2, United States Code, to produce at the time of the deposition;

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

70010331307

A) All documents and all tangible things including but not limited to letters, memoranda, inter office communications, telephone logs, cancelled checks with back up data for any account held in the name of J. Ray McDermott, Inc. or any of its subsidiaries or any account under your control or the control of your wife, or records of any bank checks which refer, relate or pertain in any way to the transfer or contribution directly or indirectly of funds of J. Ray McDermott, Inc. and any of its subsidiaries since December of 1971 to any candidate for federal office or any such candidate's committee or any committee supporting federal candidates.

B) All documents and all tangible things which refer, relate or pertain in any way to any off book fund maintained by J. Ray McDermott, Inc. or any of its officers, since December 1, 1971 from which any transfers or contributions were made directly or indirectly to any candidate for federal office or any such candidate's committee or any committee supporting federal candidates.

C) All documents and all tangible things including but not limited to all cancelled checks from accounts maintained in your name or the name of your wife or records of bank

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

checks which refer, relate, or pertain to any contributions made since December 1, 1971 by either your or you and your wife from funds under the ownership or control of your or you and your wife to any candidate for federal office or any such candidate's committee or any committee supporting federal candidates.

WHEREAS, the Chairman of the Federal Election Commission has hereunto set his hand at Washington, D.C., this *19th* day of *August*, 1977.

Thomas E. Harris

THOMAS E. HARRIS
CHAIRMAN

ATTEST:

Marjorie W. Commons

Secretary to the Commission

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

August 26, 1977

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. H. W. Bailey
162 East Oakridge Park
Metairie, Louisiana

Re: MUR 254 (76)

Dear Mr. Bailey:

In furtherance of its investigation in the above referenced matter, the Commission has issued a subpoena requiring your appearance for a deposition on September 8, 1977. (The subpoena is enclosed herewith.) Please note that the subpoena also contains a request that you produce certain documents at the time of your appearance.

Sincerely yours,

William C. Oldaker
General Counsel


Charles N. Steele
Associate General Counsel

Enclosure

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



11818101000

MUR 254 1764

PS Form 3811, Nov. 1978

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

● SENDER: Complete items 1, 2, and 4. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
 Show to whom and date delivered..... 15¢
 Show to whom, date, & address of delivery.. 35¢
 RESTRICTED DELIVERY.
 Show to whom and date delivered..... 65¢
 RESTRICTED DELIVERY.
 Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:
HW Bailey

3. ARTICLE DESCRIPTION:
 REGISTERED NO. | CERTIFIED NO. | INSURED NO.
 (Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE Address = Authorized agent

4. DATE OF DELIVERY *10/1* | POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: | CLERK'S INITIALS

☆ GPO : 1978-O-203-438

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

UNITED STATES OF AMERICA
FEDERAL ELECTION COMMISSION

Subpoena to Appear for Deposition Upon Oral Examination and
to Produce Books, Records and other Relevant Documents.

TO: H. W. Bailey
162 East Oakridge Park
Metairie, Louisiana

At the instance of the Federal Election Commission pursuant to §437d of Title 2 of the United States Code, you are hereby subpoenaed to appear for deposition with regard to possible illegal campaign contributions from funds of J. Ray McDermott, Inc. in connection with the campaign of candidates for federal office; including but not limited to Congressman W. Henson Moore, Congressman David C. Treen and Senator Russell Long. Notice is hereby given that the deposition is to be taken at Suite 1221, Mason Temple Building, 333 St. Charles Ave., New Orleans, Louisiana, 70130, on September 8, 1977, at 1:00 P.M. , and at any and all adjournments thereof.

You are hereby subpoenaed to appear for this deposition and, pursuant to §437d of Title 2, United States Code, the produce at the time of deposition;

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

A) All documents and all tangible things including but not limited to letters, memoranda, inter office communications, telephone logs, cancelled checks with back up data for any account held in the name of J. Ray McDermott, Inc. or any of its subsidiaries or any account under your control or the control of your wife, or records of any bank checks which refer, relate or pertain in any way to the transfer or contribution directly or indirectly of funds of J. Ray McDermott, Inc. and any of its subsidiaries since December of 1971 to any candidate for federal office or any such candidate's committee or any committee supporting federal candidates.

B) All documents and all tangible things which refer, relate or pertain in any way to any off book fund maintained by J. Ray McDermott, Inc. or any of its officers, since December 1, 1971 from which any transfers or contributions were made directly or indirectly to any candidate for federal office or any such candidate's committee or any committee supporting federal candidates.

C) All documents and all tangible things including but not limited to all cancelled checks from accounts maintained in your name or the name of your wife or records of

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

bank checks which refer, relate, or pertain to any contributions made since December 1, 1971 by either you or you and your wife from funds under the ownership or control of you or you and your wife to any candidate for federal office or any such candidate's committee or any committee supporting federal candidates.

WHEREAS, the Chairman of the Federal Election Commission has hereunto set his hand at Washington, D.C., this *19th* day of *August*, 1977.

Thomas E. Harris

THOMAS E. HARRIS
CHAIRMAN

ATTEST:

Margaret W. Emmons

Secretary to the Commission

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

1001008131



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

August 26, 1977

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. John D. Dupy
P. O. Box 60035
New Orleans, Louisiana

Re: MUR 254 (76)

Dear Mr. Dupy:

In furtherance of its investigation in the above referenced matter, the Commission has issued a subpoena requiring your appearance for a deposition on September 8, 1977. (The subpoena is enclosed herewith.) Please note that the subpoena also contains a request that you produce certain documents at the time of your appearance.

Sincerely yours,

William C. Oldaker
General Counsel


Charles N. Steele
Associate General Counsel

Enclosure

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



UNITED STATES OF AMERICA
FEDERAL ELECTION COMMISSION

Subpoena to Appear for Deposition Upon Oral Examination and
to Produce Books, Records and other Relevant Documents

TO: John D. Dupy
P.O. Box 60035
New Orleans, LA 7016

At the instance of the Federal Election Commission pursuant to 437d of Title 2 of the United States Code, you are hereby subpoenaed to appear for deposition with regard to possible illegal campaign contributions from funds of J. Ray McDermott, Inc. in connection with the campaign of candidates for federal office; including but not limited to Congressman W. Henson Moore, Congressman David C. Treen and Senator Russell Long. Notice is hereby given that the deposition is to be taken at Suite 1221, Mason Temple Building, 333 St. Charles Ave., New Orleans, Louisiana, 70130, on September 8, 1977, at 3:00 P.M. and at any and all adjournments thereof.

You are hereby subpoenaed to appear for this deposition and, pursuant to 437d of Title 2, United States Code, to produce at the time of the deposition;

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

1316

A) All documents and all tangible things including but not limited to letters, memoranda, inter office communications, telephone logs, cancelled checks with back up data for any account held in the name of J. Ray McDermott, Inc. or any of its subsidiaries or any account under your control or the control of your wife, or records of any bank checks which refer, relate or pertain in any way to the transfer or contribution directly or indirectly of funds of J. Ray McDermott, Inc. and any of its subsidiaries since December of 1971 to any candidate for federal office or any such candidate's committee or any committee supporting federal candidates.

B) All documents and all tangible things which refer, relate or pertain in any way to any off book fund maintained by J. Ray McDermott, Inc. or any of its officers, since December 1, 1971 from which any transfers or contributions were made directly or indirectly to any candidate for federal office or any such candidate's committee or any committee supporting federal candidates.

C) All documents and all tangible things including but not limited to all cancelled checks from accounts maintained in your name or the name of your wife or records of bank

checks which refer, relate, or pertain to any contributions made since December 1, 1971 by either you or you and your wife from funds under the ownership or control of you or you and your wife to any candidate for federal office or any such candidate's committee or any committee supporting federal candidates.

WHEREAS, the Chairman of the Federal Election Commission has hereunto set his hand at Washington, D.C., this *19th* day of *August*, 1977.

Thomas E. Harris

THOMAS E. HARRIS
CHAIRMAN

ATTEST:

Margaret W. Emmons

Secretary to the Commission

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

79710031313



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20543

August 24, 1977

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Charles L. Graves
1329 Octavia Street
New Orleans, LA

Re: MUR 254 (76)

Dear Mr. Graves:

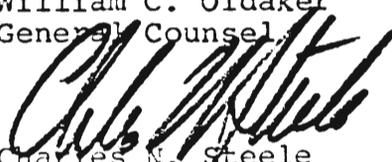
This is to inform you that with respect to the above-referenced matter the Commission has found reasonable cause to believe that you have committed a violation of 2 U.S.C. §441b (formerly 18 U.S.C. §610).

Pursuant to 2 U.S.C. §437g(a)(5) the Commission shall make every endeavor for a period of not less than 30 days to correct such violation and enter into a conciliation agreement. If the Commission is unable to correct such violation by such informal methods it may after a further determination institute a civil action for relief.

Please contact us after receipt of this notice.

Sincerely yours,

William C. Oldaker
General Counsel


Charles N. Steele
Associate General Counsel

cc: Paul Grand, Esq.
Grand and Ostrow
375 Park Avenue
New York, NY

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



7 0 0 1 0 1 8 1 3 2 0

MUR 254 Spiegel

PS Form 3811, Mar. 1976

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
 Show to whom and date delivered..... 15¢
 Show to whom, date, & address of delivery.. 35¢
 RESTRICTED DELIVERY.
 Show to whom and date delivered..... 65¢
 RESTRICTED DELIVERY.
 Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:
 Charles L Graves
 1329 Octavia St.
 New Orleans, LA

3. ARTICLE DESCRIPTION:
 REGISTERED NO. | CERTIFIED NO. | INSURED NO.
 | 943921 |

(Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE Addressee Authorized agent
 Mr. C. L. Graves

4. DATE OF DELIVERY: 8/27/77

5. ADDRESS (Complete only if requested):
 1329 Octavia St.

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS

☆ GPO : 1976 - O - 203-436

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20543

August 24, 1977

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. R. Nelson Crews
3617 Inwood Drive
Houston, Texas

Re: MUR 254 (76)

Dear Mr. Crews:

This is to inform you that with respect to the above-referenced matter the Commission has found reasonable cause to believe that you have committed a violation of 2 U.S.C. §441b (formerly 18 U.S.C. §610).

Pursuant to 2 U.S.C. §437g(a)(5) the Commission shall make every endeavor for a period of not less than 30 days to correct such violation and enter into a conciliation agreement. If the Commission is unable to correct such violation by such informal methods it may after a further determination institute a civil action for relief.

Please contact us after receipt of this notice.

Sincerely yours,

William C. Oldaker
General Counsel

cc: Joseph Jaworski, Esq.
Bracewell and Patterson
2900 South Tower
Penzoil Place
Houston, Texas 77002

Charles N. Steele
Associate General Counsel

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

79010084321



190010081322

MUR 254 Spiegel

PS Form 3811, Nov. 1976
RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

● **SENDER:** Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
 Show to whom and date delivered..... 15¢
 Show to whom, date, & address of delivery.. 35¢
 RESTRICTED DELIVERY.
 Show to whom and date delivered..... 65¢
 RESTRICTED DELIVERY.
 Show to whom, date, and address of delivery 85¢

2. **ARTICLE ADDRESSED TO:**
 Mr R. Nelson Crews
 3617 Inwood Drive
 Houston Texas

3. **ARTICLE DESCRIPTION:**
 REGISTERED NO. CERTIFIED NO. INSURED NO.
 | 943922 |
 (Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE Address Authorized agent
 X *Mr. Nelson Crews*

4. **DATE OF DELIVERY**
 AUG 30 1977

5. **ADDRESS (Complete only if requested)**

6. **UNABLE TO DELIVER BECAUSE:**

HOUSTON TX
 AUG 30 1977
 CLERK'S INITIALS

☆ GOP: 1976-O-209-486

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

August 24, 1977

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

J. Ray McDermott Inc.
P.O. Box 60035
New Orleans, LA 70160

Re: MUR 254 (76)

Dear Sirs:

This is to inform you that with respect to the above-referenced matter the Commission has found reasonable cause to believe that the McDermott Corporation has committed a violation of 2 U.S.C. §441b (formerly 18 U.S.C. §610).

Pursuant to 2 U.S.C. §437g(a)(5) the Commission shall make every endeavor for a period of not less than 30 days to correct such violation and enter into a conciliation agreement. If the Commission is unable to correct such violation by such informal methods it may after a further determination institute a civil action for relief.

Please contact us after receipt of this notice.

Sincerely yours,

William C. Oldaker
General Counsel

Charles W. Steele
Associate General Counsel

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

7 9 0 1 0 1 3 1 3 2 3



2010034324

Mur 254 Spiegel

PS Form 3811, Nov. 1976

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

● SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
 Show to whom and date delivered..... 15¢
 Show to whom, date, & address of delivery.. 35¢
 RESTRICTED DELIVERY.
 Show to whom and date delivered..... 65¢
 RESTRICTED DELIVERY.
 Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:
 J Ray McDermott Inc
 PO Box 60035
 New Orleans LA 70160

3. ARTICLE DESCRIPTION:
 REGISTERED NO. | CERTIFIED NO. | INSURED NO.
 | 943923 |

(Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE Addressee Authorized agent

4. DATE OF DELIVERY: 8-29-77

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

POSTMARK: AUG 31 1977

CLERK'S INITIALS

☆ GPO: 1976-O-203-488

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



FEDERAL ELECTION COMMISSION

1125 K STREET N.W.
WASHINGTON, D.C. 20463

August 24, 1977

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Ernest B. Gravois
RFD 2 Box 515
Thebodaux, LA 70301

Re: MUR 254 (76)

Dear Mr. Gravois:

This is to inform you that with respect to the above-referenced matter the Commission has found reasonable cause to believe that you have committed a violation of 2 U.S.C. §441b (formerly 18 U.S.C. §610).

Pursuant to 2 U.S.C. §437g(a)(5) the Commission shall make every endeavor for a period of not less than 30 days to correct such violation and enter into a conciliation agreement. If the Commission is unable to correct such violation by such informal methods it may after a further determination institute a civil action for relief.

Please contact us after receipt of this notice.

Sincerely yours,

William C. Cigaker
General Counsel

cc: Robert Morvillo, Esq.
Martin, Obermaier
and Morvillo
1290 Avenue of the America
New York, NY

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

70010084321



2001031325

MUR 254 Spiegel

PS Form 3811, Nov. 1978

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

● SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
 Show to whom and date delivered..... 15¢
 Show to whom, date, & address of delivery.. 35¢
 RESTRICTED DELIVERY. Show to whom and date delivered..... 65¢
 RESTRICTED DELIVERY. Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:
Ernest B. Gravois
RFD 2 Box 515
Theboudaux, LA 70301

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. | INSURED NO.
| 943924 | |

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE Addressee Authorized agent
Ernest B. Gravois

4. DATE OF DELIVERY | POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: | CLERK'S INITIALS

☆ GPO: 1978-O-203-686

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

79040084327

77 AUG 22

0:01

FEDERAL ELECTION COMMISSION

1325 K Street, N.W.

Washington, D.C. 20463

772465

.....

IN THE MATTER OF:

NO. MUR 254 (76)

J. RAY McDERMOTT & CO., ET AL

.....

TESTIMONY OF ERNEST B. GRAVOIS,
taken by the Federal Election
Commission herein at the offices
of Dietrich & Bendix, Inc.,
Suite 1221, 333 St. Charles
Avenue, New Orleans, Louisiana,
on August 4, 1977.

---oOo---

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

Dietrich & Bendix, Inc.

Stenotypists

333 ST. CHARLES AVENUE, SUITE 1221
NEW ORLEANS, LOUISIANA 70130 - 522-3111

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

APPEARANCES:

For the Commission:

FEDERAL ELECTION COMMISSION
1325 K Street, N.W.
Washington, D. C. 20463

BY: DAVID R. SPIEGEL, ESQ.
-and-
ANDREW ATHY, JR., ESQ.

For the Witness:

MESSRS. MARTIN, OBERMAIER
& MORVILLO
1290 Avenue of the Americas
New York, N. Y. 10019

BY: MAURICE M. McDERMOTT, ESQ.

REPORTED BY:

DAVID L. BENDIX
Certified Shorthand Reporter
State of Louisiana

---OO---

79040081328

1 ERNEST B. GRAVOIS,
2 of 330 Camellia Drive, Thibodaux, Louisiana
3 70301, testified as follows pursuant to the
4 oath hereinafter administered:

5 EXAMINATION

6 BY MR. SPIEGEL:

7 Q Mr. Gravois, could you raise your right
8 hand, please.

9 Do you swear to tell the whole truth and
10 nothing but the truth?

11 A I do.

12 Q This is an investigation by the Federal
13 Election Commission following a finding
14 of reason to believe, involving cer-
15 tain violations by the members and
16 officials of the McDermott Corporation.

17 My name is David Spiegel and I will be
18 doing the questioning, Mr. Gravois.

19 Do you have an attorney present?

20 A Yes.

21 MR. SPIEGEL:

22 Could your attorney state his name.

23 MR. MCDERMOTT:

24 Maurice McDermott, of counsel, Martin,
25 Obermaier & Morvillo, 1290

70040084329

1 Avenue of the Americas, New York,
2 New York.

3 BY MR. SPIEGEL:

4 Q Mr. Gravois, what position do you hold
5 with the McDermott Company?

6 A On the advice of counsel, I respectfully
7 decline to answer any questions and
8 assert my Fifth Amendment privileges.

9 Q This assertion applies to your position
10 with the McDermott Corporation?
11 I'm not sure I understand the privileges.

12 MR. MCDERMOTT:

13 We're not going to litigate the
14 question of whether or not the
15 privilege applies. I think it
16 does.

17 BY MR. SPIEGEL:

18 Q What are the responsibilities of your
19 position?

20 A On the advice of counsel, I respectfully
21 decline to answer any questions and
22 assert my Fifth Amendment privileges.

23 MR. SPIEGEL:

24 I think, in the interest of speed,
25 if you do want to assert that

79040084330

1 privilege, perhaps you could
2 use a shorthand, since it ap-
3 pears that you will be invoking
4 it on a number of questions
5 and I will be asking you speci-
6 fic questions.

7 I think the record could reflect that
8 you are invoking your Fifth
9 Amendment privilege.

10 MR. MCDERMOTT:

11 All right.

12 BY MR. SPIEGEL:

13 Q Are you familiar with an individual named
14 Charles L. Graves?

15 A On the advice of counsel, I respectfully
16 decline to answer any questions and
17 assert my Fifth Amendment privileges.

18 Q Could you describe your relationship to
19 Mr. Graves?

20 A On the advice of counsel, I respectfully
21 decline to answer any questions and
22 assert my Fifth Amendment privileges.

23 MR. MCDERMOTT:

24 Well, in the future why don't we just
25 say the same answer to the

79040084331

previous question.

MR. SPIEGEL:

Okay.

BY MR. SPIEGEL:

Q On or about October of 1974, did you have occasion to speak to Mr. Graves regarding the making of a contribution to the election campaign of Russell B. Long?

A Same answer.

Q Did Mr. Graves, in connection with this discussion, give you a sum of company money which he asked you to distribute to certain individuals who would then make contributions to the Long campaign?

A Same answer.

Q Are there any records of this conversation?

A Same answer.

MR. SPIEGEL:

Let me interject at this point, we have served a subpoena asking you to testify today, and it also contains a request that certain records be produced.

1 Among these records are contributions
2 that might have been made to
3 federal candidates.

4 Do you have any of these records with
5 you?

6 A Same answer.

7 MR. MCDERMOTT:

8 May I interject this: The subpoena
9 calls for certain documents
10 which are not within the control
11 of the witness, certain company
12 documents, and I think the sub-
13 poena is defective in that re-
14 gard.

15 With regard to personal documents
16 called for in the subpoena, Mr.
17 Gravois will assert his consti-
18 tutional privilege.

19 BY MR. SPIEGEL:

20 Q Mr. Gravois, do you have copies of any of
21 the company documents that we have
22 requested?

23 A Same answer.

24 Q Turning to my questions about the conver-
25 sation with Mr. Graves in October of

1 1974, did Mr. Graves, in his conver-
2 sation, instruct you to purchase
3 six, \$100 tickets to a dinner for
4 Mr. Long?

5 A Same answer.

6 Q Were you aware that any moneys that were
7 mentioned in connection with this
8 conversation involved company moneys
9 of the McDermott Corporation?

10 A Same answer.

11 Q Did you or any other individuals purchase
12 tickets after this conversation with
13 Mr. Graves?

14 A Same answer.

15 Q Did you attend that dinner?

16 A Same answer.

17 Q On or about March, '75, did you have
18 occasion to speak to Mr. Graves re-
19 garding a contribution to the campaign
20 of David Treen to help make up the
21 deficit in that campaign?

22 A Same answer.

23 Q Did Mr. Graves in connection with that
24 conversation give you \$1,200 of
25 money?

1 A Same answer.

2 Q Were you aware of whether or not that
3 money contained McDermott company
4 funds?

5 A Same answer.

6 Q Did you, subsequent to this conversation,
7 ask any other individuals to make
8 contributions to the Treen campaign?

9 A Same answer.

10 Q Did you or any other individual make
11 contributions to the Treen campaign?

12 A Same answer.

13 Q Were these individuals, including yourself,
14 reimbursed for these contributions?

15 A Same answer.

16 Q Were you reimbursed or any other indi-
17 vidual reimbursed in connection with
18 the contributions to the Long cam-
19 paign out of company funds?

20 A Same answer.

21 Q Have you ever made any contributions to
22 a campaign or candidate or committee
23 involved in a federal election, using
24 corporate moneys?

25 A Same answer.

79040084335

1 Q Have you ever been asked to make any
2 contributions to a federal election
3 campaign --

4 A Same answer.

5 Q Well, you are anticipating me.

6 Have you ever been asked to make contri-
7 butions to a federal, campaign for
8 a federal officeholder within the
9 past three years out of funds which
10 you knew contained McDermott corporate
11 moneys?

12 A Same answer.

13 Q Have you ever been reimbursed out of
14 McDermott corporate funds for contri-
15 butions that you have made to candi-
16 dates for federal political office?

17 A Same answer.

18 Q Have you, yourself, made any contributions
19 to candidates for federal political
20 office --

21 A Same answer.

22 Q -- out of personal funds?

23 A Same answer.

24 Q Did you make a contribution of \$1,000 to
25 the Treen for Congress Committee on

79010084336

1 July, '74?

2 A Same answer.

3 Q Did you make a contribution of \$200 to
4 the Henson Moore for Congress Com-
5 mittee on September 9, 1974?

6 A Same answer.

7 Q On October 10 of '74, did you and your
8 wife make a contribution to the Treen
9 for Congress Committee of \$500?

10 A Same answer.

11 Q On November 4, 1974, did you make a
12 contribution of \$100 to the Moore
13 for Congress Committee?

14 A Same answer.

15 Q And on April 29, 1975, did you make a
16 contribution of \$200 to the Treen for
17 Congress Committee?

18 A Same answer.

19 Q Are you or were you familiar with an indi-
20 vidual named R. G. Wilson?

21 A Same answer.

22 MR. SPIEGEL:

23 Let the record reflect that Mr.
24 Wilson has been dead since
25 February of 1972.

79040084337

1 BY MR. SPIEGEL:

2 Q Are you still invoking your constitutional
3 privilege?

4 A Same answer.

5 Q Mr. Gravois, I am going to show you a
6 list of 11 payments to Roger W.
7 Wilson. The list is appended to a
8 report which is called the Report of
9 the Audit Committee of the Board of
10 Directors of J. Ray McDermott, and
11 it's dated April 12, 1977.

12 Preliminarily, let me ask you, are you
13 familiar with this report?

14 A Same answer.

15 Q Have you ever had occasion to speak with
16 any of the individuals who were pre-
17 paring this report?

18 A Same answer.

19 Q Okay. Let me show you this list, which
20 is marked Exhibit 3, and which I
21 refer to as payments to Roger W.
22 Wilson.

23 Are you familiar with the details of any
24 of the transactions shown in that list?

25 A Same answer.

79040084333

1 MR. SPIEGEL:

2 Let the record reflect that these
3 transactions cover a period from
4 June of 1962 to December of '71.

5 BY MR. SPIEGEL:

6 Q Were you aware of the existence of any
7 fund maintained by Mr. Wilson in
8 connection with these transactions?

9 A Same answer.

10 Q Are you or were you aware of any fund
11 maintained by Mr. Graves that was
12 used to make contributions to candi-
13 dates for federal political office?

14 A Same answer.

15 Q Do you know whether, assuming the fund
16 maintained by Mr. Graves existed,
17 there were, in fact, contributions
18 to candidates for federal political
19 office made out of it?

20 A Same answer.

21 Q Are you aware of whether McDermott corpo-
22 rate moneys were used in this fund
23 maintained by Mr. Graves?

24 A Same answer.

25 Q Are you now the subject of any federal

79040084339

1 grand jury investigations?

2 A Same answer.

3 Q Have you ever testified before any federal
4 grand juries in connection with vio-
5 lations of federal election campaign
6 laws?

7 A Same answer.

8 Q Do you anticipate at any time testifying
9 before any federal grand juries in
10 connection with violations of federal
11 election campaign laws?

12 A Same answer.

13 Q Have you ever been offered immunity in
14 connection with testifying as to
15 violations of statutes involving
16 federal election campaign financing?

17 A Same answer.

18 Q Are you familiar with the statutory pro-
19 visions of 2 USC, Section 441, which
20 deals with prohibition on contribu-
21 tions by corporations to federal
22 election campaigns?

23 A Same answer.

24 Q Have you ever been offered immunity in
25 connection with testifying on this

79040081340

1 statute?

2 A Same answer.

3 MR. SPIEGEL:

4 I have no further questions.

5 Andy, do you have anything you want
6 to ask?

7 EXAMINATION

8 BY MR. ATHY:

9 Q Mr. Gravois, did you ever make a contri-
10 bution to a federal candidate in the
11 name of another?

12 A Same answer.

13 MR. SPIEGEL:

14 Okay. We have no further questions.
15 (Discussion held off the record.)

16 MR. SPIEGEL:

17 Mr. Gravois, do you wish to sign
18 a witness certificate, certify-
19 ing the accuracy of the state-
20 ments in this testimony?

21 MR. MCDERMOTT:

22 Well, in that regard, why don't you
23 send Mr. Gravois the original
24 and send Martin, Obermaier &
25 Morvillo a copy and we'll look

79040084341

1 over a copy and decide at that
2 time whether or not to sign it.

3 ---oOo---

4 WITNESS'S CERTIFICATE

5 I have read the above and foregoing testi-
6 mony given by me, and the same is true and
7 correct subject to the attached corrections,
8 if any.

9
10
11 Ernest B. Gravois
12 ERNEST B. GRAVOIS

13 ---oOo---

14 C E R T I F I C A T E

15 I, David L. Bendix, a Certified Shorthand
16 Reporter, State of Louisiana, do hereby certify
17 that the foregoing transcript is true and cor-
18 rect, as reported by me and reduced to type-
19 writing under my personal supervision.

20
21 David L. Bendix
22 DAVID L. BENDIX
23 Certified Shorthand
24 Reporter
25 State of Louisiana

---oOo---

7 9 0 1 0 0 3 4 3 4 2

7 0 0 4 0 0 8 4 3 1 1



DIETRICH & BENDIX, INC.
SUITE 1221, 333 ST. CHARLES AVENUE
NEW ORLEANS, LOUISIANA 70130

To: David R. Spiegel, Esq.
Federal Election Commission
1325 K STREET, N.W.
Washington, D.C. 20463

FIRST CLASS MAIL

2109

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
J. Ray McDermott and Co. Inc.)
and)
Charles F. Graves)

MUR 254 (76)

CERTIFICATION

I, Marjorie W. Emmons, Secretary to the Federal Election Commission, do hereby certify that on August 18, 1977, the Commission determined by a vote of 6-0 to find Reasonable Cause to Believe that the McDermott Corporation and Charles L. Graves, Nelson R. Crews, and Ernest B. Gravois, as officers of that Company, have violated 2 U.S.C. section 441b in the above-captioned matter.



Marjorie W. Emmons
Secretary to the Commission

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

79040084344



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

MEMORANDUM TO: The Commission

FROM: William C. Oldaker 

RE: MUR 254 (76)

In a General Counsel's Report, which has been placed on the Commission agenda for August 18, 1977, the Office of General Counsel has recommended a finding of reasonable cause to believe that the McDermott Corporation, Charles L. Graves, Ernest B. Gravois and R. Nelson Crews have violated 2 U.S.C. §441b. The attached subpoenas seek depositions of persons who appear to have further information that is relevant to the allegations in this MUR.

The timing of this request is necessitated by the fact that a number of the transactions in this matter appear to have occurred between September and November 1974. Thus, because the three year statute of limitations in 2 U.S.C. §455 will soon run, a rapid conclusion of all the Commission's fact finding processes is necessary.

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 254 (76)
J. Ray McDermott Co. Inc.,)
et al.)

The undersigned Commissioners authorize in connection the above matter the issuance of subpoenas to compel the attendance and testimony of the below named witnesses at the time and place designated in said subpoenas.

Robert K. Richie
P.O. Box 19 G
Covington, LA

James E. Cunningham
16 Tennison Place
New Orleans, LA

H. W. Bailey
162 East Oakridge Park
Metairie, LA

John D. Dupy
P.O. Box 60035
New Orleans, LA 7016

Thomas E. Harris
THOMAS E. HARRIS
CHAIRMAN

JOAN AIKENS
VICE CHAIRMAN

DATE: _____

DATE: _____

Neil Staebler
NEIL STAEBLER
COMMISSIONER

ROBERT O. TIERNAN
COMMISSIONER

DATE: 8/19/77

DATE: _____

William L. Springer
WILLIAM L. SPRINGER
COMMISSIONER

Vernon W. Thomson
VERNON W. THOMSON
COMMISSIONER

DATE: 8/19/77

DATE: 8-19-77

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

79040084346

August 18, 1977

MEMORANDUM TO: Marjorie Emmons
FROM: Elissa T. Garr
SUBJECT: MUR 254

Please have the attached General Counsel's Report on MUR 254 distributed to the Commission and placed on the Compliance Agenda for the Commission meeting of August 18, 1977.

Thank you.

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

79040084347

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
J. Ray McDermott and Co. Inc.) MUR 254 (76)
and)
Charles F. Graves)

GENERAL COUNSEL'S REPORT

I. Summary of Prior Proceedings

7 9 0 4 0 0 8 4 3 4 8
This matter was initiated internally on the basis of information supplied to the Federal Election Commission on September 30, 1976 by Daniel K. Mayers, attorney for Charles Graves, President and Chairman of the Board of J. Ray McDermott and Company. The information consisted of records of depositions and other statements supplied by Mr. Graves and other McDermott officials to investigators of the Securities Exchange Commission. Mr. Mayers indicated that since 1972 Mr. Graves had made \$4,900 in political contributions to federal candidates from corporate funds, thereby violating 2 U.S.C. §441b(a). His information also implicated certain other McDermott executives -- in particular Nelson Crews and Charles Gravois.

On December 20, 1976 the General Counsel's Office, having reviewed the Mayers' submissions and information

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

obtained from SEC regarding its then pending investigation of the McDermott Company, recommended that Mayers' proposal to conciliate be rejected because the facts on which it was based were not sufficiently developed. The Office of General Counsel also recommended a finding of reason to believe that a violation of 2 U.S.C. §441b had been committed by Mr. Graves and certain other individuals associated with him and that the Commission initiate its own investigation.

On December 22, 1976, the Commission voted to postpone any determination until a Special Counsel had completed its investigation on behalf of the SEC. A report summarizing the results of this investigation was completed on April 12, 1977 and thereafter transmitted to the Office of General Counsel.

On June 30, 1977, following a further analysis by the Office of General Counsel, the Commission found reason to believe that violations of 2 U.S.C. §441(b)(a) had been committed by J. Ray McDermott and company Inc., Charles L. Graves, Nelson Crews and Ernest B. Gravois and authorized that subpoenas be served on Graves, Crews, and Gravois for the purpose of taking their testimony with respect to the matters alleged.

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

79040084349

Based on the available evidence the staff is recommending a finding of reasonable cause to believe that a violation was committed by the above named individuals.

II. Summary of Pertinent Evidence

A. Documentary Evidence

The pertinent evidence consists of copies of depositions taken by the staff of the SEC and supplemental statements supplied by each of the deponents. It also consists, as noted, of the Report prepared by Special Counsel for the SEC. Descriptions of this information have been set forth in prior reports of the office of General Counsel. What follows herewith is a brief summary:

The affidavit of Charles Graves to the SEC and the Report of Special Counsel describe \$4,800 in contributions from corporate funds which were made by Graves through various company employees. These were taken from a secret fund estimated by Graves to be \$6,000 which fund was passed to Graves by the secretary to his predecessor, Roger Wilson, at the time of Wilson's death. Graves reconstructs the following disbursements of cash from the fund.

"In September of 1972, I gave \$1,000 in cash to John D. Dupy, who was then the company Treasurer, who at my request had contributed an identical amount to the 1972 Victory Dinner Committee. In

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

79040084350

in corporate monies from a foreign subsidiary of McDermott. However, he contends that this money was never spent.^{1/}

A review of the reports of recipient committees in Louisiana shows that \$9,400 in contributions were received by candidates from employees of McDermott. This is \$4,600 in excess of the amount Graves admits transferring through employees.

It also appears from the SEC materials that McDermott Company has had a history of maintaining secret cash funds. These consisted of transfers from foreign subsidiaries and involved eleven diversions of corporate monies totalling \$300,090. (A list of the transfers is found in Exhibit "3" of the Special Counsel's Report.) The transfers were, according to the SEC complaint, "created, directly supervised, collected and dispensed [sic] by . . . Wilson from 1962 until about the time of his death in 1972." The last transfer to this fund, \$50,000, passed through Graves on or about December 10, 1971. Graves maintains that all of this money was given to Wilson (Graves Deposition, 13,20; Special Counsel's Report, p.15).

^{1/} In October, 1976 Graves turned over \$13,200 in cash to the Audit Committee which was preparing the Special Report. This, he asserted was the unused portion of the monies he had been maintaining secretly. The \$13,200 allegedly contained the unspent \$12,000 in monies from foreign subsidiaries referred to above.

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

7 0 0 4 0 0 8 4 3 5 1

B. Commission Depositions

Charles Graves, Ernest Gravois, and Nelson Crews were deposed by the Office of General Counsel on August 3 and 4, 1977. Citing their Fifth Amendment privilege against self-incrimination, all three witnesses refused to answer questions regarding their duties with McDermott or the subject matter of the Commission's investigation. Graves and Crews refused to confirm or deny information contained in their prior statements to the SEC, and information contained in the report prepared by Special Counsel (Gravois did not testify before the SEC; however, all three witnesses appear to have given information to the Special Counsel). Finally, again citing the Fifth Amendment, all their witnesses refused to produce personal records requested in the Commission's subpoenas. Both Graves and Crews indicated in their depositions that they were subjects of a federal grand jury investigation in Louisiana.

III. Analysis

Notwithstanding the refusal of Graves, Gravois, and Crews to respond to the Commission's investigative inquiries, we are of the view that the documentary record

7 9 0 1 0 0 3 1 3 5 2

7 9 0 4 0 0 8 4 3 5 3

August 1974, I gave approximately \$1,000 cash to Nelson Crews, instructing him to arrange for an identical amount to be given from Company employees to the campaign of Henson Moore, a Congressional candidate from Baton Rouge. In October 1974, I gave \$600 cash to Mr. E.B. Gravois, a company employee, to purchase six tickets for a dinner honoring Senator Long of Louisiana. In March 1975, I gave Mr. Gravois \$1,200 cash and asked him to arrange for contributions totalling that amount to be made by company employees to David Treen, a Congressman from Louisiana, to help make up a campaign deficit. The above constitutes my best present recollection of any and all withdrawals made by me These withdrawals total approximately \$4,800. Accordingly, I now believe that the envelope that I received in 1972 must have contained approximately \$6,000. (Affidavit, pp. 3-4).

The affidavit in which these statements were made amended earlier testimony to the SEC in which Graves stated that the monies from Wilson were \$1,500 (rather than \$6,000) and left the impression that no McDermott corporate funds had been used for federal political contributions (Deposition, 40-42). The affidavit was prompted by contradictory statements of Nelson Crews, a former McDermott executive, who admitted receiving approximately \$2,000 in cash from Graves for distribution to Henson Moore (Crews Statement, p.2). The Crews statement "jogged" Graves' memory and caused him to do "further checking, both of my own files and records and in conversations with other company employees" (Affidavit, p. 2). Graves also concedes that in 1974 he received \$12,000

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

compiled by the SEC, establishes reasonable cause to believe that all three witnesses and the McDermott Corporation have violated 2 U.S.C. §441b.

The sworn statement of Charles Graves indicates that he personally directed that \$4,800 of McDermott corporate funds, maintained by him in a secret fund, be distributed to various federal candidates.^{2/} The distributions, according to the affidavit, were handled by Nelson Crews and Ernest Gravois.

Although Gravois has made no comment on this information, an earlier statement by Crews confirms his role. In addition, reports on file with the Commission confirm that contributions were made by McDermott employees on or about the dates cited by Graves. Although Crews and Gravois might argue that they were unaware of the source of the monies distributed to them by Graves, the factual circumstances

^{2/} One thousand dollars (\$1,000) of this money was allegedly given with respect to a Victory Dinner held for Richard Nixon in 1972. Thus prosecution would be barred by three year statute of limitations set forth in 2 U.S.C. §455.

It also should be noted, as stated in the Report of Special Counsel, p. 21, there is no evidence that any of the candidates other than David Treen who received the monies were aware of their source. Representative Treen, upon learning of the source, immediately returned the monies.

involved in the transfers, as well as Crews' admitted awareness of prior secret transfers of corporate monies during Roger Wilson's tenure as President of McDermott, weigh against this argument. With respect to Graves and the McDermott Corporation itself, there appears to be little doubt that a violation has occurred with respect to at least \$4,800.

Although the evidence raises an inference that additional McDermott corporate monies (other than the \$4,800 admitted by Graves) may also have been contributed to federal candidates, it appears to us, in view of the lack of cooperation of the primary witnesses and the fact that the statute of limitation will run shortly with respect to 1974 violations admitted by Graves, that a reasonable cause to believe finding should be made on the admissions in the present record. Staff proposes to continue its investigation of additional violations during the conciliation process and, if necessary, in the context of civil litigation.

IV. Recommendation

Find reasonable cause to believe that the McDermott Corporation and Charles L. Graves, Nelson R. Crews, and

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

7 9 0 4 0 0 8 4 3 5 5

Ernest B. Gravois, as officers of that Company, have violated
2 U.S.C. §441b. Send attached letters.

David R. Spigel for WEO
WILLIAM C. OLDAKER
GENERAL COUNSEL

DATE

70010081356

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. R. Nelson Crews
3617 Inwood Drive
Houston, Texas

Re: MUR 254 (76)

Dear Mr. Crews:

This is to inform you that with respect to the above-referenced matter the Commission has found reasonable cause to believe that you have committed a violation of 2 U.S.C. §441b (formerly 18 U.S.C. §610).

Pursuant to 2 U.S.C. §437g(a)(5) the Commission shall make every endeavor for a period of not less than 30 days to correct such violation and enter into a conciliation agreement. If the Commission is unable to correct such violation by such informal methods it may after a further determination institute a civil action for relief.

Please correct us after receipt of this notice.

Sincerely yours,

William C. Oldaker
General Counsel

cc: Joseph Jaworski, Esq.
Bracewell and Patterson
2900 South Tower
Penzoil Place
Houston, Texas 77002



FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

70040034357



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

J. Ray McDermott Inc.
P.O. Box 60035
New Orleans, LA 70160

Re: MUR 254 (76)

Dear Sirs:

This is to inform you that with respect to the above-referenced matter the Commission has found reasonable cause to believe that the McDermott Corporation has committed a violation of 2 U.S.C. §441b (formerly 18 U.S.C. §610).

Pursuant to 2 U.S.C. §437g(a)(5) the Commission shall make every endeavor for a period of not less than 30 days to correct such violation and enter into a conciliation agreement. If the Commission is unable to correct such violation by such informal methods it may after a further determination institute a civil action for relief.

Please correct us after receipt of this notice.

Sincerely yours,

William C. Oldaker
General Counsel

7 0 0 4 0 0 8 4 3 5 0



FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Ernest B. Gravois
RFD 2 Box 515
Thebodaux, LA 70301

Re: MUR 254 (76)

Dear Mr. Gravois:

This is to inform you that with respect to the above-referenced matter the Commission has found reasonable cause to believe that you have committed a violation of 2 U.S.C. §441b (formerly 18 U.S.C. §610).

Pursuant to 2 U.S.C. §437g(a)(5) the Commission shall make every endeavor for a period of not less than 30 days to correct such violation and enter into a conciliation agreement. If the Commission is unable to correct such violation by such informal methods it may after a further determination institute a civil action for relief.

Please correct us after receipt of this notice.

Sincerely yours,

William C. Oldaker
General Counsel

cc: Robert Morvillo, Esq.
Martin, Obermaier
and Morvillo
1290 Avenue of the America
New York, NY

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



70010784330

ACC 1143

CLENDENING REPORTING SERVICE

900 STATE NATIONAL BUILDING • HOUSTON, TEXAS 77002 • (713) 224-4141

August 9, 1977

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

77 AUG 11 1977

Mr. David Spiegel
and Mr. Andrew Athy, Jr.
Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20463

772396

Re: MUR 254(76), UNITED STATES OF AMERICA, FEDERAL ELECTION
COMMISSION - IN RE: J. Ray McDermott, et al

Gentlemen:

Enclosed herewith is the original transcript of the
Deposition of Robert Nelson Crews taken in the above styled
cause. Mr. Crews read and signed his deposition making no
changes.

If we may be of any further assistance please do not hesitate
to let us know. Thank you.

Very truly,

Peggy Ann Antone
Peggy Ann Antone

PAA:ch
enclosure as noted
cc: Mr. John H. Buck

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

• PAUL CLENDENING
• NICK DENSON

• PEGGY ANTONE
• BETTY LANGLEY

• CHARLENE ROECKER
• SHIRLEY SMALL

79040084361

CLENDENING Reporting Service — 900 STATE NATIONAL BUILDING • HOUSTON, TEXAS 77002 • (713) 224-4141

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

UNITED STATES OF AMERICA
FEDERAL ELECTION COMMISSION

IN RE: J. Ray McDermott, MUR 254(76)
et al

A P P E A R A N C E S:

COUNSEL FOR FEDERAL ELECTION COMMISSION:

David Spiegel
and
Andrew Athy, Jr.
Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20463

COUNSEL FOR R. NELSON CREWS:

Bracewell & Patterson
2900 South Tower Pennzoil Place
Houston, Texas 77002
By Mr. John H. Buck

CLENDENING Reporting Service — 900 STATE NATIONAL BUILDING • HOUSTON, TEXAS 77002 • (713) 224-4141

1 DEPOSITION OF ROBERT NELSON CREWS, taken before
 2 Peggy Ann Antone, a Notary Public in and for Harris
 3 County, Texas, at the offices of Clendening
 4 Reporting Service, Inc., 900 State National Building,
 5 Houston, Harris County, Texas, commencing at 1:20
 6 p.m., August 4, 1977, at which time the following
 7 proceedings were had:

8
 9 IT WAS AGREED by and between counsel that the
 10 original deposition will be retained in the offices
 11 of Clendening Reporting Service, 900 State National
 12 Building, Houston, Harris County, Texas, pending
 13 signature of the witness, after which the deposition
 14 will be filed with the Federal Election Commission.

79040684363
CLENDENING Reporting Service 900 STATE NATIONAL BUILDING • HOUSTON, TEXAS 77002 • (713) 224-4141

1 Constitution.

2 Q I am not sure that I fully appreciate how the
3 Fifth applies to that question. It appears
4 that that question is a fairly innocuous
5 question.

6 MR. BUCK: Well, as I explained to
7 you yesterday, Mr. Spiegel, in view of
8 Mr. Crews' current arrangements, he is
9 simply not at liberty to give you
10 testimony respecting McDermott or
11 McDermott-related matters and must assert
12 his privilege in connection therewith.

13 MR. SPIEGEL: All right. Is
14 Mr. Crews currently the subject of a
15 Grand Jury investigation?

16 MR. BUCK: Are you addressing that
17 question to me?

18 Q (By Mr. Spiegel) Mr. Crews, are you currently
19 the subject of a Grand Jury investigation?

20 A Yes.

21 Q Is that a Federal Grand Jury investigation?

22 A Yes.

23 Q Could you state where that is being conducted?

24 A New Orleans, Louisiana.

25 Q And does that investigation relate to matters

79040084364

CLENDENING Reporting Service 900 STATE NATIONAL BUILDING • HOUSTON, TEXAS 77002 • (713) 224-4141

1 involving Federal election campaign laws?

2 A As far as I know, it does.

3 Q Have you testified in connection with that
4 Grand Jury investigation?

5 A Okay. I want to read this again. Let her
6 read it?

7 MR. BUCK: Mr. Spiegel, may we go
8 off the record?

9 MR. SPIEGEL: Let's go off the
10 record.

11
12 (Discussion off the record.)

13
14 Q (By Mr. Spiegel) What you have to do is
15 after each specific question, just say you
16 are invoking the Fifth Amendment privilege
17 and leave it at that. Mr. Crews, have you
18 been given an offer of immunity in connection
19 with this Grand Jury investigation?

20 A I'm invoking the Fifth Amendment privilege.

21 Q Mr. Crews, have you ever been employed by the
22 McDermott Corporation?

23 A I'm invoking the Fifth Amendment privilege.

24 Q Have you ever known or been familiar with an
25 individual named Charles Graves?

70040031303
CLENDENING Reporting Service — 900 STATE NATIONAL BUILDING • HOUSTON, TEXAS 77002 • (713) 224-4141

1 A I'm invoking the Fifth Amendment privilege.

2 Q Could you describe your relationship with

3 Mr. Graves?

4 A I'm invoking the Fifth Amendment privilege.

5 Q Did you, in August of 1974, have occasion to

6 speak with Mr. Graves regarding the making

7 of contributions to candidates for Federal

8 political office?

9 A I'm invoking the Fifth Amendment privilege.

10 Q Did Mr. Graves ever instruct you at this time

11 to obtain personal checks from other employees

12 of the McDermott Corporation in order that

13 these checks might be given to candidates

14 for Federal political office?

15 A I'm invoking the Fifth Amendment privilege.

16 Q Did Mr. Graves furnish you with any money

17 with which to reimburse these employees?

18 A I'm invoking the Fifth Amendment privilege.

19 Q Were these monies corporate monies that

20 Mr. Graves may have furnished to you?

21 A I'm invoking the Fifth Amendment privilege.

22 Q In your knowledge, were any contributions made

23 at this time?

24 A Same answer. I'm invoking the Fifth Amendment

25 privilege.

7 9 0 4 0 0 8 4 3 6 5

900 STATE NATIONAL BUILDING • HOUSTON, TEXAS 77002 • (713) 224-4141
CLENDENING Reporting Service

1 Q Were any reimbursements made to you by the
2 person or persons who may have made these
3 contributions?

4 A I'm invoking the Fifth Amendment privilege.

5 Q Did you have occasion in October of 1974 to
6 discuss with Mr. Graves the making of
7 contributions to a candidate for Federal
8 political office?

9 A I'm invoking the Fifth Amendment privilege.

10 Q Was that candidate's name Hensen Moore?

11 A I'm invoking the Fifth --

MR. BUCK: That is not -- what
candidate, Mr. Spiegel?

14 Q (By Mr. Spiegel) The Federal candidate's name?

15 A I'm invoking the Fifth Amendment privilege.

16 Q Pursuant to this conversation, did Mr. Graves
17 ask you to obtain personal checks from
18 employees of the McDermott Corporation which
19 would then be turned over to Mr. Moore?

20 A I'm invoking the Fifth Amendment privilege.

21 Q Did Mr. Graves at that time furnish you with
22 any monies with which he instructed you to
23 reimburse these employees if contributions
24 were made?

25 A I'm invoking the Fifth Amendment privilege.

79040984367

CLENDENING Reporting Service — 900 STATE NATIONAL BUILDING • HOUSTON, TEXAS 77002 • (713) 224-4141

1 Q Did Mr. Graves give you any money at that time?

2 A I'm invoking the Fifth Amendment privilege.

3 Q Did he give you any money on the August, '74,
4 occasion?

5 A I'm invoking the Fifth Amendment privilege.

6 Q Were these monies, in your knowledge, corporate
7 monies?

8 A I'm invoking the Fifth Amendment privilege.

9 Q Were any contributions made in connection with
10 this conversation?

11 A I'm invoking the Fifth Amendment privilege.

12 Q Were any reimbursements made by you to persons
13 who may have made contributions as a result
14 of this conversation?

15 A I'm invoking the Fifth Amendment privilege.

16 Q Regarding this August, '74, discussion and
17 this October, '74, discussion, have you ever
18 testified before any other Federal agencies?

19 A I'm invoking the Fifth Amendment privilege.

20

21

(Discussion off the record.)

22

23 Q (By Mr. Spiegel) Mr. Crews, I am going to show
24 you a copy of a statement that is entitled
25 "Correction to Transcript of Interview of

79040984368

79040984368
CLENDENING Reporting Service — 900 STATE NATIONAL BUILDING • HOUSTON, TEXAS 77002 • (713) 224-4141

1 Robert Nelson Crews by Peter B. Clark and
 2 Robert G. Ryan of the Securities and Exchange
 3 Commission on July 13th, 1976, at Houston,
 4 Texas." This is a statement which refers to
 5 the matters that we previously questioned you
 6 about, also refers to some other matters. It
 7 has a signature at the end, signed, the name
 8 Nelson Crews, and then a sworn subscribed
 9 before me underneath that with a Notary Public
 10 stamp. Is that signature at the end of this
 11 document your signature?

12 A I'm invoking the Fifth Amendment privilege.
 13 Q Is this a document with which you are familiar?
 14 A I'm invoking the Fifth Amendment privilege.
 15 Q Let's enter this document into the record as
 16 the Commission's Exhibit 1.

(Whereupon the above-mentioned
 document was marked Commission Exhibit 1
 to the deposition of Mr. Crews for
 identification by the court reporter.)

22
 23 Q (By Mr. Spiegel) Mr. Crews, returning to the
 24 August, 1974, conversation with Mr. Graves,
 25 was one of the persons who made a contribution

79040081369

CLENDENING Reporting Service 900 STATE NATIONAL BUILDING • HOUSTON, TEXAS 77002 • (713) 224-4141

1 pursuant to that conversation an individual
 2 named Bailey, whose last name was Bailey?
 3 A I'm invoking the Fifth Amendment privilege.
 4 Q Was another individual named Dupy, D-U-P-Y?
 5 A I'm invoking the Fifth Amendment privilege.
 6 Q Was another individual Ritchie, R-I-T-C-H-I-E?
 7 These are all last names.
 8 A I understand. I'm invoking the Fifth
 9 Amendment privilege.
 10 Q Were any of these individuals involved in the
 11 October, 1974, conversation with Mr. Graves?
 12 A I'm invoking the Fifth Amendment privilege.
 13 Q Apart from these August, '74, contributions
 14 and October, '74, contributions, have you ever
 15 made contributions to a Federal campaign or
 16 Federal officeholder out of corporate monies?
 17 A I'm invoking the Fifth Amendment privilege.
 18 Q Apart from these August, '74, and October, '74,
 19 discussions, have you ever been asked to make
 20 contributions out of corporate monies to a
 21 Federal campaign?
 22 A I'm invoking the Fifth Amendment privilege.
 23 Q Apart from these conversations, have you ever
 24 been reimbursed out of corporate monies for
 25 contributions made in connection with a Federal

79040084370
CLENDENING Reporting Service — 900 STATE NATIONAL BUILDING • HOUSTON, TEXAS 77002 • (713) 224-4141

1 election?

2 A I'm invoking the Fifth Amendment privilege.

3 Q Do you know of any instances where individuals
4 employed by the McDermott Corporation, other
5 than yourself, have made contributions in
6 connection with Federal elections out of
7 McDermott corporate monies?

8 A I'm invoking the Fifth Amendment privilege.

9 Q Do you know of any instances where individuals
10 other than yourself have been reimbursed
11 out of corporate monies for contributions made
12 in connection with a Federal election? I'm
13 referring to the McDermott corporation.

14 A I'm invoking the Fifth Amendment privilege.

15 Q Are you familiar with an individual named
16 R. G. Wilson?

17 A I'm invoking the Fifth Amendment privilege.

18 Q I am going to show you a list of payments.
19 This list is titled "Payments to Roger W.
20 Wilson," lists 11 payments sequentially from
21 June of '62, 1962, to December, 1971. The
22 list is appended to a Report of the Audit
23 Committee of the Board of Directors of J. Ray
24 McDermott, which is published in April, 1977.
25 Is this list familiar to you?

7 9 0 4 0 0 8 7 3 7 1

900 STATE NATIONAL BUILDING • HOUSTON, TEXAS 77002 • (713) 224-4141
CLENDENING Reporting Service

1 A I'm invoking the Fifth Amendment privilege.

2 Q Is the report familiar to you?

3 A I'm invoking the Fifth Amendment privilege.

4 Q Are you familiar with any of the transactions

5 of the list?

6 A I'm invoking the Fifth Amendment privilege.

7 Q Have you ever been interviewed or testified

8 in connection with this report of the Audit

9 Committee involving the J. Ray McDermott

10 Corporation?

11 A I'm invoking the Fifth Amendment privilege.

12 Q Have you yourself at any time made any

13 contributions to candidates for Federal

14 political office out of personal funds?

15 A I'm invoking the Fifth Amendment privilege.

16 Q Are you familiar with an individual named

17 Robert B. Ritchie, R-I-T-C-H-I-E?

18 A I'm invoking the Fifth Amendment privilege.

19 Q Did there ever come a time when Mr. Ritchie

20 asked you to bring a package of money to

21 New Orleans containing a sum of money amounting

22 to \$4,000?

23 A I'm invoking the Fifth Amendment privilege.

24 Q Did you ever have any contact with a

25 Mr. Charles Graves involving the sum of money?

79040084372
CLENDENING Reporting Service — 900 STATE NATIONAL BUILDING • HOUSTON, TEXAS 77002 • (713) 224-4141

1 A I'm invoking the Fifth Amendment privilege.

2 Q Do you know if this sum of money was ever
3 used to make contributions to Federal
4 candidates?

5 A I'm invoking the Fifth Amendment privilege.

6 Q Do you know if any sum of money that was
7 given to Mr. Graves in connection with this
8 transaction or that was kept by him was ever
9 donated to candidates for Federal political
10 office?

11 A I'm invoking the Fifth Amendment privilege.

12 Q Are you aware of whether Mr. Graves ever
13 used McDermott corporate monies to make
14 contributions to candidates for Federal
15 political office?

16 A I'm invoking the Fifth Amendment privilege.

17 Q Are you aware of whether Mr. Wilson ever
18 used McDermott monies to make contributions
19 to candidates for Federal political office?

20 A I'm invoking the Fifth Amendment privilege.

21 MR. SPIEGEL: Let the record
22 reflect that Mr. Wilson is, according
23 to the Audit Committee Report, died in
24 February of 1972. That concludes my
25 questions. Do you have anything you

want to ask, Andy?

E X A M I N A T I O N

BY MR. ATHY:

Q The subpoena pursuant to which you are appearing today and testifying asked you to bring certain documents. Your attorney will be familiar with that. Do you have any statement to make in that regard or did you bring any documents? I will restate them if you would like.

A I have not brought the documents and must decline to produce them on the basis of the Fifth Amendment privilege.

MR. ATHY: I have no further questions.

MR. SPIEGEL: Okay.

MR. BUCK: Mr. Spiegel, if I may ask a couple of questions. Are you concluded?

MR. SPIEGEL: Let's go off the record for a minute.

79040084375
CLENDENING Reporting Service 900 STATE NATIONAL BUILDING • HOUSTON, TEXAS 77002 • (713) 224-4141

(Discussion off the record.)

E X A M I N A T I O N

BY MR. BUCK:

Q My name is John Buck, for the record, and I am here today representing Mr. Crews and will ask him a very few short questions.

Mr. Crews, in connection with the Grand Jury proceeding to which Mr. Spiegel referred, has a subpoena been issued to you?

A Yes.

Q Do you anticipate testifying before that Grand Jury within the next couple of weeks?

A Yes.

Q In the event that you do testify, do you anticipate giving testimony on the same subject matter as is referred to in the deposition subpoena which you have received from the Federal Election Commission?

A Yes.

Q In the event that you do so testify before the Grand Jury, is it your desire, thereafter, to appear at an adjourned session of this

79040084375

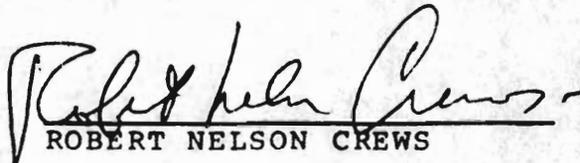
CLENDENING Reporting Service 900 STATE NATIONAL BUILDING • HOUSTON, TEXAS 77002 • (713) 224-4141

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

deposition and testify respecting the subject matters covered by the deposition subpoena and also to produce such documents as you may have responsive to the subpoena?

A Yes.

MR. BUCK: That is all I have.


ROBERT NELSON CREWS

THE STATE OF TEXAS X

COUNTY OF HARRIS X

Subscribed and sworn to before me, the undersigned authority, this, the 9th day of August, 1977, by said witness, Robert Nelson Crews.


Notary Public
Harris County, Texas

7 9 0 4 0 0 8 4 3 7 6

CLENDENING Reporting Service — 900 STATE NATIONAL BUILDING • HOUSTON, TEXAS 77002 • (713) 224-4141

1 THE STATE OF TEXAS:

2 COUNTY OF HARRIS:

3 I, Peggy Ann Antone, a Notary Public in and
4 for Harris County, Texas, do hereby certify that
5 the facts stated in the caption to the foregoing
6 deposition are true; that said deposition was taken
7 before me at said time and place, pursuant to said
8 agreements, the said witness, Robert Nelson Crews,
9 having been by Mr. David Spiegel duly sworn on oath;
10 I further certify that said deposition was reported
11 by me in shorthand, later reduced to typewriting
12 under my personal supervision, and the above and
13 foregoing 16 pages of typewriting constitute a
14 true and correct transcript thereof.

15 I further certify that I am not attorney or
16 counsel for, or related to or employed by any of
17 the parties or attorneys in said action, and that
18 I am in no way financially interested therein.

19 Given under my official hand and seal of office,
20 this, the 5th day of August, 1977.

Peggy Ann Antone

Notary Public, Harris County
T E X A S

My commission expires 6/30/78

25

2 9 0 4 0 0 8 4 3 7 7

BRACEWELL & PATTERSON

2900 SOUTH TOWER PENNZOIL PLACE
HOUSTON 77002
713 223-2900
CABLE BRACEPAT HOUSTON
TELEX 78-2141

1150 CONNECTICUT AVENUE NW
WASHINGTON, D. C. 20036
202 633-3660
AMERICAN BANK TOWER
AUSTIN 78701
512 472-7800

JOSEPH JAWORSKI, PARTNER

July 28, 1976

Mr. Robert G. Ryan
Securities and Exchange Commission
Division of Enforcement
500 North Capitol Street, N.W.
Washington, D.C. 20549

Re: R. Nelson Crews; Change in Interview Transcript

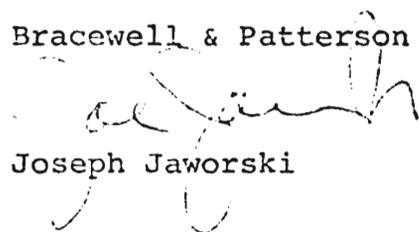
Dear Mr. Ryan:

In line with our telephone conversation on July 23, 1976, enclosed are two copies of a sworn statement of Mr. Crews effecting certain changes in the transcript of his interview with you and Mr. Clark on July 13, 1976. We did not receive the transcript until yesterday, and Mr. Crews is furnishing this supplemental information by way of amendment to the transcript pursuant to your suggestion.

If there are any questions or if I may otherwise be of assistance, please do not hesitate to give me a call.

Very truly yours,

Bracewell & Patterson


Joseph Jaworski

JJ/aic
enclosures

RECEIVED

JUL 30 1976

DIVISION OF ENFORCEMENT
OCR & SP

Commission, Ex 1 to the
deposition of Mr. Crews
8-4-77 paa

7 0 7 4 0 7 3 4 3 7 8
CORRECTION TO TRANSCRIPT OF INTERVIEW OF
ROBERT NELSON CREWS BY PETER B. CLARK AND
ROBERT G. RYAN OF THE SECURITIES AND
EXCHANGE COMMISSION ON JULY 13, 1976
AT HOUSTON, TEXAS

During the captioned interview, certain questions were asked of me by Mr. Ryan generally concerning my knowledge of domestic political contributions by J. Ray McDermott, Inc. These questions appear in the official transcript at the following pages and lines:

- (i) Page 32, lines 15-16.
- (ii) Page 32, lines 18-19.
- (iii) Page 32, lines 21-22.
- (iv) Page 33, lines 14-15.

Following the conclusion of the interview, I recalled certain occurrences which did not come to mind at the time that I responded to the foregoing questions. I now make the following statement which reflects my best present recollection of those occurrences and my responses to the foregoing questions are hereby corrected and amended accordingly.

S T A T E M E N T

Shortly after I was relieved of operating responsibility in the North Latitudes area in June of 1974, Mr. Graves and I had our discussions respecting my taking on governmental liaison responsibilities and I indicated my

unwillingness to do this. Around July or August, 1974, Mr. Graves told me that he had met Mr. Hensen Moore who was running for Congress from a district in Louisiana and indicated that he would like to assist Mr. Moore's campaign financially. For this purpose, Mr. Graves instructed me to obtain personal checks from several other employees of the company, which checks would be payable to Mr. Moore's campaign. The drawers of these checks would be reimbursed by me in cash which was furnished to me by Mr. Graves. I carried out these instructions and, to my best recollection, I gave a check, Mr. Graves gave a check and two or three other persons whose names I do not recall with certainty gave checks. However, I believe that those other persons included Bill Bailey and John Dupy and may have included Bob Ritchey or Jim Cunningham, either on this occasion or on the occasion of the second series of contributions discussed below. I do not remember the amounts of the checks, although I believe the aggregate amount was around \$1,100 or \$1,200. Mr. Graves asked me to deliver the checks to the candidate's campaign headquarters in Baton Rouge, which I did. I met the candidate very briefly and gave the checks to his campaign manager, whose name I do not recall.

Shortly before the election, probably in October of 1974, this process was repeated at Mr. Graves' instructions. Again, both Graves and I gave checks as well as one or two other persons who may well have included the persons named above, although I

do not recall. I believe that the aggregate amount of the checks was about the same as that referred to above, although possibly less.

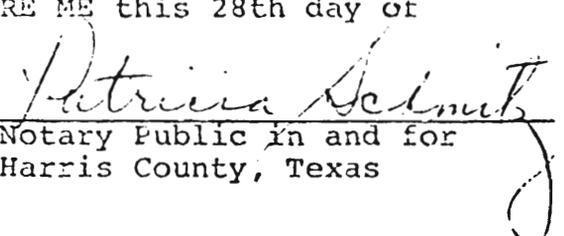
I do not know the source of the funds given me by Graves and Graves did not advise me of this. I also do not recall whether I was reimbursed for the two checks which I wrote. It is my firm belief that Mr. Hensen Moore did not know that the drawers of the checks which I gave to his campaign manager were being reimbursed by funds from another source.

The foregoing statement is true and correct to the best of my knowledge and belief.



R. Nelson Crews

SWORN AND SUBSCRIBED BEFORE ME this 28th day of July, 1976.



Notary Public in and for
Harris County, Texas

CORRECTION TO TRANSCRIPT OF INTERVIEW OF
ROBERT NELSON CREWS BY PETER B. CLARK AND
ROBERT G. RYAN OF THE SECURITIES AND
EXCHANGE COMMISSION ON JULY 13, 1976
AT HOUSTON, TEXAS

During the captioned interview, certain questions were asked of me by Mr. Ryan generally concerning my knowledge of domestic political contributions by J. Ray McDermott, Inc. These questions appear in the official transcript at the following pages and lines:

- (i) Page 32, lines 15-16.
- (ii) Page 32, lines 18-19.
- (iii) Page 32, lines 21-22.
- (iv) Page 33, lines 14-15.

Following the conclusion of the interview, I recalled certain occurrences which did not come to mind at the time that I responded to the foregoing questions. I now make the following statement which reflects my best present recollection of those occurrences and my responses to the foregoing questions are hereby corrected and amended accordingly.

S T A T E M E N T

Shortly after I was relieved of operating responsibility in the North Latitudes area in June of 1974, Mr. Graves and I had our discussions respecting my taking on governmental liaison responsibilities and I indicated my

unwillingness to do this. Around July or August, 1974, Mr. Graves told me that he had met Mr. Hansen Moore who was running for Congress from a district in Louisiana and indicated that he would like to assist Mr. Moore's campaign financially. For this purpose, Mr. Graves instructed me to obtain personal checks from several other employees of the company, which checks would be payable to Mr. Moore's campaign. The drawers of these checks would be reimbursed by me in cash which was furnished to me by Mr. Graves. I carried out these instructions and, to my best recollection, I gave a check, Mr. Graves gave a check and two or three other persons whose names I do not recall with certainty gave checks. However, I believe that those other persons included Bill Bailey and John Dupy and may have included Bob Ritchey or Jim Cunningham, either on this occasion or on the occasion of the second series of contributions discussed below. I do not remember the amounts of the checks, although I believe the aggregate amount was around \$1,100 or \$1,200. Mr. Graves asked me to deliver the checks to the candidate's campaign headquarters in Baton Rouge, which I did. I met the candidate very briefly and gave the checks to his campaign manager, whose name I do not recall.

Shortly before the election, probably in October of 1974, this process was repeated at Mr. Graves' instructions. Again, both Graves and I gave checks as well as one or two other persons who may well have included the persons named above, although I

do not recall. I believe that the aggregate amount of the checks was about the same as that referred to above, although possibly less.

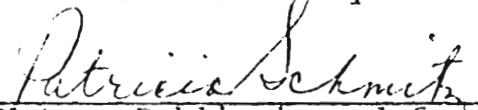
I do not know the source of the funds given me by Graves and Graves did not advise me of this. I also do not recall whether I was reimbursed for the two checks which I wrote. It is my firm belief that Mr. Hensen Moore did not know that the drawers of the checks which I gave to his campaign manager were being reimbursed by funds from another source.

The foregoing statement is true and correct to the best of my knowledge and belief.



R. Nelson Crews

SWORN AND SUBSCRIBED BEFORE ME this 28th day of July, 1976.



Notary Public in and for Harris County, Texas

HOUSTON TEXAS 770
PM
AUG 9

CLENDENING REPORTING SERVICE, INC.
900 State National Bldg.
Houston, Texas 77002



HOUSTON TEXAS 770
PM
AUG 9
1977

AUG 9
1977

Mr. David Spiegel and
Mr. Andrew Athy, Jr.
Federal Election Commission
1325 K Street, N.W.
Washington, D.C.

20463

CERTIFIED
No. 263455
MAIL

**RETURN RECEIPT
REQUESTED**

**FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL**

FEDERAL ELECTION COMMISSION
7904008
177 AUG 12 1977

200 1127

CLENDENING REPORTING SERVICE

900 STATE NATIONAL BUILDING • HOUSTON, TEXAS 77002 • (713) 224-4141

CERTIFIED MAIL

August 5, 1977

No. 263457

RETURN RECEIPT REQUESTED

Mr. John H. Buck
Bracewell & Patterson
2900 South Tower, Pennzoil Place
Houston, Texas 77002

Re: MUR 254(76), United States of America, Federal
Election Commission, IN RE: J. Ray McDermott, et al

Dear Mr. Buck:

The deposition of your client, Robert Nelson Crews, taken in the above cause, has been transcribed and is available for him to read and sign at our office at 900 State National Building, 412 Main Street, Houston, Texas.

I would appreciate your asking Mr. Crews to call me at the above number when he is ready to read and sign his deposition, so that I may arrange to be present at that time also.

We will hold the deposition for at least 30 days from the date of this notice; if your client has not contacted us by the end of that time, I will assume he does not care to read and sign his deposition, and I will forward it as agreed.

Very truly,



Peggy Ann Antone

CLENDENING REPORTING SERVICE

PAA:ch

cc: Mr. David Spiegel
Mr. Andrew Athy, Jr.

FEDERAL ELECTION COMMISSION
CENTRAL FILE COPY
OFFICE OF GENERAL COUNSEL

7 0 0 1 0 7 8 4 3 3 5

7 9 0 0 4 0 0 8 4 3 8 3
CLENDENING Reporting Service — 900 STATE NATIONAL BUILDING • HOUSTON, TEXAS 77002 • (713) 224-4141

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

UNITED STATES OF AMERICA

FEDERAL ELECTION COMMISSION

IN RE: J. Ray McDermott, MUR 254(76)
et al

A P P E A R A N C E S:

COUNSEL FOR FEDERAL ELECTION COMMISSION:

David Spiegel
and
Andrew Athy, Jr.
Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20463

COUNSEL FOR R. NELSON CREWS:

Bracewell & Patterson
2900 South Tower Pennzoil Place
Houston, Texas 77002
By Mr. John H. Buck

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

CLENDENING Reporting Service — 900 STATE NATIONAL BUILDING • HOUSTON, TEXAS 77002 • (713) 224-4141

79040084387

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

DEPOSITION OF ROBERT NELSON CREWS, taken before Peggy Ann Antone, a Notary Public in and for Harris County, Texas, at the offices of Clendening Reporting Service, Inc., 900 State National Building, Houston, Harris County, Texas, commencing at 1:20 p.m., August 4, 1977, at which time the following proceedings were had:

IT WAS AGREED by and between counsel that the original deposition will be retained in the offices of Clendening Reporting Service, 900 State National Building, Houston, Harris County, Texas, pending signature of the witness, after which the deposition will be filed with the Federal Election Commission.

79049084388
CLENDENING Reporting Service — 900 STATE NATIONAL BUILDING • HOUSTON, TEXAS 77002 • (713) 224-4141

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

ROBERT NELSON CREWS,
having been first duly sworn on oath by Mr. Spiegel,
was examined and testified as follows:

E X A M I N A T I O N

BY MR. SPIEGEL:

Q Could you state your name for the record, sir?

A Robert Nelson Crews, C-R-E-W-S.

Q And your address?

A 3617 Inwood Drive, Houston. 77019, if you want that.

Q Present place of employment?

MR. BUCK: Tell him where you work.

A All right. Raymond International.

Q (By Mr. Spiegel) Have you ever been employed by the McDermott Corporation?

A I must respectfully decline to answer that question on the grounds that to do so would violate my privilege under the self-incrimination guaranteed by the Fifth Amendment to the United States Constitution, would further violate my rights under the First, Fourth, Sixth, Ninth, and Fourteenth Amendments to the

7904908438
CLENDENING Reporting Service — 900 STATE NATIONAL BUILDING • HOUSTON, TEXAS 77002 • (713) 224-4141

1 Constitution.

2 Q I am not sure that I fully appreciate how the
3 Fifth applies to that question. It appears
4 that that question is a fairly innocuous
5 question.

6 MR. BUCK: Well, as I explained to
7 you yesterday, Mr. Spiegel, in view of
8 Mr. Crews' current arrangements, he is
9 simply not at liberty to give you
10 testimony respecting McDermott or
11 McDermott-related matters and must assert
12 his privilege in connection therewith.

13 MR. SPIEGEL: All right. Is
14 Mr. Crews currently the subject of a
15 Grand Jury investigation?

16 MR. BUCK: Are you addressing that
17 question to me?

18 Q (By Mr. Spiegel) Mr. Crews, are you currently
19 the subject of a Grand Jury investigation?

20 A Yes.

21 Q Is that a Federal Grand Jury investigation?

22 A Yes.

23 Q Could you state where that is being conducted?

24 A New Orleans, Louisiana.

25 Q And does that investigation relate to matters

70019084397
CLENDENING Reporting Service — 900 STATE NATIONAL BUILDING • HOUSTON, TEXAS 77002 • (713) 224-4141

1 involving Federal election campaign laws?

2 A As far as I know, it does.

3 Q Have you testified in connection with that
4 Grand Jury investigation?

5 A Okay. I want to read this again. Let her
6 read it?

7 MR. BUCK: Mr. Spiegel, may we go
8 off the record?

9 MR. SPIEGEL: Let's go off the
10 record.

11
12 (Discussion off the record.)

13
14 Q (By Mr. Spiegel) What you have to do is
15 after each specific question, just say you
16 are invoking the Fifth Amendment privilege
17 and leave it at that. Mr. Crews, have you
18 been given an offer of immunity in connection
19 with this Grand Jury investigation?

20 A I'm invoking the Fifth Amendment privilege.

21 Q Mr. Crews, have you ever been employed by the
22 McDermott Corporation?

23 A I'm invoking the Fifth Amendment privilege.

24 Q Have you ever known or been familiar with an
25 individual named Charles Graves?

7 0 0 1 9 0 8 4 3 9 2 . . .
CLENDENING Reporting Service — 900 STATE NATIONAL BUILDING • HOUSTON, TEXAS 77002 • (713) 224-4141

1 Q Did Mr. Graves give you any money at that time?

2 A I'm invoking the Fifth Amendment privilege.

3 Q Did he give you any money on the August, '74,
4 occasion?

5 A I'm invoking the Fifth Amendment privilege.

6 Q Were these monies, in your knowledge, corporate
7 monies?

8 A I'm invoking the Fifth Amendment privilege.

9 Q Were any contributions made in connection with
10 this conversation?

11 A I'm invoking the Fifth Amendment privilege.

12 Q Were any reimbursements made by you to persons
13 who may have made contributions as a result
14 of this conversation?

15 A I'm invoking the Fifth Amendment privilege.

16 Q Regarding this August, '74, discussion and
17 this October, '74, discussion, have you ever
18 testified before any other Federal agencies?

19 A I'm invoking the Fifth Amendment privilege.

20

(Discussion off the record.)

21

22

23 Q (By Mr. Spiegel) Mr. Crews, I am going to show
24 you a copy of a statement that is entitled
25 "Correction to Transcript of Interview of

1 Robert Nelson Crews by Peter B. Clark and
2 Robert G. Ryan of the Securities and Exchange
3 Commission on July 13th, 1976, at Houston,
4 Texas." This is a statement which refers to
5 the matters that we previously questioned you
6 about, also refers to some other matters. It
7 has a signature at the end, signed, the name
8 Nelson Crews, and then a sworn subscribed
9 before me underneath that with a Notary Public
10 stamp. Is that signature at the end of this
11 document your signature?

12 A I'm invoking the Fifth Amendment privilege.

13 Q Is this a document with which you are familiar?

14 A I'm invoking the Fifth Amendment privilege.

15 Q Let's enter this document into the record as
16 the Commission's Exhibit 1.

17
18 (Whereupon the above-mentioned
19 document was marked Commission Exhibit 1
20 to the deposition of Mr. Crews for
21 identification by the court reporter.)

22
23 Q (By Mr. Spiegel) Mr. Crews, returning to the
24 August, 1974, conversation with Mr. Graves,
25 was one of the persons who made a contribution

70010084301
CLENDENING Reporting Service — 900 STATE NATIONAL BUILDING • HOUSTON, TEXAS 77002 • (713) 224-4141

1 pursuant to that conversation an individual
2 named Bailey, whose last name was Bailey?

3 A I'm invoking the Fifth Amendment privilege.

4 Q Was another individual named Dupy, D-U-P-Y?

5 A I'm invoking the Fifth Amendment privilege.

6 Q Was another individual Ritchie, R-I-T-C-H-I-E?

7 These are all last names.

8 A I understand. I'm invoking the Fifth

9 Amendment privilege.

10 Q Were any of these individuals involved in the

11 October, 1974, conversation with Mr. Graves?

12 A I'm invoking the Fifth Amendment privilege.

13 Q Apart from these August, '74, contributions
14 and October, '74, contributions, have you ever
15 made contributions to a Federal campaign or
16 Federal officeholder out of corporate monies?

17 A I'm invoking the Fifth Amendment privilege.

18 Q Apart from these August, '74, and October, '74,
19 discussions, have you ever been asked to make
20 contributions out of corporate monies to a
21 Federal campaign?

22 A I'm invoking the Fifth Amendment privilege.

23 Q Apart from these conversations, have you ever
24 been reimbursed out of corporate monies for
25 contributions made in connection with a Federal

7 2 7 1 0 0 8 1 3 7 5 . . .
CLENDENING Reporting Service — 900 STATE NATIONAL BUILDING • HOUSTON, TEXAS 77002 • (713) 224-4141

1 election?

2 A I'm invoking the Fifth Amendment privilege.

3 Q Do you know of any instances where individuals
4 employed by the McDermott Corporation, other
5 than yourself, have made contributions in
6 connection with Federal elections out of
7 McDermott corporate monies?

8 A I'm invoking the Fifth Amendment privilege.

9 Q Do you know of any instances where individuals
10 other than yourself have been reimbursed
11 out of corporate monies for contributions made
12 in connection with a Federal election? I'm
13 referring to the McDermott corporation.

14 A I'm invoking the Fifth Amendment privilege.

15 Q Are you familiar with an individual named
16 R. G. Wilson?

17 A I'm invoking the Fifth Amendment privilege.

18 Q I am going to show you a list of payments.
19 This list is titled "Payments to Roger W.
20 Wilson," lists 11 payments sequentially from
21 June of '62, 1962, to December, 1971. The
22 list is appended to a Report of the Audit
23 Committee of the Board of Directors of J. Ray
24 McDermott, which is published in April, 1977.
25 Is this list familiar to you?

7 9 0 1 0 0 8 4 3 9 5
CLENDENING Reporting Service — 900 STATE NATIONAL BUILDING • HOUSTON, TEXAS 77002 • (713) 224-4141

- 1 A I'm invoking the Fifth Amendment privilege.
- 2 Q Is the report familiar to you?
- 3 A I'm invoking the Fifth Amendment privilege.
- 4 Q Are you familiar with any of the transactions
5 of the list?
- 6 A I'm invoking the Fifth Amendment privilege.
- 7 Q Have you ever been interviewed or testified
8 in connection with this report of the Audit
9 Committee involving the J. Ray McDermott
10 Corporation?
- 11 A I'm invoking the Fifth Amendment privilege.
- 12 Q Have you yourself at any time made any
13 contributions to candidates for Federal
14 political office out of personal funds?
- 15 A I'm invoking the Fifth Amendment privilege.
- 16 Q Are you familiar with an individual named
17 Robert B. Ritchie, R-I-T-C-H-I-E?
- 18 A I'm invoking the Fifth Amendment privilege.
- 19 Q Did there ever come a time when Mr. Ritchie
20 asked you to bring a package of money to
21 New Orleans containing a sum of money amounting
22 to \$4,000?
- 23 A I'm invoking the Fifth Amendment privilege.
- 24 Q Did you ever have any contact with a
25 Mr. Charles Graves involving the sum of money?

7 9 7 4 0 0 8 4 3 9 7
CLENDENING Reporting Service 900 STATE NATIONAL BUILDING • HOUSTON, TEXAS 77002 • (713) 224-4141

1 A I'm invoking the Fifth Amendment privilege.

2 Q Do you know if this sum of money was ever
3 used to make contributions to Federal
4 candidates?

5 A I'm invoking the Fifth Amendment privilege.

6 Q Do you know if any sum of money that was
7 given to Mr. Graves in connection with this
8 transaction or that was kept by him was ever
9 donated to candidates for Federal political
10 office?

11 A I'm invoking the Fifth Amendment privilege.

12 Q Are you aware of whether Mr. Graves ever
13 used McDermott corporate monies to make
14 contributions to candidates for Federal
15 political office?

16 A I'm invoking the Fifth Amendment privilege.

17 Q Are you aware of whether Mr. Wilson ever
18 used McDermott monies to make contributions
19 to candidates for Federal political office?

20 A I'm invoking the Fifth Amendment privilege.

21 MR. SPIEGEL: Let the record
22 reflect that Mr. Wilson is, according
23 to the Audit Committee Report, died in
24 February of 1972. That concludes my
25 questions. Do you have anything you

72040081391
CLENDENING Reporting Service — 900 STATE NATIONAL BUILDING • HOUSTON, TEXAS 77002 • (713) 224-4141

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

want to ask, Andy?

E X A M I N A T I O N

BY MR. ATHY:

Q The subpoena pursuant to which you are appearing today and testifying asked you to bring certain documents. Your attorney will be familiar with that. Do you have any statement to make in that regard or did you bring any documents? I will restate them if you would like.

A I have not brought the documents and must decline to produce them on the basis of the Fifth Amendment privilege.

MR. ATHY: I have no further questions.

MR. SPIEGEL: Okay.

MR. BUCK: Mr. Spiegel, if I may ask a couple of questions. Are you concluded?

MR. SPIEGEL: Let's go off the record for a minute.

(Discussion off the record.)

E X A M I N A T I O N

BY MR. BUCK:

Q My name is John Buck, for the record, and I am here today representing Mr. Crews and will ask him a very few short questions.

Mr. Crews, in connection with the Grand Jury proceeding to which Mr. Spiegel referred, has a subpoena been issued to you?

A Yes.

Q Do you anticipate testifying before that Grand Jury within the next couple of weeks?

A Yes.

Q In the event that you do testify, do you anticipate giving testimony on the same subject matter as is referred to in the deposition subpoena which you have received from the Federal Election Commission?

A Yes.

Q In the event that you do so testify before the Grand Jury, is it your desire, thereafter, to appear at an adjourned session of this

790408439
CLENDENING Reporting Service — 900 STATE NATIONAL BUILDING • HOUSTON, TEXAS 77002 • (713) 224-4141

900 STATE NATIONAL BUILDING • HOUSTON, TEXAS 77002 • (713) 224-4141
CLENDENING Reporting Service

1 deposition and testify respecting the subject
2 matters covered by the deposition subpoena
3 and also to produce such documents as you may
4 have responsive to the subpoena?

5 A Yes.

6 MR. BUCK: That is all I have.

7
8 ROBERT NELSON CREWS

9
10
11
12
13
14 THE STATE OF TEXAS X
15 COUNTY OF HARRIS X

16 Subscribed and sworn to before me, the
17 undersigned authority, this, the _____ day of
18 _____, 1977, by said witness, Robert Nelson
19 Crews.

20
21 Notary Public
22 Harris County, Texas
23
24
25

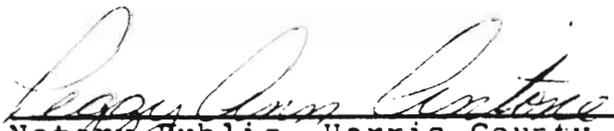
700.40081401
CLENDENING Reporting Service — 900 STATE NATIONAL BUILDING • HOUSTON, TEXAS 77002 • (713) 224-4141

1 THE STATE OF TEXAS:
2 COUNTY OF HARRIS:

3 I, Peggy Ann Antone, a Notary Public in and
4 for Harris County, Texas, do hereby certify that
5 the facts stated in the caption to the foregoing
6 deposition are true; that said deposition was taken
7 before me at said time and place, pursuant to said
8 agreements, the said witness, Robert Nelson Crews,
9 having been by Mr. David Spiegel duly sworn on oath;
10 I further certify that said deposition was reported
11 by me in shorthand, later reduced to typewriting
12 under my personal supervision, and the above and
13 foregoing 16 pages of typewriting constitute a
14 true and correct transcript thereof.

15 I further certify that I am not attorney or
16 counsel for, or related to or employed by any of
17 the parties or attorneys in said action, and that
18 I am in no way financially interested therein.

19 Given under my official hand and seal of office,
20 this, the 5th day of August, 1977.

21 
22 Notary Public, Harris County
23 T E X A S
24 My commission expires 6/30/78
25

7 9 9 4 0 0 8 4 4 0 1

BRACEWELL & PATTERSON

2900 SOUTH TOWER PENNZOIL PLACE
HOUSTON 77002
713 223-2900
CABLE BRACEPAT HOUSTON
TELEX 78-2141

1150 CONNECTICUT AVENUE NW
WASHINGTON, D. C. 20036
202 633-3660
AMERICAN BANK TOWER
AUSTIN 78701
512 472-7800

JOSEPH JAWORSKI, PARTNER

July 28, 1976

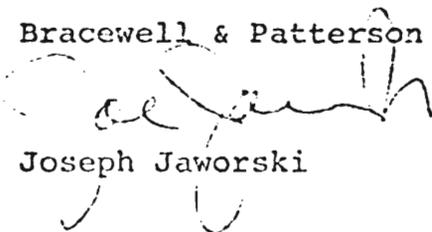
Mr. Robert G. Ryan
Securities and Exchange Commission
Division of Enforcement
500 North Capitol Street, N.W.
Washington, D.C. 20549

Re: R. Nelson Crews; Change in Interview Transcript

Dear Mr. Ryan:

In line with our telephone conversation on July 23, 1976, enclosed are two copies of a sworn statement of Mr. Crews effecting certain changes in the transcript of his interview with you and Mr. Clark on July 13, 1976. We did not receive the transcript until yesterday, and Mr. Crews is furnishing this supplemental information by way of amendment to the transcript pursuant to your suggestion.

If there are any questions or if I may otherwise be of assistance, please do not hesitate to give me a call.

Very truly yours,
Bracewell & Patterson

Joseph Jaworski

JJ/aic
enclosures

RECEIVED
JUL 30 1976
DIVISION OF ENFORCEMENT
OCR & SP

*Commission Ex 1 to the
Disposition of Mr. Crews
8-4-77 paa*

CORRECTION TO TRANSCRIPT OF INTERVIEW OF
ROBERT NELSON CREWS BY PETER B. CLARK AND
ROBERT G. RYAN OF THE SECURITIES AND
EXCHANGE COMMISSION ON JULY 13, 1976
AT HOUSTON, TEXAS

During the captioned interview, certain questions were asked of me by Mr. Ryan generally concerning my knowledge of domestic political contributions by J. Ray McDermott, Inc. These questions appear in the official transcript at the following pages and lines:

- (i) Page 32, lines 15-16.
- (ii) Page 32, lines 18-19.
- (iii) Page 32, lines 21-22.
- (iv) Page 33, lines 14-15.

Following the conclusion of the interview, I recalled certain occurrences which did not come to mind at the time that I responded to the foregoing questions. I now make the following statement which reflects my best present recollection of those occurrences and my responses to the foregoing questions are hereby corrected and amended accordingly.

S T A T E M E N T

Shortly after I was relieved of operating responsibility in the North Latitudes area in June of 1974, Mr. Graves and I had our discussions respecting my taking on governmental liaison responsibilities and I indicated my

7 9 0 4 0 0 3 4 4 9 3

unwillingness to do this. Around July or August, 1974, Mr. Graves told me that he had met Mr. Hansen Moore who was running for Congress from a district in Louisiana and indicated that he would like to assist Mr. Moore's campaign financially. For this purpose, Mr. Graves instructed me to obtain personal checks from several other employees of the company, which checks would be payable to Mr. Moore's campaign. The drawers of these checks would be reimbursed by me in cash which was furnished to me by Mr. Graves. I carried out these instructions and, to my best recollection, I gave a check, Mr. Graves gave a check and two or three other persons whose names I do not recall with certainty gave checks. However, I believe that those other persons included Bill Bailey and John Dupy and may have included Bob Ritchey or Jim Cunningham, either on this occasion or on the occasion of the second series of contributions discussed below. I do not remember the amounts of the checks, although I believe the aggregate amount was around \$1,100 or \$1,200. Mr. Graves asked me to deliver the checks to the candidate's campaign headquarters in Baton Rouge, which I did. I met the candidate very briefly and gave the checks to his campaign manager, whose name I do not recall.

Shortly before the election, probably in October of 1974, this process was repeated at Mr. Graves' instructions. Again, both Graves and I gave checks as well as one or two other persons who may well have included the persons named above, although I

do not recall. I believe that the aggregate amount of the checks was about the same as that referred to above, although possibly less.

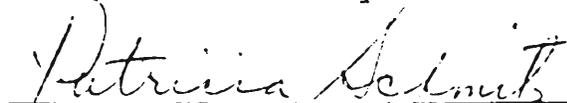
I do not know the source of the funds given me by Graves and Graves did not advise me of this. I also do not recall whether I was reimbursed for the two checks which I wrote. It is my firm belief that Mr. Hensen Moore did not know that the drawers of the checks which I gave to his campaign manager were being reimbursed by funds from another source.

The foregoing statement is true and correct to the best of my knowledge and belief.



R. Nelson Crews

SWORN AND SUBSCRIBED BEFORE ME this 28th day of July, 1976.



Notary Public in and for Harris County, Texas

2074008440

CORRECTION TO TRANSCRIPT OF INTERVIEW OF
ROBERT NELSON CREWS BY PETER B. CLARK AND
ROBERT G. RYAN OF THE SECURITIES AND
EXCHANGE COMMISSION ON JULY 13, 1976
AT HOUSTON, TEXAS

During the captioned interview, certain questions were asked of me by Mr. Ryan generally concerning my knowledge of domestic political contributions by J. Ray McDermott, Inc. These questions appear in the official transcript at the following pages and lines:

- (i) Page 32, lines 15-16.
- (ii) Page 32, lines 18-19.
- (iii) Page 32, lines 21-22.
- (iv) Page 33, lines 14-15.

Following the conclusion of the interview, I recalled certain occurrences which did not come to mind at the time that I responded to the foregoing questions. I now make the following statement which reflects my best present recollection of those occurrences and my responses to the foregoing questions are hereby corrected and amended accordingly.

S T A T E M E N T

Shortly after I was relieved of operating responsibility in the North Latitudes area in June of 1974, Mr. Graves and I had our discussions respecting my taking on governmental liaison responsibilities and I indicated my

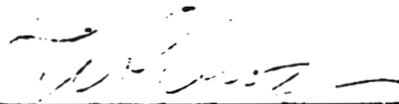
unwillingness to do this. Around July or August, 1974, Mr. Graves told me that he had met Mr. Hansen Moore who was running for Congress from a district in Louisiana and indicated that he would like to assist Mr. Moore's campaign financially. For this purpose, Mr. Graves instructed me to obtain personal checks from several other employees of the company, which checks would be payable to Mr. Moore's campaign. The drawers of these checks would be reimbursed by me in cash which was furnished to me by Mr. Graves. I carried out these instructions and, to my best recollection, I gave a check, Mr. Graves gave a check and two or three other persons whose names I do not recall with certainty gave checks. However, I believe that those other persons included Bill Bailey and John Dupy and may have included Bob Ritchey or Jim Cunningham, either on this occasion or on the occasion of the second series of contributions discussed below. I do not remember the amounts of the checks, although I believe the aggregate amount was around \$1,100 or \$1,200. Mr. Graves asked me to deliver the checks to the candidate's campaign headquarters in Baton Rouge, which I did. I met the candidate very briefly and gave the checks to his campaign manager, whose name I do not recall.

Shortly before the election, probably in October of 1974, this process was repeated at Mr. Graves' instructions. Again, both Graves and I gave checks as well as one or two other persons who may well have included the persons named above, although I

do not recall. I believe that the aggregate amount of the checks was about the same as that referred to above, although possibly less.

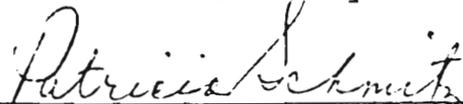
I do not know the source of the funds given me by Graves and Graves did not advise me of this. I also do not recall whether I was reimbursed for the two checks which I wrote. It is my firm belief that Mr. Hensen Moore did not know that the drawers of the checks which I gave to his campaign manager were being reimbursed by funds from another source.

The foregoing statement is true and correct to the best of my knowledge and belief.



R. Nelson Crews

SWORN AND SUBSCRIBED BEFORE ME this 28th day of July, 1976.



Notary Public in and for
Harris County, Texas

FEDERAL ELECTION COMMISSION

1325 K Street, N.W.

Washington, D.C. 20463

.....

IN THE MATTER OF:

NO. MUR 254 (76)

J. RAY McDERMOTT & CO., ET AL

.....

TESTIMONY OF CHARLES L. GRAVES,
taken by the Federal Election
Commission herein at the offices
of Dietrich & Bendix, Inc.,
Suite 1221, 333 St. Charles
Avenue, New Orleans, Louisiana,
on August 3, 1977.

---oOo---

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

Dietrich & Bendix, Inc.

Stenotypists

333 ST. CHARLES AVENUE, SUITE 1221
NEW ORLEANS, LOUISIANA 70130 - 522-3111

7 9 0 4 0 7 8 4 4 0 9

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

APPEARANCES:

For the Commission:

FEDERAL ELECTION COMMISSION
1325 K. Street, N. W.
Washington, D. C. 20463

BY: DAVID R. SPIEGEL, ESQ.
-and-
ANDREW ATHY, JR., ESQ.

For the Witness:

MESSRS. GRAND & OSTROW
375 Park Avenue
New York, N. Y. 10022

BY: PAUL R. GRAND, ESQ.

REPORTED BY: DAVID L. BENDIX
Certified Shorthand Reporter
State of Louisiana

---000---

79040084410

CHARLES L. GRAVES,

of 1329 Octavia Street, New Orleans, Louisiana,
testified as follows pursuant to the oath
hereinafter administered:

EXAMINATION

BY MR. ATHY:

Q Mr. Graves, my name is David Spiegel. I
am an attorney with the Federal
Election Commission.

Could you raise your right hand, please.
Do you solemnly swear to tell the whole
truth and nothing but the truth, so
help you God?

A I do.

Q Mr. Graves, are you aware that you have
the right to counsel and have counsel
present at this deposition?

A Yes.

Q And do you have counsel present?

A I do.

MR. SPIEGEL:

Would Counsel please identify himself
for the record.

MR. GRAND:

My name is Paul R. Grand, G-r-a-n-d.

79040084411

1 I have already identified myself in
2 terms of my firm and my address
3 on the record to the steno-
4 grapher.

5 MR. SPIEGEL:

6 Okay. Could I ask that if we go off
7 the record, that you indicate
8 to me that you want to go off
9 the record and we'll go off
10 the record.

11 MR. GRAND:

12 All right.

13 BY MR. SPIEGEL:

14 Q Mr. Graves, what is your current position
15 of employment?

16 MR. GRAND:

17 Before we proceed, let me make a
18 statement on the record.
19 Last week sometime I met with both
20 Mr. Spiegel and with Mr. Athy,
21 and I have been in telephone
22 communication with them since
23 that time as well as before that
24 time; and I commented on the
25 contents of a subpoena which was

1 mailed to Mr. Graves, which
2 subpoena calls for, not only
3 his personal appearance here --
4 not specifically on this date,
5 but it was adjourned to this
6 date -- and which calls for the
7 production of various documents.

8 I have told these gentlemen prior to
9 today that many of the documents
10 sought appear, from the face of
11 the subpoena, to be corporate
12 documents, and I believe that
13 those documents are in the cust-
14 ody and control of the corpora-
15 tion, to the extent that they
16 exist, and that they are not
17 within Mr. Graves' possession
18 or power to produce; and, there-
19 fore, a subpoena for such docu-
20 ments should properly be addressed
21 to the corporation.

22 With respect to other documents, it
23 could be denominated as personal
24 documents, and I note that the
25 subpoena calls for documents

7 2 0 4 0 0 8 4 4 1 3

1 as far back as December 1, 1971.

2 As I read the Federal Election Law,
3 it carries with it a three-year
4 statute of limitations; and,
5 accordingly, any violation or
6 questioned event prior to ap-
7 proximately August 4, 1974,
8 would be barred by the statute
9 of limitations; and I think
10 that we would be in a fair
11 position to oppose production
12 of any documents prior to that
13 date.

14 In addition, I have informed these
15 gentlemen, prior to today, that
16 as I understand events which are
17 transpiring, the subject matter
18 of the proposed interrogation
19 of Mr. Graves today is also the
20 subject matter of an investiga-
21 tion currently being conducted
22 by the United States Attorney
23 in this District, which is or
24 is about to be the subject of a
25 grand jury inquiry in this

79040084414

79040084415

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

district, and that while we hope to cooperate with the Federal Election Commission in the exercise of their statutory responsibilities, we also have to, in the face of the U. S. Attorney and grand jury investigation, rely on the constitutional protections which Mr. Graves has.

Accordingly, I have advised these gentlemen that Mr. Graves would not testify today and that on my advice, the advice of his counsel, he would assert his Fifth Amendment privilege against answering any questions at all.

Similarly, we take the same position with respect to the production of any documents which might be deemed to be his personal documents.

MR. SPIEGEL:

Mr. Grand, let me see if I understand your position.

1 You are saying that you claim a
2 blanket Fifth Amendment privilege
3 to any questions I may ask, re-
4 gardless of their scope or
5 nature?

6 MR. GRAND:

7 Correct.

8 MR. SPIEGEL:

9 I have not proposed any questions
10 yet, but you are --

11 MR. GRAND:

12 I understand that. Obviously, I
13 make that statement in the con-
14 text of the discussions we have
15 had in the past and in the con-
16 text of my understanding of the
17 investigation which you are con-
18 ducting, and of my understanding
19 of that investigation, based
20 on my ability to read both the
21 subpoena and your prior communi-
22 cations with my client.

23 Now, you can either accept that
24 assertion or you can ask indi-
25 vidual questions, as you are

79040084416

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

free to do, and he can assert
the privilege repeatedly, if
you like.

MR. SPIEGEL:

We do wish to ask certain questions.

I just want to be sure we
understand your position.

Is it that all statutes by which Mr.
Graves has received prior noti-
fication, the Commission has
reason to believe a violation
has been committed, are subject
to his Fifth Amendment privilege?

MR. GRAND:

I am sorry, I don't understand the
question.

MR. SPIEGEL:

Would you repeat the question, please.
(Whereupon, the pending question was read
back by the Court Reporter.)

MR. GRAND:

I still don't understand, on a number
of grounds.

One, I don't understand the syntax.

Two, I don't understand the reference

790400844-17

1 to all of the statutes.

2 It seems to me you are inquiring
3 whether there are violations
4 of Section 441. Maybe you are
5 investigating other things that
6 I am not aware of.

7 MR. SPIEGEL:

8 Mr. Athy, could we show Mr. Graves
9 a copy of a notification letter
10 which was mailed to him approxi-
11 mately a month ago, stating the
12 statutes that are encompassed
13 by the Commission's investiga-
14 tion?

15 (Discussion held off the record.)

16 MR. GRAND:

17 The letter I have in front of me is
18 the letter dated July 6, 1977,
19 addressed to Charles L. Graves
20 from the Federal Election Com-
21 mission and it states, in Para-
22 graph 3 thereof:

23 "Pursuant to its enforcement authority
24 under 2 USC, Section 437 G A 2,
25 the Commission has found, on

79040084418

1 reason to believe, that you have
2 violated 2 USC, Section 441 B."

3 MR. SPIEGEL:

4 Is it my understanding you are assert-
5 ing a Fifth Amendment privilege
6 with regard to our questions on
7 that subject?

8 MR. GRAND:

9 It's my understanding that my client
10 will assert his Fifth Amendment
11 privilege on my advice on that
12 subject.

13 BY MR. SPIEGEL:

14 Q Mr. Graves, are you familiar with an indi-
15 vidual named Roger Wilson?

16 A Yes.

17 MR. GRAND:

18 No. I want you respectfully to de-
19 cline to answer.

20 A (Continuing) Respectfully decline to
21 answer the question.

22 MR. GRAND:

23 I want you to understand that our
24 declination to answer questions,
25 which to you may seem harmless

79040084419

1 background or introductory ques-
2 tions, is not a captious decli-
3 nation. There is a substantial
4 body of law on the subject of
5 waiver of privileges; and, rather
6 than run the risk of being faced
7 with an argument or a ruling
8 that such privilege has been
9 waived, it is my advice to my
10 client that he decline to answer
11 all questions to be presented
12 to him today which in any way
13 conceivably might relate to
14 the subject of your inquiry.

15 MR. SPIEGEL:

16 I understand, Mr. Grand, as I think
17 we discussed in our office con-
18 versation, the Commission has
19 an exclusive, primary civil
20 jurisdiction which we believe
21 applies to this investigation.

22 Our questions we are proposing are
23 encompassed within this authority
24 and, of course, you may assert
25 any privilege that you wish to

79040084420

1 assert on behalf of your client.

2 MR. GRAND:

3 You also, of course, are familiar
4 with the recent case of United
5 States v. Tonry in which, as I
6 read the opinion, the Court held
7 that you do not have exclusive
8 jurisdiction over all potential
9 proceedings which might be
10 brought.

11 BY MR. SPIEGEL:

12 Q Mr. Graves, what is your present employ-
13 ment position.

14 A I respectfully decline to respond to your
15 question.

16 Q Could you describe your relationship with
17 Mr. Roger Wilson?

18 A I respectfully decline, on the advice of
19 counsel, to decline to answer your
20 question.

21 Q Mr. Graves, I am going to show you a copy
22 of a list which is appended to an
23 audit report prepared on the McDermott
24 Company and contains a list of 11
25 sums of money which were transfereed

79040084421587771W

1 to Mr. Wilson. This list covers
2 the period 1962 to 1971.

3 Are you familiar with any of the transac-
4 tions that are set forth on this
5 list?

6 MR. GRAND:

7 Initially, let me voice a preliminary
8 objection to the question, since
9 it involves purported transac-
10 tions as described on this piece
11 of paper, all of which took
12 place, the last of which took
13 place approximately three years
14 before the period over which you
15 have any jurisdiction, since the
16 latest transaction is December
17 7, 1971 and you are subject to
18 a three-year statute of limita-
19 tions.

20 MR. SPIEGEL:

21 Is it Counsel's position that the
22 Commission does not have investi-
23 gative authority to inquire into
24 acts which precede the date of
25 the statute of limitations?

1 MR. GRAND:

2 That is my position.

3 MR. SPIEGEL:

4 Is it Counsel's position that the
5 Commission does not have authori-
6 ty to inquire with respect to
7 any acts that took place prior
8 to the last effective date of
9 the statute of limitations?

10 MR. GRAND:

11 That is my position. That doesn't
12 need to be my position with
13 respect to these transactions
14 because they took place three
15 years before the period covered
16 by the statute of limitations.

17 MR. SPIEGEL:

18 Let me note for the record that it
19 would appear that certain of
20 these transactions are encompassed
21 within a deposition that was
22 given recently to the SEC and
23 may relate to events that may
24 have occurred within the effec-
25 tive period covered by the

79040084423

1 statute of limitations, and our
2 questions would go to that.

3 It's my understanding you are going
4 to refuse to answer those
5 questions?

6 MR. GRAND:

7 I don't really understand what you
8 are saying. Without more
9 specific --

10 MR. SPIEGEL:

11 With respect to the last-numbered
12 item on this list of trans-
13 actions --

14 MR. GRAND:

15 Just so the record will be clear,
16 that is Item No. 11, dated
17 7-19-71, the amount of \$50,000.

18 The document indicates it was received
19 by R. W. Wilson.

20 Under the "Description of Payment"
21 heading it says "Sales Promotion,"
22 and under a heading called
23 "Account charged" it says
24 "General and Administrative-
25 Sales Promotion."

1 MR. SPIEGEL:

2 I see that is the correct description.

3 BY MR. SPIEGEL:

4 Q Mr. Graves, did you at any time have oc-
5 casion to receive such money?

6 A I respectfully decline, on the advice of
7 counsel, not to respond to your
8 question.

9 Q Could you state from whom you received
10 this money?

11 A I beg your pardon, sir?

12 Q Could you state from whom you received
13 this money?

14 MR. GRAND:

15 I object to the question. There is
16 nothing in this record to indi-
17 cate that he did receive the
18 money.

19 If you want to ask him if he received
20 the money, I won't have that
21 objection to the question.

22 MR. SPIEGEL:

23 Counsel, I will --

24 MR. GRAND:

25 Just trying to help.

70040084425

1 BY MR. GRAVES:

2 Q Mr. Graves, with respect to that \$50,000
3 transaction, did you testify before
4 an investigator of the Securities
5 and Exchange Commission on July 14,
6 1976?

7 A I respectfully decline, on the advice of
8 counsel, not to respond to your
9 question.

10 Q And did you, in this testimony, refer to
11 the question of whether you had re-
12 ceived the \$50,000 sum of money?

13 A I respectfully decline, on the advice of
14 counsel, not to respond to your
15 question.

16 Q And did you in this deposition refer to
17 the turning over of this sum of
18 money to Mr. Roger Wilson?

19 A I respectfully decline, on the advice of
20 counsel, not to respond to your ques-
21 tion.

22 Q Mr. Graves, did you at any point discuss
23 the making of political contributions
24 to candidates for federal office?

25 A I respectfully decline, on the advice of

1 counsel, to respond to your question.

2 MR. SPIEGEL:

3 Let the record reflect that Mr.
4 Wilson has been dead since
5 February of 1972.

6 MR. GRAND:

7 I don't think I will dispute that.

8 BY MR. SPIEGEL:

9 Q Mr. Graves, on or about mid-January,
10 1972, did you receive an envelope
11 containing a certain sum of money?

12 A I respectfully decline, on the advice of
13 counsel, not to respond to your
14 question.

15 Q Mr. Graves, I am going to show you a copy
16 of a document which is titled,
17 "Supplement to July 14, 1976 S.E.C.
18 testimony of Charles L. Graves," and
19 contains 12 numbered paragraphs and
20 signature, "Charles L. Graves" at the
21 end; and then at the bottom, "Sworn
22 to before me," and a notary public
23 stamp.

24 Is this a document which is familiar to
25 you?

79040084427

1 A I respectfully decline, on the advice of
2 counsel, to respond to your question.

3 Q Does that signature on the last page of
4 the document, is that your signature?

5 A I respectfully decline, on the advice of
6 counsel, to respond to your question.

7 MR. SPIEGEL:

8 I would like to enter this document
9 as Exhibit 1 and state for the
10 record that --

11 MR. GRAND:

12 What do you call it, Commission
13 Exhibit 1?

14 MR. SPIEGEL:

15 Commission Exhibit 1. It will be
16 appended to the deposition. I
17 state for the record that in the
18 five pages of this document,
19 which is signed by a person
20 named Charles L. Graves --

21 MR. GRAND:

22 You don't know that.

23 MR. SPIEGEL:

24 The signature at the end has the
25 name, Charles L. Graves; so,

79040084428

1 for the record, let me state
2 the signature is Charles L.
3 Graves. I don't know if this
4 signature is the same individual
5 I am speaking to, that is cor-
6 rect. This individual, who
7 identifies himself as Chairman
8 of the Board, President and
9 Chief Executive Officer of J.
10 Ray McDermott and Company, in
11 this document refers to, among
12 other things, a series of trans-
13 actions involving cash and cer-
14 tain contributions to candidates
15 for federal office out of this
16 cash.

17 Included in this document is certain
18 information which relates to the
19 questions to which the witness
20 has just claimed his Fifth
21 Amendment privilege.

22 MR. GRAND:

23 For the record, I will object to the
24 characterization of the document.
25 The document, obviously, speaks

1 for itself, having it marked in
2 evidence minus the covering
3 letter that was attached to it;
4 so that what is being marked
5 as Commission Exhibit 1 is
6 simply a five-page document
7 marked "Supplement to July 14
8 S.E.C. testimony of Charles L.
9 Graves."

10 MR. SPIEGEL:

11 Mr. Grand, for the sake of the com-
12 pleteness, we will be happy
13 to attach the letter that is
14 attached to it and make it part
15 of Exhibit 1.

16 The letter is a letter to Mr. Stanley
17 Sporkin, Division of Enforcement,
18 Securities and Exchange Commis-
19 sion.

20 BY MR. SPIEGEL:

21 Q Mr. Graves, are you familiar with a docu-
22 entitled "Report of the Audit Com-
23 mittee of the Board of Directors of
24 J. Ray McDermott and Company," that
25 was published on April 12, 1977.

79040084430

1 A I respectfully decline, on the advice of
2 counsel, to respond to your question.

3 Q Mr. Graves, on or about the spring of
4 1974, did you have occasion to request
5 that certain officials of the
6 McDermott Company transfer certain
7 sums of money to you?

8 A I respectfully decline, on the advice of
9 counsel, to respond to your question.

10 Q Could you state the names of the persons
11 who were involved in these transfers,
12 assuming that they were, in fact,
13 authorized by you?

14 A I respectfully decline, on the advice of
15 counsel, to respond to your question.

16 Q Could you state the reasons for these
17 transfers?

18 MR. GRAND:

19 Assuming that the transfers took
20 place; I find that objectionable.
21 If you wish to press the question,
22 he will answer in the same
23 fashion.

24 MR. SPIEGEL:

25 In the context that I questioned,

79040084431

1 let me state for the record that
2 the subject matter on which
3 this question is based is the
4 material contained in the state-
5 ment signed by the signature of a
6 person purporting to be Charles
7 L. Graves, which statement is
8 contained in the record as
9 Exhibit 1.

10 MR. GRAND:

11 Do you want a specific declination?

12 He will decline.

13 MR. SPIEGEL:

14 I think we should have his specific
15 declination.

16 MR. GRAND:

17 Okay.

18 BY MR. GRAVES:

19 Q Where were these moneys placed by you?

20 A I respectfully decline, on the advice of
21 counsel, not to respond to your
22 question.

23 Q Was a record made of any of these trans-
24 fers?

25 A I respectfully decline, on the advice of

79040084432

1 counsel, not to respond to your
2 question.

3 Q Where is this money that I referred to in
4 my previous question at the present
5 time?

6 A I respectfully decline, on the advice
7 of counsel, not to respond to your
8 question.

9 (Discussion held off the record.)

10 BY MR. SPIEGEL:

11 Q Mr. Graves, let me refer you to paragraph
12 6 of the document that we have
13 labeled as Exhibit 1. It refers
14 to a series of events which took
15 place in 1974, and states that you
16 instructed certain individuals to
17 make contributions to candidates for
18 federal office out of corporate
19 funds.

20 Do you affirm the veracity of these state-
21 ments?

22 MR. GRAND:

23 First, I object to the characteriza-
24 tion of the document, but if
25 you would like him to answer

79040084433

1 without in any way conceding
2 the accuracy of the character-
3 ization, he will decline in
4 light, he will decline subject
5 to the condition that I have
6 stated.

7 MR. SPIEGEL:

8 Decline on his Fifth Amendment
9 privilege?

10 MR. GRAND:

11 He is declining on his Fifth Amend-
12 ment privilege, without in any
13 way conceding your statement
14 as to the accuracy of the state-
15 ment.

16 MR. SPIEGEL:

17 I understand, Mr. Grand.

18 MR. GRAND:

19 Would you like him to say, "I so
20 decline"?

21 MR. SPIEGEL:

22 No, I think that your statement re-
23 assures me.

24 MR. GRAND:

25 Fine.

79040084434

1 BY MR. SPIEGEL:

2 Q In that document which is placed before
3 you as Exhibit 1 it is stated by
4 the individual that signed it that
5 the basis for the statements in it
6 is an examination of certain books
7 and records and conversations with
8 employees of the McDermott Corpora-
9 tion.

10 Could you state what books and records
11 were examined and what individuals
12 were spoken to in the context of
13 that document being written?

14 MR. GRAND:

15 Again, without conceding the accuracy
16 of your characterization, he
17 will, on my advice, decline to
18 answer the question.

19 If you would like him to say, "I so
20 decline," I am sure he will be
21 happy to do so.

22 BY MR. SPIEGEL:

23 Q Mr. Graves, could you state that for the
24 record?

25 A I respectfully decline, on the advice of

79040084435

1 counsel, to respond to your question.

2 Q Mr. Graves, have you or any person acting
3 on your authority made contributions
4 to a candidate for federal office
5 out of corporate moneys of the
6 McDermott Corporation?

7 A I respectfully decline, on the advice of
8 counsel, to respond to your question.

9 Q Have you or any person acting under your
10 authority reimbursed any individuals
11 out of corporate moneys of the
12 McDermott Corporation for distribu-
13 tions made to candidates for federal
14 political office?

15 A I respectfully decline, on the advice of
16 counsel, to respond to your question.

17 (Whereupon, Mr. Grand confers with
18 witness.)

19 MR. SPIEGEL:

20 Does Counsel want to go off the
21 record?

22 MR. GRAND:

23 It doesn't matter; we'll pass.

24 THE WITNESS:

25 Forgive me, I am hard of hearing.

79040084436

1 BY MR. SPIEGEL:

2 Q Mr. Graves, have you at any time employed
3 an attorney named Daniel K. Mayers
4 in connection with the subject matter
5 of questions that I have been asking
6 you?

7 A I respectfully decline, on the advice of
8 counsel, to respond to your question.

9 MR. SIEGEL:

10 I must say I find I have some trouble
11 in my logic processes in under-
12 standing how that calls for a
13 Fifth Amendment privilege.

14 I address that to both Counsel and
15 client.

16 MR. GRAND:

17 I hear you.

18 You don't want me to spin out an
19 argument; that is not going to
20 make progress for us.

21 BY MR. SIEGEL:

22 Q Have you and Mr. Mayers ever had occasion
23 to discuss Mr. Mayers making contact
24 with the Federal Election Commission
25 regarding your making of political

79040084437

1 contributions to candidates for
2 federal office out of McDermott
3 corporate funds?

4 MR. GRAND:

5 You raise, in addition, the spectre
6 of invasion of the attorney-
7 client privilege as well as the
8 other privilege we have been
9 alluding to.

10 MR. SPIEGEL:

11 I do raise that spectre. I don't
12 know, necessarily, if that
13 spectre is invaded.

14 MR. GRAND:

15 I will object to the question on the
16 grounds that it attempts to
17 invade the sacred attorney-
18 client privilege, and my client
19 will decline to answer on that
20 grounds, in addition.

21 BY MR. SPIEGEL:

22 Q Mr. Graves, to your knowledge, was any
23 contact made between Mr. Mayers and
24 officials of the Federal Election
25 Commission at any point in September

79040084438

1 of 1976.

2 A I respectfully decline, on the advice of
3 counsel, to respond to your question.

4 Q Mr. Graves, are you presently the subject
5 of a federal grand jury investigation?

6 MR. GRAND:

7 I think that question could be better
8 answered by me, because Mr.
9 Graves has not met with the
10 Assistant United States Attorney
11 who is in charge of that pro-
12 ceeding. I have, and I can tell
13 you from my conversations with
14 the Assistant United States
15 Attorney, Daniel Bent, as
16 recently as this morning, that
17 it's my understanding that Mr.
18 Graves is one of a number of
19 subjects of such a grand jury
20 investigation.

21 (Discussion held off the record.)

22 BY MR. SPIEGEL:

23 Q We'll ask one last question on the record.
24 Mr. Graves, could you state the names of
25 any individuals who you may have

70040084439

1 asked to make contributions to
2 candidates for federal political
3 office.

4 MR. GRAND:

5 Assuming that he did that?

6 BY MR. SPIEGEL:

7 Q Yes, assuming that.

8 A I respectfully decline to answer on the
9 basis of the advice of counsel not
10 to respond to your question.

11 Q Have you, yourself, ever made any personal
12 contributions to candidates for
13 federal office?

14 A I respectfully decline, on the advice of
15 counsel, not to respond to your
16 question.

17 MR. SPIEGEL:

18 No further questions.

19 MR. GRAND:

20 Let me just state for the record
21 what I believe I have stated to
22 both of you gentlemen in the
23 past, and that is that I, both
24 my client and I appreciate the
25 important statutory responsibilities

1 that you have to carry out, and
2 that in the course of carrying
3 out those responsibilities, we
4 may be given an opportunity to
5 conciliate with either the staff
6 or with the Commission.

7 We are anxious to participate in that
8 conciliation process. We are
9 anxious to cooperate with your
10 investigation and with your
11 performance of your statutory
12 duties.

13 We felt compelled to take the formal
14 position that we took today by
15 virtue of the existence of a
16 parallel criminal investigation;
17 but, as I have indicated to you
18 in the past and reiterate today,
19 we are anxious to cooperate in
20 your investigation and it seems
21 to me that you do have access
22 to certain materials which you
23 have alluded to today which will
24 allow you to conduct a substan-
25 tial investigation, which I hope

7904008441

1 will lead to the conciliation
2 process and perhaps give us an
3 opportunity to furnish you, on
4 an informal basis, with addi-
5 tional information, so long as
6 it's done in a way that will
7 not jeopardize the privilege.

8 MR. SPIEGEL:

9 Counsel, I do hear you.

10 I think the problem we run into here
11 is over the word "certain in-
12 vestigative materials." We are
13 trying to fill in certain gaps
14 in our information.

15 (Discussion held off the record.)

16 MR. GRAND:

17 We will waive any formal requirements
18 of certification.

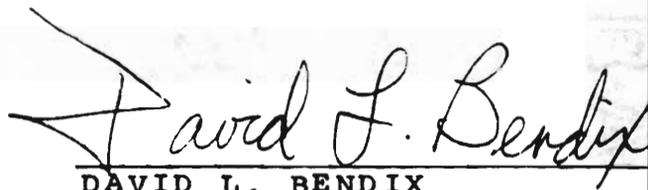
19 (Whereupon, the taking of the deposition
20 was concluded.)

21 ---oOo---

C E R T I F I C A T E

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I, David L. Bendix, a Certified Shorthand Reporter, State of Louisiana, do hereby certify that the foregoing transcript is true and correct, as reported by me and reduced to type-writing under my personal supervision.



DAVID L. BENDIX
Certified Shorthand
Reporter
State of Louisiana

---oOo---

79040084443

WILMER, CUTLER & PICKERING

1666 K STREET, N.W.

WASHINGTON, D. C. 20006

CABLE ADDRESS: WICRNG WASH., D. C.

INTERNATIONAL TELEX: 440-239

TELEX: 89-2402

TELEPHONE 202 872-8000

EUROPEAN OFFICE

S. CHEAPSIDE

LONDON, EC2V 6AA, ENGLAND

TELEPHONE 01-238-2401

TELEX: 851 883242

CABLE ADDRESS: WICRNG LONDON

August 20, 1976

RICHARD H. WILMER 1892-1976

FLOYD N. CUTLER
 JOHN H. PICKERING
 MANUEL F. COHEN
 HUGH R. H. SMITH
 LOUIS F. OBERDORFER
 J. ROGER WOLLENBERG
 CHARLES C. GLOVER, III
 MARSHALL HORNBLOWER
 HENRY T. RATHBUN
 REUBEN CLARA
 SAMUEL J. LANAHAN
 WILLIAM R. PERLIN
 SAMUEL A. STERN
 ARNOLD M. LERMAN
 ROBERT P. STRANAHAN, JR.
 MAX O. THUITT, JR.
 JOEL ROSENBLUM
 HOWARD R. WILLENS
 ANDREW T. A. MACDONALD
 ROBERT A. HAMMOND, III
 DANIEL K. MAYERS
 TIMOTHY B. DYE

DAVID R. ANDERSON
 J. RODERICK NELLER, III
 ARTHUR P. MATHEWS
 JAMES S. CAMPBELL
 DENNIS M. PLANNERY
 DANIEL MARCUS
 JAMES ROBERTSON
 RAYMOND C. CLEVINGER, III
 LOUIS R. COHEN
 MICHAEL R. KLEIN
 STEPHEN A. WEISSNER
 TIMOTHY N. BLACK
 SALLY KATZEN
 P. DAVID LAKE, JR.
 PAUL J. MOORE, JR.
 STEPHEN F. BLACK
 RONALD J. GREENE
 C. BOYDEN GRAY
 JAY F. PAPIN
 DEANNE C. SIEMER
 GARY O. WILSON

RICHARD A. ALLEN
 PETER D. BEWLEY
 STEWART A. BLOCH
 LACHLAN W. BROWN, JR.
 MICHAEL L. BURACK
 RICHARD W. CASS
 WILHELMINA REUBEN COOKE
 NICHELE B. CORASH
 MARY CAROLYN COX
 PATRICIA D. DOUGLASS
 S. ALLEN EARLY, III
 JAMES R. FARRAND
 NANCY C. GARRISON
 NEAL M. GOLDBERG
 CORNELIUS J. GOLOEN, JR.
 FRANCES M. GREEN
 ROBERT C. HACKER
 ALLEN M. HARRISON, JR.
 JOHN H. HARWOOD II
 MICHAEL S. HELFER
 A. STEPHEN HUFF, JR.
 C. LORING JETTON, JR.
 DAVID R. JOHNSON

NEIL J. KING
 WILLIAM J. KOLASNY, JR.
 JOHN M. ROANS
 WILLIAM F. LAKE
 ELWYN C. LEE
 CARY B. LERMAN
 ROBERT B. MCCAW
 MARY A. MEREYNOLDS
 A. DOUGLAS MELANED
 ROBERT R. MORRIS
 WILLIAM J. PEARLSTEIN
 PHILLIP L. RADOFF
 RENE TOMNSLND ROBINSON
 JOHN ROUNSAVILLE, JR.
 MICHAEL S. SCHOOLES
 GAIL F. SCHULZ
 BAREN ROSE SCHWARTZ
 THEODORE S. SIMS
 MARIANNE R. SMYTHE
 DOUGLAS O. THOMPSON, JR.
 ALAN S. WEITZ
 ROBERT D. WILSON
 WALTER T. WINSLOW, JR.
 ROGER H. WITTEN

EZEKIEL G. STODDARD
 GERARD C. SMITH
 COUNSEL

Mr. Stanley Sporkin, Director
 Division of Enforcement
 Securities and Exchange Commission
 500 North Capitol Street
 Washington, D. C. 20549

Re: J. Ray McDermott Company, Inc.
HO-932

Dear Mr. Sporkin:

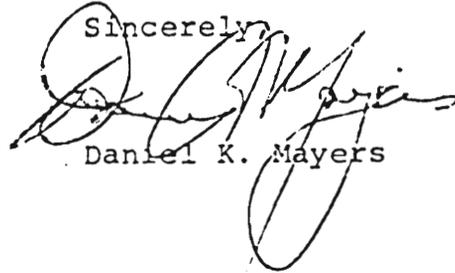
We have been retained to represent Mr. Charles L. Graves personally in connection with the above SEC private investigation. On July 14, 1976 Mr. Graves voluntarily testified before members of the Staff of the Enforcement Division. On August 20, 1976 Mr. Graves provided the Staff with a supplement to his testimony dated August 18, 1976.

Mr. Graves' testimony and supplement are exempt from public disclosure under the Freedom of Information Act, 5 U.S.C. § 552, specifically the fourth, sixth and seventh exemptions. In addition, the Audit Committee of the Board of the Company has been authorized to conduct a thorough investigation and to prepare a report as to the matters of concern to the SEC. Disclosure of sensitive information in advance of completion of the investigation and report could be

COMMISSION #1

prejudicial to the Company, its shareholders, and individuals who may be involved. Therefore, we specifically request, pursuant to SEC 1933 Act Release No. 5571, that Mr. Graves' testimony and supplement thereto be maintained in a strictly confidential status and not be disclosed to any third parties. In the event that disclosure of the testimony or supplement or information obtained therefrom becomes the subject of a request for disclosure for any third party or that disclosure to any third party otherwise becomes a subject of consideration by the Staff or the Commission, we specifically request notice in advance of such disclosure and an opportunity to seek a protective order from the Commission or an appropriate court.

Sincerely,



Daniel K. Mayers

cc: Robert G. Ryan
Peter B. Clark

7004008444;

SUPPLEMENT TO JULY
14, 1976 SEC TESTIMONY
OF CHARLES L. GRAVES

CHARLES L. GRAVES, having been duly sworn, deposes and states:

1. I am Chairman of the Board, President and Chief Executive Officer of J. Ray McDermott & Co., Inc., New Orleans, Louisiana.
2. On July 14, 1976, I appeared voluntarily before members of the staff of the Enforcement Division of the Securities and Exchange Commission to give testimony in the matter of J. Ray McDermott & Co., Inc., File No. HO-932.
3. Previously, on July 9, 1976, I had undergone the latest in a series of laser treatments at Wilmer Institute in Baltimore, Maryland for severe diabetic retinopathy, a consequence of long-term diabetes, which can ultimately result in blindness. I have been undergoing such treatments periodically since June, on the advice of my ophthalmologist that such treatments were imperative if I were to keep my sight. In connection with these treatments I have been advised by Dr. Patz, Director of Wilmer Institute, to avoid all strenuous and stressful activities which could cause hemorrhaging and other complications. At the time of my SEC testimony, I had just returned from the Wilmer Institute, and was not able to review in any depth the

CS

70010084445

subject areas of concern to the SEC staff attorneys or to refresh my recollections by reference to my own records and files. I was still feeling the effects of the laser treatment, was having trouble with adjusting my sight to light, was experiencing substantial discomfort due to irritation of my cornea, and generally felt disoriented.

- 2001038447
4. Some time after I had testified, I was informed that Nelson Crews had recalled that he had received cash from me in connection with political contributions. Mr. Crews' recollection in turn jogged my memory. I immediately realized that he was correct, and that I had failed to recall these events at the time of my SEC testimony. I have now done further checking, both of my own files and records and in conversations with other company employees. As a result, I realized that my inability to recall these events may have affected the accuracy and completeness of certain areas of my July 14 testimony. On August 4 I informed each member of the Audit Committee concerning these matters and of my intention, based on my recollection of what I had told the SEC, to supplement my testimony, if necessary.
 5. On August 16, 1976, I retained counsel to represent my personal interests in connection with the ongoing SEC investigation, and the recently-authorized investigation by the Audit Committee of the Board of Directors of the Company. On August 17, I was provided for the first time with a transcript of my July 14 SEC testimony, and requested that I read the transcript and review it carefully for completeness and accuracy. I promptly read the transcript



and reviewed it with my counsel. I am submitting this supplement to my testimony in order to provide the SEC with as full and complete information as possible based on my best present recollection.

6. Referring specifically to page 19, line 10, where I said that the envelope when given to me by Mr. Cunningham in 1972 contained \$1500 in cash, I now realize that the envelope must have contained more. My best estimate is that the envelope must have contained approximately \$6000.

7. I had arrived at the \$1500 figure based on my recollection that when I had last counted the cash, which was in early 1976, there was approximately \$13,500, \$12,000 of which (as to which I testified on pages 41-42 of my testimony) was added by me more than two years after I received the cash from Mr. Cunningham. However, I did not again count the cash before I appeared to testify and my recollection from early 1976 was not completely accurate. In fact, based on a recent count, the cash amounts to \$13,200. I am certain no cash was added or withdrawn after the time I counted it in early 1976. I simply was off by \$300 in remembering the amount.

8. Moreover, in making the above calculation, I had neglected to take account of certain cash disbursements prior to 1976 which I had not recollected at the time of my testimony. As I have now been able to reconstruct it, those cash disbursements are as follows: In September of 1972

7071018443

I gave \$1,000 in cash to Mr. John D Dupy, who was then the Company Treasurer, who at my request had contributed an identical amount to the 1972 Victory Dinner Committee. In August 1974, I gave approximately \$1,000 cash to Nelson Crews, instructing him to arrange for an identical amount of contributions from Company employees to the campaign of Henson Moore, a Congressional candidate from Baton Rouge. In October, 1974, I again gave Mr. Crews approximately \$1,000 cash and asked him to arrange for similar contributions to the Moore campaign. Also in October, 1974, I gave \$600 cash to Mr. E. B. Gravois, a company employee, to purchase six tickets to a dinner honoring Senator Long of Louisiana. In March, 1975, I gave Mr. Gravois \$1,200 cash and asked him to arrange for contributions totalling that amount to be made by company employees to David Treen, a Congressman from Louisiana, to help make up a campaign deficit.

9. The above constitutes my best present recollection of any and all withdrawals made by me from the cash given to me by Mr. Cunningham. These withdrawals total approximately \$4,800. Accordingly, I now believe that the envelope that I received in 1972 must have contained approximately \$6000. ($\$13,200 - \$12,000 + \$4800 = \6000)
10. During the period from 1972 to present I have contributed approximtely \$15,000 of my personal funds to political parties, candidates and committees, including those referred to above. At no time did I cause myself to be

reimbursed with regard to these contributions, nor have I been.

11. My testimony on pages 41-42 of the transcript regarding the repatriation of \$12,000 cash should be read in the context of my refreshed recollection of the events described in paragraph 8 above. In other words, even though none of such money has ever been expended for any purpose, one possible use for such funds would have been the support of political campaigns.

12. I would be most willing to respond under oath to any further questions which the SEC attorneys may wish to ask with regard to the above statements, or any other matter pertinent to their investigation.

Charles L. Graves

70040034450

Sworn to before me this _____ day of _____, 1976.

J. D. DUPY, Notary Public
Parish of Orleans, State of Louisiana
My Commission Expires at Death

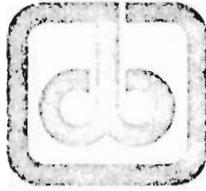
7931003445M



DIETRICH & BENDIX, INC.
SUITE 1221, 333 ST. CHARLES AVENUE
NEW ORLEANS, LOUISIANA 70130

To: David R. Spiegel, Esq.
Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20463

FIRST CLASS MAIL



DIETRICH & BENDIX inc.
COURT REPORTERS

FEDERAL ELECTION COMMISSION

'77 AUG

AUG 8:46

August 5, 1977

Mr. Ernest B. Gravois
330 Camellia Drive
Thibodaux, La. 70301

Re: J. Ray McDermott & Co., etal., No. MUR 254 (76),
Federal Election Commission - Our Job #2809

Dear Mr. Gravois:

Herewith your original testimony taken 8/4/77 in the above captioned matter for your reading and signing.

Any corrections can be made on the sheet attached for that purpose. Please do not mark on the pages themselves. The testimony can be signed in the appropriate space provided on page 16.

When reading and signing is completed, please return the deposition to this office so that we can forward it to Mr. Spiegel. A stamped return envelope is enclosed for your convenience.

Thank you for your cooperation in this matter.

Sincerely yours,

Sue L. Ferrer
Administrative Assistant

cc: David R. Spiegel, Esq.
Maurice M. McDermott, Esq.

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

10081451

FEDERAL ELECTION COMMISSION

1325 K Street, N.W.

Washington, D.C. 20463

.....

IN THE MATTER OF:

NO. MUR 254 (76)

J. RAY McDERMOTT & CO., ET AL

.....

TESTIMONY OF ERNEST B. GRAVOIS,
taken by the Federal Election
Commission herein at the offices
of Dietrich & Bendix, Inc.,
Suite 1221, 333 St. Charles
Avenue, New Orleans, Louisiana,
on August 4, 1977.

---000---

Dietrich & Bendix, Inc.

Stenotypists

333 ST. CHARLES AVENUE, SUITE 1221
NEW ORLEANS, LOUISIANA 70130 - 522-3111

70010031453

1 APPEARANCES:

2

3 For the Commission:

4

FEDERAL ELECTION COMMISSION
1325 K Street, N.W.
Washington, D. C. 20463

5

6

BY: DAVID R. SPIEGEL, ESQ.
-and-
ANDREW ATHY, JR., ESQ.

7

8

9

10 For the Witness:

11

MESSRS. MARTIN, OBERMAIER
& MORVILLO
1290 Avenue of the Americas
New York, N. Y. 10019

12

13

14

BY: MAURICE M. McDERMOTT, ESQ.

15

16 REPORTED BY:

DAVID L. BENDIX
Certified Shorthand Reporter
State of Louisiana

17

18

19

---000---

20

21

22

23

24

25

70040784451

1 ERNEST B. GRAVOIS,
2 of 330 Camellia Drive, Thibodaux, Louisiana
3 70301, testified as follows pursuant to the
4 oath hereinafter administered:

5 EXAMINATION

6 BY MR. SPIEGEL:

7 Q Mr. Gravois, could you raise your right
8 hand, please.

9 Do you swear to tell the whole truth and
10 nothing but the truth?

11 A I do.

12 Q This is an investigation by the Federal
13 Election Commission following a finding
14 of reason to believe, involving cer-
15 tain violations by the members and
16 officials of the McDermott Corporation.

17 My name is David Spiegel and I will be
18 doing the questioning, Mr. Gravois.

19 Do you have an attorney present?

20 A Yes.

21 MR. SPIEGEL:

22 Could your attorney state his name.

23 MR. MCDERMOTT:

24 Maurice McDermott, of counsel, Martin,
25 Obermaier & Morvillo, 1290

1 Avenue of the Americas, New York,
2 New York.

3 BY MR. SPIEGEL:

4 Q Mr. Gravois, what position do you hold
5 with the McDermott Company?

6 A On the advice of counsel, I respectfully
7 decline to answer any questions and
8 assert my Fifth Amendment privileges.

9 Q This assertion applies to your position
10 with the McDermott Corporation?
11 I'm not sure I understand the privileges.

12 MR. MCDERMOTT:

13 We're not going to litigate the
14 question of whether or not the
15 privilege applies. I think it
16 does.

17 BY MR. SPIEGEL:

18 Q What are the responsibilities of your
19 position?

20 A On the advice of counsel, I respectfully
21 decline to answer any questions and
22 assert my Fifth Amendment privileges.

23 MR. SPIEGEL:

24 I think, in the interest of speed,
25 if you do want to assert that

1 privilege, perhaps you could
2 use a shorthand, since it ap-
3 pears that you will be invoking
4 it on a number of questions
5 and I will be asking you speci-
6 fic questions.

7 I think the record could reflect that
8 you are invoking your Fifth
9 Amendment privilege.

10 MR. MCDERMOTT:

11 All right.

12 BY MR. SPIEGEL:

13 Q Are you familiar with an individual named
14 Charles L. Graves?

15 A On the advice of counsel, I respectfully
16 decline to answer any questions and
17 assert my Fifth Amendment privileges.

18 Q Could you describe your relationship to
19 Mr. Graves?

20 A On the advice of counsel, I respectfully
21 decline to answer any questions and
22 assert my Fifth Amendment privileges.

23 MR. MCDERMOTT:

24 Well, in the future why don't we just
25 say the same answer to the

1 previous question.

2 MR. SPIEGEL:

3 Okay.

4 BY MR. SPIEGEL:

5 Q On or about October of 1974, did you have
6 occasion to speak to Mr. Graves re-
7 garding the making of a contribution
8 to the election campaign of Russell
9 B. Long?

10 A Same answer.

11 Q Did Mr. Graves, in connection with this
12 discussion, give you a sum of company
13 money which he asked you to distri-
14 bute to certain individuals who would
15 then make contributions to the Long
16 campaign?

17 A Same answer.

18 Q Are there any records of this conversation?

19 A Same answer.

20 MR. SPIEGEL:

21 Let me interject at this point, we
22 have served a subpoena asking
23 you to testify today, and it
24 also contains a request that
25 certain records be produced.

1 Among these records are contributions
2 that might have been made to
3 federal candidates.

4 Do you have any of these records with
5 you?

6 **A** Same answer.

7 **MR. MCDERMOTT:**

8 May I interject this: The subpoena
9 calls for certain documents
10 which are not within the control
11 of the witness, certain company
12 documents, and I think the sub-
13 poena is defective in that re-
14 gard.

15 With regard to personal documents
16 called for in the subpoena, Mr.
17 Gravois will assert his consti-
18 tutional privilege.

19 **BY MR. SPIEGEL:**

20 **Q** Mr. Gravois, do you have copies of any of
21 the company documents that we have
22 requested?

23 **A** Same answer.

24 **Q** Turning to my questions about the conver-
25 sation with Mr. Graves in October of

70010184457

1 1974, did Mr. Graves, in his conver-
2 sation, instruct you to purchase
3 six, \$100 tickets to a dinner for
4 Mr. Long?

5 A Same answer.

6 Q Were you aware that any moneys that were
7 mentioned in connection with this
8 conversation involved company moneys
9 of the McDermott Corporation?

10 A Same answer.

11 Q Did you or any other individuals purchase
12 tickets after this conversation with
13 Mr. Graves?

14 A Same answer.

15 Q Did you attend that dinner?

16 A Same answer.

17 Q On or about March, '75, did you have
18 occasion to speak to Mr. Graves re-
19 garding a contribution to the campaign
20 of David Treen to help make up the
21 deficit in that campaign?

22 A Same answer.

23 Q Did Mr. Graves in connection with that
24 conversation give you \$1,200 of
25 money?

1 A Same answer.

2 Q Were you aware of whether or not that
3 money contained McDermott company
4 funds?

5 A Same answer.

6 Q Did you, subsequent to this conversation,
7 ask any other individuals to make
8 contributions to the Treen campaign?

9 A Same answer.

10 Q Did you or any other individual make
11 contributions to the Treen campaign?

12 A Same answer.

13 Q Were these individuals, including yourself,
14 reimbursed for these contributions?

15 A Same answer.

16 Q Were you reimbursed or any other indi-
17 vidual reimbursed in connection with
18 the contributions to the Long cam-
19 paign out of company funds?

20 A Same answer.

21 Q Have you ever made any contributions to
22 a campaign or candidate or committee
23 involved in a federal election, using
24 corporate moneys?

25 A Same answer.

1 Q Have you ever been asked to make any
2 contributions to a federal election
3 campaign --

4 A Same answer.

5 Q Well, you are anticipating me.

6 Have you ever been asked to make contri-
7 butions to a federal, campaign for
8 a federal officeholder within the
9 past three years out of funds which
10 you knew contained McDermott corporate
11 moneys?

12 A Same answer.

13 Q Have you ever been reimbursed out of
14 McDermott corporate funds for contri-
15 butions that you have made to candi-
16 dates for federal political office?

17 A Same answer.

18 Q Have you, yourself, made any contributions
19 to candidates for federal political
20 office --

21 A Same answer.

22 Q -- out of personal funds?

23 A Same answer.

24 Q Did you make a contribution of \$1,000 to
25 the Treen for Congress Committee on

1 July, '74?

2 A Same answer.

3 Q Did you make a contribution of \$200 to
4 the Henson Moore for Congress Com-
5 mittee on September 9, 1974?

6 A Same answer.

7 Q On October 10 of '74, did you and your
8 wife make a contribution to the Treen
9 for Congress Committee of \$500?

10 A Same answer.

11 Q On November 4, 1974, did you make a
12 contribution of \$100 to the Moore
13 for Congress Committee?

14 A Same answer.

15 Q And on April 29, 1975, did you make a
16 contribution of \$200 to the Treen for
17 Congress Committee?

18 A Same answer.

19 Q Are you or were you familiar with an indi-
20 vidual named R. G. Wilson?

21 A Same answer.

22 MR. SPIEGEL:

23 Let the record reflect that Mr.
24 Wilson has been dead since
25 February of 1972.

1 BY MR. SPIEGEL:

2 Q Are you still invoking your constitutional
3 privilege?

4 A Same answer.

5 Q Mr. Gravois, I am going to show you a
6 list of 11 payments to Roger W.
7 Wilson. The list is appended to a
8 report which is called the Report of
9 the Audit Committee of the Board of
10 Directors of J. Ray McDermott, and
11 it's dated April 12, 1977.

12 Preliminarily, let me ask you, are you
13 familiar with this report?

14 A Same answer.

15 Q Have you ever had occasion to speak with
16 any of the individuals who were pre-
17 paring this report?

18 A Same answer.

19 Q Okay. Let me show you this list, which
20 is marked Exhibit 3, and which I
21 refer to as payments to Roger W.
22 Wilson.

23 Are you familiar with the details of any
24 of the transactions shown in that list?

25 A Same answer.

00940784464

1 MR. SPIEGEL:

2 Let the record reflect that these
3 transactions cover a period from
4 June of 1962 to December of '71.

5 BY MR. SPIEGEL:

6 Q Were you aware of the existence of any
7 fund maintained by Mr. Wilson in
8 connection with these transactions?

9 A Same answer.

10 Q Are you or were you aware of any fund
11 maintained by Mr. Graves that was
12 used to make contributions to candi-
13 dates for federal political office?

14 A Same answer.

15 Q Do you know whether, assuming the fund
16 maintained by Mr. Graves existed,
17 there were, in fact, contributions
18 to candidates for federal political
19 office made out of it?

20 A Same answer.

21 Q Are you aware of whether McDermott corpo-
22 rate moneys were used in this fund
23 maintained by Mr. Graves?

24 A Same answer.

25 Q Are you now the subject of any federal

7004038445

1 grand jury investigations?

2 A Same answer.

3 Q Have you ever testified before any federal
4 grand juries in connection with vio-
5 lations of federal election campaign
6 laws?

7 A Same answer.

8 Q Do you anticipate at any time testifying
9 before any federal grand juries in
10 connection with violations of federal
11 election campaign laws?

12 A Same answer.

13 Q Have you ever been offered immunity in
14 connection with testifying as to
15 violations of statutes involving
16 federal election campaign financing?

17 A Same answer.

18 Q Are you familiar with the statutory pro-
19 visions of 2 USC, Section 441, which
20 deals with prohibition on contribu-
21 tions by corporations to federal
22 election campaigns?

23 A Same answer.

24 Q Have you ever been offered immunity in
25 connection with testifying on this

1 statute?

2 A Same answer.

3 MR. SPIEGEL:

4 I have no further questions.

5 Andy, do you have anything you want
6 to ask?

7 EXAMINATION

8 BY MR. ATHY:

9 Q Mr. Gravois, did you ever make a contri-
10 bution to a federal candidate in the
11 name of another?

12 A Same answer.

13 MR. SPIEGEL:

14 Okay. We have no further questions.
15 (Discussion held off the record.)

16 MR. SPIEGEL:

17 Mr. Gravois, do you wish to sign
18 a witness certificate, certify-
19 ing the accuracy of the state-
20 ments in this testimony?

21 MR. MCDERMOTT:

22 Well, in that regard, why don't you
23 send Mr. Gravois the original
24 and send Martin, Obermaier &
25 Morvillo a copy and we'll look

over a copy and decide at that
time whether or not to sign it.

---oOo---

WITNESS'S CERTIFICATE

I have read the above and foregoing testi-
mony given by me, and the same is true and
correct subject to the attached corrections,
if any.

ERNEST B. GRAVOIS

---oOo---

C E R T I F I C A T E

I, David L. Bendix, a Certified Shorthand
Reporter, State of Louisiana, do hereby certify
that the foregoing transcript is true and cor-
rect, as reported by me and reduced to type-
writing under my personal supervision.



DAVID L. BENDIX
Certified Shorthand
Reporter
State of Louisiana

---oOo---

70010084463

7 0 0 1 0 3 3 4 4 5



DIETRICH & BENDIX, INC.
SUITE 1221, 333 ST. CHARLES AVENUE
NEW ORLEANS, LOUISIANA 70130

To: *David R. Spiegel, Esq.*
Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20463

FIRST CLASS MAIL

772884

FEDERAL ELECTION COMMISSION

FEDERAL ELECTION COMMISSION

1325 K Street, N.W.

Washington, D.C. 20463

1977 AUG 8:42

.....

IN THE MATTER OF:

NO. MUR 254 (76)

J. RAY McDERMOTT & CO., ET AL

.....

TESTIMONY OF CHARLES L. GRAVES,
taken by the Federal Election
Commission herein at the offices
of Dietrich & Bendix, Inc.,
Suite 1221, 333 St. Charles
Avenue, New Orleans, Louisiana,
on August 3, 1977.

---OOO---

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

Dietrich & Bendix, Inc.

Stenotypists

333 ST. CHARLES AVENUE, SUITE 1221
NEW ORLEANS, LOUISIANA 70130 - 522-3111

REPRODUCED

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

APPEARANCES:

For the Commission:

FEDERAL ELECTION COMMISSION
1325 K. Street, N. W.
Washington, D. C. 20463

BY: DAVID R. SPIEGEL, ESQ.
-and-
ANDREW ATHY, JR., ESQ.

For the Witness:

MESSRS. GRAND & OSTROW
375 Park Avenue
New York, N. Y. 10022

BY: PAUL R. GRAND, ESQ.

REPORTED BY:

DAVID L. BENDIX
Certified Shorthand Reporter
State of Louisiana

---OO---

70041781471

1 CHARLES L. GRAVES,
2 of 1329 Octavia Street, New Orleans, Louisiana,
3 testified as follows pursuant to the oath
4 hereinafter administered:

5 EXAMINATION

6 BY MR. ATHY:

7 Q Mr. Graves, my name is David Spiegel. I
8 am an attorney with the Federal
9 Election Commission.

10 Could you raise your right hand, please.
11 Do you solemnly swear to tell the whole
12 truth and nothing but the truth, so
13 help you God?

14 A I do.

15 Q Mr. Graves, are you aware that you have
16 the right to counsel and have counsel
17 present at this deposition?

18 A Yes.

19 Q And do you have counsel present?

20 A I do.

21 MR. SPIEGEL:

22 Would Counsel please identify himself
23 for the record.

24 MR. GRAND:

25 My name is Paul R. Grand, G-r-a-n-d.

1 I have already identified myself in
2 terms of my firm and my address
3 on the record to the steno-
4 grapher.

5 MR. SPIEGEL:

6 Okay. Could I ask that if we go off
7 the record, that you indicate
8 to me that you want to go off
9 the record and we'll go off
10 the record.

11 MR. GRAND:

12 All right.

13 BY MR. SPIEGEL:

14 Q Mr. Graves, what is your current position
15 of employment?

16 MR. GRAND:

17 Before we proceed, let me make a
18 statement on the record.

19 Last week sometime I met with both
20 Mr. Spiegel and with Mr. Athy,
21 and I have been in telephone
22 communication with them since
23 that time as well as before that
24 time; and I commented on the
25 contents of a subpoena which was

1 mailed to Mr. Graves, which
2 subpoena calls for, not only
3 his personal appearance here --
4 not specifically on this date,
5 but it was adjourned to this
6 date -- and which calls for the
7 production of various documents.

8 I have told these gentlemen prior to
9 today that many of the documents
10 sought appear, from the face of
11 the subpoena, to be corporate
12 documents, and I believe that
13 those documents are in the cust-
14 ody and control of the corpora-
15 tion, to the extent that they
16 exist, and that they are not
17 within Mr. Graves' possession
18 or power to produce; and, there-
19 fore, a subpoena for such docu-
20 ments should properly be addressed
21 to the corporation.

22 With respect to other documents, it
23 could be denominated as personal
24 documents, and I note that the
25 subpoena calls for documents

1 as far back as December 1, 1971.

2 As I read the Federal Election Law,
3 it carries with it a three-year
4 statute of limitations; and,
5 accordingly, any violation or
6 questioned event prior to ap-
7 proximately August 4, 1974,
8 would be barred by the statute
9 of limitations; and I think
10 that we would be in a fair
11 position to oppose production
12 of any documents prior to that
13 date.

14 In addition, I have informed these
15 gentlemen, prior to today, that
16 as I understand events which are
17 transpiring, the subject matter
18 of the proposed interrogation
19 of Mr. Graves today is also the
20 subject matter of an investiga-
21 tion currently being conducted
22 by the United States Attorney
23 in this District, which is or
24 is about to be the subject of a
25 grand jury inquiry in this

1 district, and that while we hope
 2 to cooperate with the Federal
 3 Election Commission in the
 4 exercise of their statutory
 5 responsibilities, we also have
 6 to, in the face of the U. S.
 7 Attorney and grand jury investi-
 8 gation, rely on the constitu-
 9 tional protections which Mr.
 10 Graves has.

11 Accordingly, I have advised these
 12 gentlemen that Mr. Graves would
 13 not testify today and that on
 14 my advice, the advice of his
 15 counsel, he would assert his
 16 Fifth Amendment privilege against
 17 answering any questions at all.

18 Similarly, we take the same position
 19 with respect to the production
 20 of any documents which might be
 21 deemed to be his personal docu-
 22 ments.

23 MR. SPIEGEL:

24 Mr. Grand, let me see if I understand
 25 your position.

7 0 0 1 0 0 3 1 4 7 5

1 You are saying that you claim a
2 blanket Fifth Amendment privilege
3 to any questions I may ask, re-
4 gardless of their scope or
5 nature?

6 MR. GRAND:

7 Correct.

8 MR. SPIEGEL:

9 I have not proposed any questions
10 yet, but you are --

11 MR. GRAND:

12 I understand that. Obviously, I
13 make that statement in the con-
14 text of the discussions we have
15 had in the past and in the con-
16 text of my understanding of the
17 investigation which you are con-
18 ducting, and of my understanding
19 of that investigation, based
20 on my ability to read both the
21 subpoena and your prior communi-
22 cations with my client.

23 Now, you can either accept that
24 assertion or you can ask indi-
25 vidual questions, as you are

1 free to do, and he can assert
2 the privilege repeatedly, if
3 you like.

4 MR. SPIEGEL:

5 We do wish to ask certain questions.

6 I just want to be sure we
7 understand your position.

8 Is it that all statutes by which Mr.
9 Graves has received prior noti-
10 fication, the Commission has
11 reason to believe a violation
12 has been committed, are subject
13 to his Fifth Amendment privilege?

14 MR. GRAND:

15 I am sorry, I don't understand the
16 question.

17 MR. SPIEGEL:

18 Would you repeat the question, please.
19 (Whereupon, the pending question was read
20 back by the Court Reporter.)

21 MR. GRAND:

22 I still don't understand, on a number
23 of grounds.

24 One, I don't understand the syntax.

25 Two, I don't understand the reference

70040081473

1 to all of the statutes.

2 It seems to me you are inquiring
3 whether there are violations
4 of Section 441. Maybe you are
5 investigating other things that
6 I am not aware of.

7 MR. SPIEGEL:

8 Mr. Athy, could we show Mr. Graves
9 a copy of a notification letter
10 which was mailed to him approxi-
11 mately a month ago, stating the
12 statutes that are encompassed
13 by the Commission's investiga-
14 tion?

15 (Discussion held off the record.)

16 MR. GRAND:

17 The letter I have in front of me is
18 the letter dated July 6, 1977,
19 addressed to Charles L. Graves
20 from the Federal Election Com-
21 mission and it states, in para-
22 graph 3 thereof:

23 "Pursuant to its enforcement authority
24 under 2 USC, Section 437 G A 2,
25 the Commission has found, on

7004008447

1 reason to believe, that you have
2 violated 2 USC, section 441 B."

3 MR. SPIEGEL:

4 Is it my understanding you are assert-
5 ing a Fifth Amendment privilege
6 with regard to our questions on
7 that subject?

8 MR. GRAND:

9 It's my understanding that my client
10 will assert his Fifth Amendment
11 privilege on my advice on that
12 subject.

13 BY MR. SPIEGEL:

14 Q Mr. Graves, are you familiar with an indi-
15 vidual named Roger Wilson?

16 A Yes.

17 MR. GRAND:

18 No. I want you respectfully to de-
19 cline to answer.

20 A (Continuing) Respectfully decline to
21 answer the question.

22 MR. GRAND:

23 I want you to understand that our
24 declination to answer questions,
25 which to you may seem harmless

1 background or introductory ques-
2 tions, is not a captious decli-
3 nation. There is a substantial
4 body of law on the subject of
5 waiver of privileges; and, rather
6 than run the risk of being faced
7 with an argument or a ruling
8 that such privilege has been
9 waived, it is my advice to my
10 client that he decline to answer
11 all questions to be presented
12 to him today which in any way
13 conceivably might relate to
14 the subject of your inquiry.

15 MR. SPIEGEL:

16 I understand, Mr. Grand, as I think
17 we discussed in our office con-
18 versation, the Commission has
19 an exclusive, primary civil
20 jurisdiction which we believe
21 applies to this investigation.

22 Our questions we are proposing are
23 encompassed within this authority
24 and, of course, you may assert
25 any privilege that you wish to

1 assert on behalf of your client.

2 MR. GRAND:

3 You also, of course, are familiar
4 with the recent case of United
5 States v. Tonry in which, as I
6 read the opinion, the Court held
7 that you do not have exclusive
8 jurisdiction over all potential
9 proceedings which might be
10 brought.

11 BY MR. SPIEGEL:

12 Q Mr. Graves, what is your present employ-
13 ment position.

14 A I respectfully decline to respond to your
15 question.

16 Q Could you describe your relationship with
17 Mr. Roger Wilson?

18 A I respectfully decline, on the advice of
19 counsel, to decline to answer your
20 question.

21 Q Mr. Graves, I am going to show you a copy
22 of a list which is appended to an
23 audit report prepared on the McDermott
24 Company and contains a list of 11
25 sums of money which were transfereed

7904008448

1 to Mr. Wilson. This list covers
2 the period 1962 to 1971.

3 Are you familiar with any of the transac-
4 tions that are set forth on this
5 list?

6 MR. GRAND:

7 Initially, let me voice a preliminary
8 objection to the question, since
9 it involves purported transac-
10 tions as described on this piece
11 of paper, all of which took
12 place, the last of which took
13 place approximately three years
14 before the period over which you
15 have any jurisdiction, since the
16 latest transaction is December
17 7, 1971 and you are subject to
18 a three-year statute of limita-
19 tions.

20 MR. SPIEGEL:

21 Is it Counsel's position that the
22 Commission does not have investi-
23 gative authority to inquire into
24 acts which precede the date of
25 the statute of limitations?

1 MR. GRAND:

2 That is my position.

3 MR. SPIEGEL:

4 Is it Counsel's position that the
5 Commission does not have authori-
6 ty to inquire with respect to
7 any acts that took place prior
8 to the last effective date of
9 the statute of limitations?

10 MR. GRAND:

11 That is my position. That doesn't
12 need to be my position with
13 respect to these transactions
14 because they took place three
15 years before the period covered
16 by the statute of limitations.

17 MR. SPIEGEL:

18 Let me note for the record that it
19 would appear that certain of
20 these transactions are encompassed
21 within a deposition that was
22 given recently to the SEC and
23 may relate to events that may
24 have occurred within the effec-
25 tive period covered by the

1 statute of limitations, and our
2 questions would go to that.

3 It's my understanding you are going
4 to refuse to answer those
5 questions?

6 MR. GRAND:

7 I don't really understand what you
8 are saying. Without more
9 specific --

10 MR. SPIEGEL:

11 With respect to the last-numbered
12 item on this list of trans-
13 actions --

14 MR. GRAND:

15 Just so the record will be clear,
16 that is Item No. 11, dated
17 7-19-71, the amount of \$50,000.

18 The document indicates it was received
19 by R. W. Wilson.

20 Under the "Description of Payment"
21 heading it says "Sales Promotion,"
22 and under a heading called
23 "Account charged" it says
24 "General and Administrative-
25 Sales Promotion."

1 MR. SPIEGEL:

2 I see that is the correct description.

3 BY MR. SPIEGEL:

4 Q Mr. Graves, did you at any time have oc-
5 casion to receive such money?

6 A I respectfully decline, on the advice of
7 counsel, not to respond to your
8 question.

9 Q Could you state from whom you received
10 this money?

11 A I beg your pardon, sir?

12 Q Could you state from whom you received
13 this money?

14 MR. GRAND:

15 I object to the question. There is
16 nothing in this record to indi-
17 cate that he did receive the
18 money.

19 If you want to ask him if he received
20 the money, I won't have that
21 objection to the question.

22 MR. SPIEGEL:

23 Counsel, I will --

24 MR. GRAND:

25 Just trying to help.

1 BY MR. GRAVES:

2 Q Mr. Graves, with respect to that \$50,000
3 transaction, did you testify before
4 an investigator of the Securities
5 and Exchange Commission on July 14,
6 1976?

7 A I respectfully decline, on the advice of
8 counsel, not to respond to your
9 question.

10 Q And did you, in this testimony, refer to
11 the question of whether you had re-
12 ceived the \$50,000 sum of money?

13 A I respectfully decline, on the advice of
14 counsel, not to respond to your
15 question.

16 Q And did you in this deposition refer to
17 the turning over of this sum of
18 money to Mr. Roger Wilson?

19 A I respectfully decline, on the advice of
20 counsel, not to respond to your ques-
21 tion.

22 Q Mr. Graves, did you at any point discuss
23 the making of political contributions
24 to candidates for federal office?

25 A I respectfully decline, on the advice of

1 counsel, to respond to your question.

2 MR. SPIEGEL:

3 Let the record reflect that Mr.
4 Wilson has been dead since
5 February of 1972.

6 MR. GRAND:

7 I don't think I will dispute that.

8 BY MR. SPIEGEL:

9 Q Mr. Graves, on or about mid-January,
10 1972, did you receive an envelope
11 containing a certain sum of money?

12 A I respectfully decline, on the advice of
13 counsel, not to respond to your
14 question.

15 Q Mr. Graves, I am going to show you a copy
16 of a document which is titled,
17 "Supplement to July 14, 1976 S.E.C.
18 testimony of Charles L. Graves," and
19 contains 12 numbered paragraphs and
20 signature, "Charles L. Graves" at the
21 end; and then at the bottom, "Sworn
22 to before me," and a notary public
23 stamp.

24 Is this a document which is familiar to
25 you?

1 A I respectfully decline, on the advice of
2 counsel, to respond to your question.

3 Q Does that signature on the last page of
4 the document, is that your signature?

5 A I respectfully decline, on the advice of
6 counsel, to respond to your question.

7 MR. SPIEGEL:

8 I would like to enter this document
9 as Exhibit 1 and state for the
10 record that --

11 MR. GRAND:

12 What do you call it, Commission
13 Exhibit 1?

14 MR. SPIEGEL:

15 Commission Exhibit 1. It will be
16 appended to the deposition. I
17 state for the record that in the
18 five pages of this document,
19 which is signed by a person
20 named Charles L. Graves --

21 MR. GRAND:

22 You don't know that.

23 MR. SPIEGEL:

24 The signature at the end has the
25 name, Charles L. Graves; so,

1 for the record, let me state
2 the signature is Charles L.
3 Graves. I don't know if this
4 signature is the same individual
5 I am speaking to, that is cor-
6 rect. This individual, who
7 identifies himself as Chairman
8 of the Board, President and
9 Chief Executive Officer of J.
10 Ray McDermott and Company, in
11 this document refers to, among
12 other things, a series of trans-
13 actions involving cash and cer-
14 tain contributions to candidates
15 for federal office out of this
16 cash.

17 Included in this document is certain
18 information which relates to the
19 questions to which the witness
20 has just claimed his Fifth
21 Amendment privilege.

22 MR. GRAND:

23 For the record, I will object to the
24 characterization of the document.
25 The document, obviously, speaks

1 for itself, having it marked in
2 evidence minus the covering
3 letter that was attached to it;
4 so that what is being marked
5 as Commission Exhibit 1 is
6 simply a five-page document
7 marked "Supplement to July 14
8 S.E.C. testimony of Charles L.
9 Graves."

10 MR. SPIEGEL:

11 Mr. Grand, for the sake of the com-
12 pleteness, we will be happy
13 to attach the letter that is
14 attached to it and make it part
15 of Exhibit 1.

16 The letter is a letter to Mr. Stanley
17 Sporkin, Division of Enforcement,
18 Securities and Exchange Commis-
19 sion.

20 BY MR. SPIEGEL:

21 Q Mr. Graves, are you familiar with a docu-
22 entitled "Report of the Audit Com-
23 mittee of the Board of Directors of
24 J. Ray McDermott and Company," that
25 was published on April 12, 1977.

1 A I respectfully decline, on the advice of
2 counsel, to respond to your question.

3 Q Mr. Graves, on or about the spring of
4 1974, did you have occasion to request
5 that certain officials of the
6 McDermott Company transfer certain
7 sums of money to you?

8 A I respectfully decline, on the advice of
9 counsel, to respond to your question.

10 Q Could you state the names of the persons
11 who were involved in these transfers,
12 assuming that they were, in fact,
13 authorized by you?

14 A I respectfully decline, on the advice of
15 counsel, to respond to your question.

16 Q Could you state the reasons for these
17 transfers?

18 MR. GRAND:

19 Assuming that the transfers took
20 place; I find that objectionable.
21 If you wish to press the question,
22 he will answer in the same
23 fashion.

24 MR. SPIEGEL:

25 In the context that I questioned,

79040034407

1 let me state for the record that
2 the subject matter on which
3 this question is based is the
4 material contained in the state-
5 ment signed by the signature of a
6 person purporting to be Charles
7 L. Graves, which statement is
8 contained in the record as
9 Exhibit 1.

10 MR. GRAND:

11 Do you want a specific declination?

12 He will decline.

13 MR. SPIEGEL:

14 I think we should have his specific
15 declination.

16 MR. GRAND:

17 Okay.

18 BY MR. GRAVES:

19 Q Where were these moneys placed by you?

20 A I respectfully decline, on the advice of
21 counsel, not to respond to your
22 question.

23 Q Was a record made of any of these trans-
24 fers?

25 A I respectfully decline, on the advice of

7 0 0 4 0 0 8 4 4 9 3

1 counsel, not to respond to your
2 question.

3 Q Where is this money that I referred to in
4 my previous question at the present
5 time?

6 A I respectfully decline, on the advice
7 of counsel, not to respond to your
8 question.

9 (Discussion held off the record.)

10 BY MR. SPIEGEL:

11 Q Mr. Graves, let me refer you to paragraph
12 6 of the document that we have
13 labeled as Exhibit 1. It refers
14 to a series of events which took
15 place in 1974, and states that you
16 instructed certain individuals to
17 make contributions to candidates for
18 federal office out of corporate
19 funds.

20 Do you affirm the veracity of these state-
21 ments?

22 MR. GRAND:

23 First, I object to the characteriza-
24 tion of the document, but if
25 you would like him to answer

1 without in any way conceding
2 the accuracy of the character-
3 ization, he will decline in
4 light, he will decline subject
5 to the condition that I have
6 stated.

7 MR. SPIEGEL:

8 Decline on his Fifth Amendment
9 privilege?

10 MR. GRAND:

11 He is declining on his Fifth Amend-
12 ment privilege, without in any
13 way conceding your statement
14 as to the accuracy of the state-
15 ment.

16 MR. SPIEGEL:

17 I understand, Mr. Grand.

18 MR. GRAND:

19 Would you like him to say, "I so
20 decline"?

21 MR. SPIEGEL:

22 No, I think that your statement re-
23 assures me.

24 MR. GRAND:

25 Fine.

1 BY MR. SPIEGEL:

2 Q In that document which is placed before
3 you as Exhibit 1 it is stated by
4 the individual that signed it that
5 the basis for the statements in it
6 is an examination of certain books
7 and records and conversations with
8 employees of the McDermott Corpora-
9 tion.

10 Could you state what books and records
11 were examined and what individuals
12 were spoken to in the context of
13 that document being written?

14 MR. GRAND:

15 Again, without conceding the accuracy
16 of your characterization, he
17 will, on my advice, decline to
18 answer the question.

19 If you would like him to say, "I so
20 decline," I am sure he will be
21 happy to do so.

22 BY MR. SPIEGEL:

23 Q Mr. Graves, could you state that for the
24 record?

25 A I respectfully decline, on the advice of

1 counsel, to respond to your question.

2 Q Mr. Graves, have you or any person acting
3 on your authority made contributions
4 to a candidate for federal office
5 out of corporate moneys of the
6 McDermott Corporation?

7 A I respectfully decline, on the advice of
8 counsel, to respond to your question.

9 Q Have you or any person acting under your
10 authority reimbursed any individuals
11 out of corporate moneys of the
12 McDermott Corporation for distribu-
13 tions made to candidates for federal
14 political office?

15 A I respectfully decline, on the advice of
16 counsel, to respond to your question.

17 (Whereupon, Mr. Grand confers with
18 witness.)

19 MR. SPIEGEL:

20 Does Counsel want to go off the
21 record?

22 MR. GRAND:

23 It doesn't matter; we'll pass.

24 THE WITNESS:

25 Forgive me, I am hard of hearing.

70040081497

1 BY MR. SPIEGEL:

2 Q Mr. Graves, have you at any time employed
3 an attorney named Daniel K. Mayers
4 in connection with the subject matter
5 of questions that I have been asking
6 you?

7 A I respectfully decline, on the advice of
8 counsel, to respond to your question.

9 MR. SIEGEL:

10 I must say I find I have some trouble
11 in my logic processes in under-
12 standing how that calls for a
13 Fifth Amendment privilege.

14 I address that to both Counsel and
15 client.

16 MR. GRAND:

17 I hear you.

18 You don't want me to spin out an
19 argument; that is not going to
20 make progress for us.

21 BY MR. SIEGEL:

22 Q Have you and Mr. Mayers ever had occasion
23 to discuss Mr. Mayers making contact
24 with the Federal Election Commission
25 regarding your making of political

70040084498

1 contributions to candidates for
2 federal office out of McDermott
3 corporate funds?

4 MR. GRAND:

5 You raise, in addition, the spectre
6 of invasion of the attorney-
7 client privilege as well as the
8 other privilege we have been
9 alluding to.

10 MR. SPIEGEL:

11 I do raise that spectre. I don't
12 know, necessarily, if that
13 spectre is invaded.

14 MR. GRAND:

15 I will object to the question on the
16 grounds that it attempts to
17 invade the sacred attorney-
18 client privilege, and my client
19 will decline to answer on that
20 grounds, in addition.

21 BY MR. SPIEGEL:

22 Q Mr. Graves, to your knowledge, was any
23 contact made between Mr. Mayers and
24 officials of the Federal Election
25 Commission at any point in September

70040084490

1 of 1976.

2 A I respectfully decline, on the advice of
3 counsel, to respond to your question.

4 Q Mr. Graves, are you presently the subject
5 of a federal grand jury investigation?

6 MR. GRAND:

7 I think that question could be better
8 answered by me, because Mr.
9 Graves has not met with the
10 Assistant United States Attorney
11 who is in charge of that pro-
12 ceeding. I have, and I can tell
13 you from my conversations with
14 the Assistant United States
15 Attorney, Daniel Bent, as
16 recently as this morning, that
17 it's my understanding that Mr.
18 Graves is one of a number of
19 subjects of such a grand jury
20 investigation.

21 (Discussion held off the record.)

22 BY MR. SPIEGEL:

23 Q We'll ask one last question on the record.
24 Mr. Graves, could you state the names of
25 any individuals who you may have

70040084500

1 asked to make contributions to
2 candidates for federal political
3 office.

4 MR. GRAND:

5 Assuming that he did that?

6 BY MR. SPIEGEL:

7 Q Yes, assuming that.

8 A I respectfully decline to answer on the
9 basis of the advice of counsel not
10 to respond to your question.

11 Q Have you, yourself, ever made any personal
12 contributions to candidates for
13 federal office?

14 A I respectfully decline, on the advice of
15 counsel, not to respond to your
16 question.

17 MR. SPIEGEL:

18 No further questions.

19 MR. GRAND:

20 Let me just state for the record
21 what I believe I have stated to
22 both of you gentlemen in the
23 past, and that is that I, both
24 my client and I appreciate the
25 important statutory responsibilities

1 that you have to carry out, and
2 that in the course of carrying
3 out those responsibilities, we
4 may be given an opportunity to
5 conciliate with either the staff
6 or with the Commission.

7 We are anxious to participate in that
8 conciliation process. We are
9 anxious to cooperate with your
10 investigation and with your
11 performance of your statutory
12 duties.

13 We felt compelled to take the formal
14 position that we took today by
15 virtue of the existence of a
16 parallel criminal investigation;
17 but, as I have indicated to you
18 in the past and reiterate today,
19 we are anxious to cooperate in
20 your investigation and it seems
21 to me that you do have access
22 to certain materials which you
23 have alluded to today which will
24 allow you to conduct a substan-
25 tial investigation, which I hope

1 will lead to the conciliation
2 process and perhaps give us an
3 opportunity to furnish you, on
4 an informal basis, with addi-
5 tional information, so long as
6 it's done in a way that will
7 not jeopardize the privilege.

8 MR. SPIEGEL:

9 Counsel, I do hear you.

10 I think the problem we run into here
11 is over the word "certain in-
12 vestigative materials." We are
13 trying to fill in certain gaps
14 in our information.

15 (Discussion held off the record.)

16 MR. GRAND:

17 We will waive any formal requirements
18 of certification.

19 (Whereupon, the taking of the deposition
20 was concluded.)

21 ---oOo---

22
23
24
25

70040084506

C E R T I F I C A T E

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I, David L. Bendix, a Certified Shorthand Reporter, State of Louisiana, do hereby certify that the foregoing transcript is true and correct, as reported by me and reduced to type-writing under my personal supervision.

David L. Bendix

DAVID L. BENDIX
Certified Shorthand
Reporter
State of Louisiana

---000---

7 0 0 4 0 0 8 4 5 0 1

WILMER, CUTLER & PICKERING

1666 K STREET, N.W.

WASHINGTON, D. C. 20006

CABLE ADDRESS: WICRNG WASH. D. C.

INTERNATIONAL TELEX: 440-239

TELEX: 88-2402

TELEPHONE 202 872-6000

EUROPEAN OFFICE

8, CHEAPSIDE

LONDON, EC2V 6AA, ENGLAND

TELEPHONE 01-236-2401

TELEX: 831 883242

CABLE ADDRESS: WICRNG LONDON

August 20, 1976

RICHARD H. WILMER 1892-1976

ILDOVO R. CUTLER
JOHN H. PICKERING
MANUEL F. COHEN
HUGH R. H. SMITH
LOUIS F. OBERDORFER
J. ROGER WOLLENBERG
CHARLES C. GLOVER, III
MARSHALL HORNBLOWER
HENRY T. RATHBUN
REUBEN CLARA
SAMUEL J. LANAHAN
WILLIAM R. PERLIN
SAMUEL A. STERN
ARNOLD M. LERMAN
ROBERT P. STRANAHAN, JR.
MAX O. TRUITT, JR.
JOEL ROSENBLUM
HOWARD P. WILLENS
ANDREW T. A. MACDONALD
ROBERT A. HAMMOND, III
DANIEL L. MATERS
TIMOTHY B. DTK

DAVID R. ANDERSON
J. ROBERT HELLER, III
ARTHUR P. MATHEWS
JAMES S. CAMPBELL
DENNIS M. FLANNERY
DANIEL MARCUS
JAMES ROBERTSON
RAYMOND C. CLEVELAND, III
LOUIS R. COHEN
MICHAEL R. ALEIN
STEPHEN A. WEISWASSER
TIMOTHY N. BLACK
SALLY RAIZEN
P. DAVID LAKE, JR.
PAUL J. MOSE, JR.
STEPHEN P. BLACK
C. BOYDEN GRAY
RONALD J. GREENE
JAY F. FABIN
DEANNE C. SIEMER
GARY D. WILSON

RICHARD A. ALLEN
PETER D. BEWLEY
STEWART A. BLOOR
LACHLAN H. BLOOM, JR.
MICHAEL L. BURACK
RICHARD W. CASS
WILHELMINA REUBEN COOKE
MICHELE B. CORASH
MARY CAROLYN COE
PATRICIA D. DOUGLASS
S. ALLEN EARLY, III
JAMES R. FARRAND
NANCY C. GARRISON
NEAL M. GOLOBERG
CORNELIUS J. GOLDEN, JR.
FRANCIS W. GREEN
ROBERT C. HACKER
ALLEN H. HARRISON, JR.
JOHN H. HARWOOD II
MICHAEL S. HELPER
A. STEPHEN HUT, JR.
C. LORING JETTON, JR.
DAVID R. JOHNSON

NEIL J. KING
WILLIAM J. KOLASKY, JR.
JOHN H. KORN
WILLIAM T. LAKE
EAWYN C. LEE
CARY B. LERMAN
ROBERT B. MCGRAW
MARY A. MAREYNOLDS
A. DOUGLAS McLANE
ROBERT B. MORRIS
WILLIAM J. PERLSTEIN
PHILLIP L. RADOFF
RENE THOMAS ROBINSON
JOHN ROUNSAVILLE, JR.
MICHAEL S. SCHOOLER
GAIL P. SCHULZ
BARBARA ROSE SCHWARTZ
THEODORE S. SINS
MARIANNE S. SMYTHE
DOUGLAS G. THOMPSON, JR.
ALAN S. WEITZ
ROBERT D. WILSON
WALTER T. WINSLOW, JR.
ROGER N. WITTEN

ERIEGEL G. STODDARD
GERARD C. SMITH
COUNSEL

Mr. Stanley Sporkin, Director
Division of Enforcement
Securities and Exchange Commission
500 North Capitol Street
Washington, D. C. 20549

Re: J. Ray McDermott Company, Inc.
HO-932

Dear Mr. Sporkin:

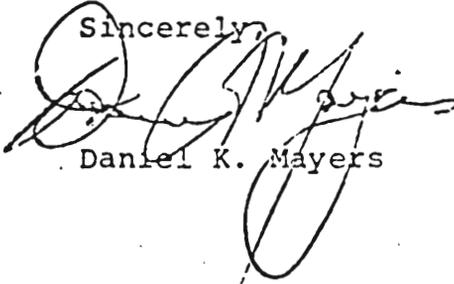
We have been retained to represent Mr. Charles L. Graves personally in connection with the above SEC private investigation. On July 14, 1976 Mr. Graves voluntarily testified before members of the Staff of the Enforcement Division. On August 20, 1976 Mr. Graves provided the Staff with a supplement to his testimony dated August 18, 1976.

Mr. Graves' testimony and supplement are exempt from public disclosure under the Freedom of Information Act, 5 U.S.C. § 552, specifically the fourth, sixth and seventh exemptions. In addition, the Audit Committee of the Board of the Company has been authorized to conduct a thorough investigation and to prepare a report as to the matters of concern to the SEC. Disclosure of sensitive information in advance of completion of the investigation and report could be

CONFIDENTIAL #1

prejudicial to the Company, its shareholders, and individuals who may be involved. Therefore, we specifically request, pursuant to SEC 1933 Act Release No. 5571, that Mr. Graves' testimony and supplement thereto be maintained in a strictly confidential status and not be disclosed to any third parties. In the event that disclosure of the testimony or supplement or information obtained therefrom becomes the subject of a request for disclosure for any third party or that disclosure to any third party otherwise becomes a subject of consideration by the Staff or the Commission, we specifically request notice in advance of such disclosure and an opportunity to seek a protective order from the Commission or an appropriate court.

Sincerely,

A handwritten signature in dark ink, appearing to read "Daniel K. Mayers", is written over the word "Sincerely,". The signature is fluid and cursive, with a large loop at the end.

Daniel K. Mayers

cc: Robert G. Ryan
Peter B. Clark

20040034505

subject areas of concern to the SEC staff attorneys or to refresh my recollections by reference to my own records and files. I was still feeling the effects of the laser treatment, was having trouble with adjusting my sight to light, was experiencing substantial discomfort due to irritation of my cornea, and generally felt disoriented.

7 9 9 0 3 1 5 0 0

4. Some time after I had testified, I was informed that Nelson Crews had recalled that he had received cash from me in connection with political contributions. Mr. Crews' recollection in turn jogged my memory. I immediately realized that he was correct, and that I had failed to recall these events at the time of my SEC testimony. I have now done further checking, both of my own files and records and in conversations with other company employees. As a result, I realized that my inability to recall these events may have affected the accuracy and completeness of certain areas of my July 14 testimony. On August 4 I informed each member of the Audit Committee concerning these matters and of my intention, based on my recollection of what I had told the SEC, to supplement my testimony, if necessary.

5. On August 16, 1976, I retained counsel to represent my personal interests in connection with the ongoing SEC investigation, and the recently-authorized investigation by the Audit Committee of the Board of Directors of the Company. On August 17, I was provided for the first time with a transcript of my July 14 SEC testimony, and requested that I read the transcript and review it carefully for completeness and accuracy. I promptly read the transcript



and reviewed it with my counsel. I am submitting this supplement to my testimony in order to provide the SEC with as full and complete information as possible based on my best present recollection.

6. Referring specifically to page 19, line 10, where I said that the envelope when given to me by Mr. Cunningham in 1972 contained \$1500 in cash, I now realize that the envelope must have contained more. My best estimate is that the envelope must have contained approximately \$6000.

7. I had arrived at the \$1500 figure based on my recollection that when I had last counted the cash, which was in early 1976, there was approximately \$13,500, \$12,000 of which (as to which I testified on pages 41-42 of my testimony) was added by me more than two years after I received the cash from Mr. Cunningham. However, I did not again count the cash before I appeared to testify and my recollection from early 1976 was not completely accurate. In fact, based on a recent count, the cash amounts to \$13,200. I am certain no cash was added or withdrawn after the time I counted it in early 1976. I simply was off by \$300 in remembering the amount.

8. Moreover, in making the above calculation, I had neglected to take account of certain cash disbursements prior to 1976 which I had not recollected at the time of my testimony. As I have now been able to reconstruct it, those cash disbursements are as follows: In September of 1972

RS

I gave \$1,000 in cash to Mr. John D Dupy, who was then the Company Treasurer, who at my request had contributed an identical amount to the 1972 Victory Dinner Committee. In August 1974, I gave approximately \$1,000 cash to Nelson Crews, instructing him to arrange for an identical amount of contributions from Company employees to the campaign of Henson Moore, a Congressional candidate from Baton Rouge. In October, 1974, I again gave Mr. Crews approximately \$1,000 cash and asked him to arrange for similar contributions to the Moore campaign. Also in October, 1974, I gave \$600 cash to Mr. E. B. Gravois, a company employee, to purchase six tickets to a dinner honoring Senator Long of Louisiana. In March, 1975, I gave Mr. Gravois \$1,200 cash and asked him to arrange for contributions totalling that amount to be made by company employees to David Treen, a Congressman from Louisiana, to help make up a campaign deficit.

7904008451

9. The above constitutes my best present recollection of any and all withdrawals made by me from the cash given to me by Mr. Cunningham. These withdrawals total approximately \$4,800. Accordingly, I now believe that the envelope that I received in 1972 must have contained approximately \$6000. ($\$13,200 - \$12,000 + \$4800 = \6000)

10. During the period from 1972 to present I have contributed approximtely \$15,000 of my personal funds to political parties, candidates and committees, including those refered to above. At no time did I cause myself to be

reimbursed with regard to these contributions, nor have I been.

11. My testimony on pages 41-42 of the transcript regarding the repatriation of \$12,000 cash should be read in the context of my refreshed recollection of the events described in paragraph 8 above. In other words, even though none of such money has ever been expended for any purpose, one possible use for such funds would have been the support of political campaigns.

12. I would be most willing to respond under oath to any further questions which the SEC attorneys may wish to ask with regard to the above statements, or any other matter pertinent to their investigation.

Charles T. Graves

Sworn to before me this _____ day of _____, 1976.

J. D. DUPY, Notary Public
Parish of Orleans, State of Louisiana
My Commission Expires at Death

7901003845



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

August 1, 1977

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Charles L. Graves
President
J. Ray McDernott Jr.
P.O. Box 60035
New Orleans, La 70160

Dear Mr. Graves:

This letter is to notify you that based on information received in the course of doing business the Commission has found reason to believe that J Ray McDernott, Inc. violated 2 U.S.C. §441b. You have previously been informed that the Commission had made the same finding with respect to you individually. The information indicates that cash funds of J. Ray McDernott Inc. were distributed to candidates for federal office either by you directly or through various employees.

Under the Act, there is an opportunity extended to demonstrate that no action should be taken against you. Please submit within 15 days of receipt of this letter any factual or legal materials you deem relevant to the Commission's analysis of this matter.

The attorney assigned to this matter is Andrew Athy, Jr.
(202) 523-4530.

Sincerely yours,

William C. Oldaker
General Counsel

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



7 9 0 4 0 0 8 4 5 1 1

FORM 3811, MAR. 1976
RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

WA 254 11/11

● SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).

Show to whom and date delivered..... 15¢

Show to whom, date, & address of delivery.. 35¢

RESTRICTED DELIVERY.
Show to whom and date delivered..... 65¢

RESTRICTED DELIVERY.
Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:
Charles L. Graves, Pres.
T. Ray McDermott, Jr.

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. | INSURED NO.
| 943722 |

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE Addressee Authorized agent
E. L. Graves
Ron Jones

4. DATE OF DELIVERY: AUG 3 1977

5. ADDRESS (Complete only if requested):

6. UNABLE TO DELIVER BECAUSE:

POSTMARK: AUG 4 1977

FEDERAL ELECTION COMMISSION OFFICE OF LEGAL COUNSEL

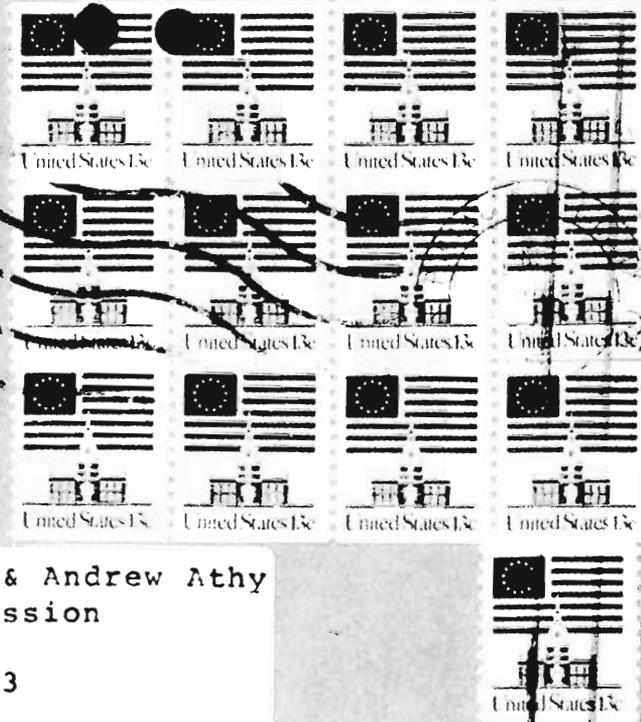
CLERK'S INITIALS

☆ GOP 1976-O-203-456

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF LEGAL COUNSEL

CLEANING REPORTING SERVICE, INC.
900 STATE NATIONAL BUILDING
HOUSTON, TEXAS 77002

79040084514



Messrs. David Spiegel & Andrew Athy
Federal Election Commission
1325 K Street, N.W.
Washington, D.C. 20463

CERTIFIED
No. 263391
MAIL

**RETURN RECEIPT
REQUESTED**
FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

Mr. Paul Grand
Grand and Ostrow
875 Park Avenue
New York, New York 10025

29 JUL 1977

Re: MUR 254 (76)

Dear Mr. Grand:

This is to confirm the conversation of this date wherein it was agreed that the return date on the subpoena against Charles Graves would be August 3, 1977 at 3:00 p.m. and not August 4 as stated in my letter of July 28, 1977.

Sincerely yours,

David R. Spiegel
Assistant General Counsel

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

790400084513

Mr. Paul Grand
Grand and Ostrow
875 Park Avenue
New York, New York 10025

29 JUL 1977

Re: MUR 254 (76)

Dear Mr. Grand:

This is to confirm the conversation of this date wherein it was agreed that the return date on the subpoena against Charles Graves would be August 3, 1977 at 3:00 p.m. and not August 4 as stated in my letter of July 28, 1977.

Sincerely yours,

David R. Spiegel
Assistant General Counsel

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

790400084

254

PS Form 3811, Rev. 1978

● SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).

Show to whom and date delivered..... 15¢

Show to whom, date, & address of delivery.. 35¢

RESTRICTED DELIVERY.
Show to whom and date delivered..... 65¢

RESTRICTED DELIVERY.
Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:

Mr Paul Grand

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	<i>SN</i>	

(Always obtain signature of addressee or agent)

I have received the article described above.

SIGNATURE Addressee Authorized agent

Paul Grand

4. DATE OF DELIVERY *8/17/77* POSTMARK

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

☆ GOP: 106-C-203-488

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

7 1 5 1 0 0 0 1 0 0 2

FEDERAL ELECTION COMMISSION
 OFFICIAL FILE COPY
 OFFICE OF GENERAL COUNSEL

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

28 JUL 1977

Mr. Robert G. Morvillo
Martin, Obermaier and Morvillo
1290 Ave of the America
New York, New York 10019

Re: MUR 254 (76)

Dear Mr. Morvillo:

This is to confirm the understanding in our meeting of July 27 and our telephone conversation of this date.

Pursuant to your requests for an extension of time regarding our subpoena against Ernest Gravois, your client, we have agreed that the return date would be August 4, 1977, at 8:00 a.m., rather than July 28, 1977. Please note in this connection that the Commission is obliged to conduct its proceedings expeditiously and, as I indicated to you, we will be unable to agree to any further delays.

Sincerely yours,

David R. Spiegel
Assistant General Counsel

ENCLOSURE

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

79040084517

79040084513

MAR 25

PS Form 3811, Mar. 1978

● **SENDER:** Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).

- Show to whom and date delivered..... 15¢
- Show to whom, date, & address of delivery.. 35¢
- RESTRICTED DELIVERY. Show to whom and date delivered..... 65¢
- RESTRICTED DELIVERY. Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:

Mr. Robert G. Morville

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	N/N	

(Always obtain signature of addressee or agent)

I have received the article described above.

SIGNATURE Addressee Authorized agent

R. G. Morville

4. DATE OF DELIVERY POSTMARK

8/1/77

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

RETURN RECEIPT, REGISTERED AND CERTIFIED MAIL

☆ GPO: 1974-O-203-486

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

28 JUL 1977

Mr. Paul Grand
Grand and Ostrow
375 Park Avenue
New York, New York 10022

Re: MUR 254 (76)

Dear Mr. Grand:

This is to confirm the understanding in our meeting of July 27 and our telephone conversation of this date.

Pursuant to your requests for an extension of time regarding our subpoena against Charles Graves, your client, we have agreed that the return date would be August 4, 1977, at 3:00 p.m., rather than July 28, 1977. Please note in this connection that the Commission is obliged to conduct its proceedings expeditiously and, as I indicated to you, we will be unable to agree to any further delays.

Sincerely yours,

David R. Spiegel
Assistant General Counsel

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

79040084519

OFFICE OF GENERAL COUNSEL



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

July 26, 1977

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Joseph Jaworski, Esq.
c/o Bracewell and Patterson
2900 South Tower
Pennzail Place
Houston, Texas 77002

Re: MUR 254 (76)

Dear Mr. Jaworski:

This is to confirm the understanding in our telephone conversation of this date.

Pursuant to your requests for an extension of time regarding our subpoena against Nelson Crews, your client, we have agreed that the return date would be August 4, 1977 rather than July 27, 1977. Please note in this connection that the Commission is obliged to conduct its proceedings expeditiously and, as I indicated to you, we will be unable to agree to any further delays.

As per your request, I enclose an additional copy of our subpoena. Our records indicate that Mr. Crews has already received his copy. A previous copy was sent to you on July 21, 1977.

Sincerely yours,

David R. Spiegel
Assistant General Counsel

Enclosure



FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

70049734501

MUR 254 GC ATTY

PS Form 3811, Mar. 1976
RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

● SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).

Show to whom and date delivered..... 15¢

Show to whom, date, & address of delivery.. 35¢

RESTRICTED DELIVERY.
Show to whom and date delivered..... 65¢

RESTRICTED DELIVERY.
Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:

Joseph J. Warski, Esq.
40 Bracewell & Patkinson
2900 S. Tower
Houston, TX 77002

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	943701	

(Always obtain signature of addressee or agent)

I have received the article described above.

SIGNATURE Addressee Authorized agent

[Signature]

4. DATE OF DELIVERY POSTMARK

Jul 29 1977

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

☆ GPO : 1976-O-203-456

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

July 22, 1976

MEMORANDUM TO: File (MUR 254)
FROM: David R. Spiegel
RE: Conversation with Joseph Jaworski

Following is a memorandum of my telephone conversation with Joseph Jaworski, attorney for Nelson Crews in the above numbered MUR.

Mr. Jaworski said that it would be impossible for him to produce his client for deposition on July 27, 1977, and that, in any event, Crews would take the Fifth Amendment. He intimated that this was because he was in negotiations with Justice and that he wanted his client to testify to the Grand Jury before he testified to us. He also intimated his client is seeking immunity from Justice. I explained to him our differences with Justice regarding the "primary and exclusive jurisdiction issue, including our view immunity would not help him vis-a-versa statutes under our jurisdiction.

Jaworski said that thereafter he would probably cooperate in full. He wanted the deposition the week of August 8; however, he said that he might be able to cooperate on August 4. I told him we were still holding to the July 27 date and that, in any event, we would not agree to a date later than August 4.

He will be back in touch Monday, July 25.

70090004522
FEDERAL BUREAU OF INVESTIGATION
COMMUNICATIONS SECTION
U.S. DEPARTMENT OF JUSTICE
WASHINGTON, D.C. 20535



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

July 21, 1977

Mr. Joseph Jaworski
Bracewell and Patterson
2900 South Tower
Pennzail Place
Houston, Texas 77002

Re: MUR 254 (76)

Dear Mr. Jaworski:

I am forwarding for your reference a copy of a subpoena sent to your client in the above-numbered matter.

Sincerely yours,

William C. Oldaker
General Counsel

Enclosure

70910184523



FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

July 21, 1977

Mr. Robert G. Morvillo
Martin, Obermairer
and Morvillo
1290 Ave. of the Americas
New York, New York 10019

Re: MUR 254 (76)

Dear Mr. Morvillo:

I am forwarding for your reference a copy of a subpoena sent to your client in the above-numbered matter. Please also find enclosed a copy of the Regulations of the Federal Election Commission.

Sincerely yours,

William C. Oldaker
General Counsel

Enclosures

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
GENERAL COUNSEL



70940731531



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

July 21, 1977

Mr. Paul Grand
Grand and Ostrow
375 Park Avenue
New York, New York 10022

Re: MUR 254 (76)

Dear Mr. Grand:

I am forwarding for your reference a copy of a subpoena sent to your client in the above-numbered matter. Please also find enclosed a copy of the Regulations of the Federal Election Commission.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "William C. Oldaker".

William C. Oldaker
General Counsel

Enclosures

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL





FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

July 19, 1977

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Ernest B. Gravois
RFD 2, Box 515
Thibodaux, LA 70301

Re: MUR 254 (76)

Dear Mr. Gravois:

In furtherance of its investigation in the above referenced matter, the Commission has issued a subpoena requiring your appearance for a deposition on July 28, 1977. (The subpoena is enclosed herewith). Please note that the subpoena also contains a request that you produce certain documents at the time of your appearance.

Sincerely yours,

William C. Oldaker
General Counsel

Enclosure



FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

20710781525

700800607

c MUR 254 Athy

PS Form 3811, Mar. 1976

● SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).

Show to whom and date delivered..... 15¢

Show to whom, date, & address of delivery.. 35¢

RESTRICTED DELIVERY.
Show to whom and date delivered..... 65¢

RESTRICTED DELIVERY.
Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:
Ernest B Gravois
RFD 2, Box 515
Thibodaux, LA 70301

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	943639	

(Always obtain signature of addressee or agent)

I have received the article described above.

SIGNATURE Addressee Authorized agent

Ernest B Gravois

4. DATE OF DELIVERY: 7-22-77

POSTMARK: JUL 22 1977

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS: *R.C.*

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

☆ GPO: 1976-O-203-456

FEDERAL ELECTION COMMISSION
OFFICIAL FILE
OFFICE OF GENERAL COUNSEL

UNITED STATES OF AMERICA
FEDERAL ELECTION COMMISSION

Subpoena to Appear for Deposition Upon Oral Examination and
to Produce Books, Records and other Relevant Documents

TO: Ernest B. Gravois
RFD 2, Box 515
Thibodaux, LA 70301

At the instance of the Federal Election Commission pursuant to §437d of Title 2 of the United States Code, you are hereby subpoenaed to appear for deposition with regard to possible illegal campaign contributions from funds of J. Ray McDermott, Inc. in connection with the campaign of candidates for federal office, including but not limited to Congressman W. Hensen Moore, Congressman David C. Treen and Senator Russell Long. Notice is hereby given that the deposition is to be taken at Suite 1221, Mason Temple Building, 333 St. Charles Ave., New Orleans, Louisiana, 70130, on July 28, 1977, at 10:00 o'clock a.m., and at any and all adjournments thereof.

You are hereby subpoenaed to appear for this deposition and, pursuant to §437d of Title 2, United States Code, to produce at the time of the deposition;

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

7 2 0 4 0 0 8 4 5 2 0

7 0 0 4 0 0 8 4 5 ?

A) All documents and all tangible things including but not limited to letters, memoranda, inter office communications, telephone logs, cancelled checks with back up data for any account held in the name of J. Ray McDermott, Inc. or any of its subsidiaries or any account under your control or the control of your wife, or records of any bank checks which refer, relate or pertain in any way to the transfer or contribution directly or indirectly of funds of J. Ray McDermott, Inc. and any of its subsidiaries since December of 1971 to any candidate for federal office or any such candidate's committee or any committee supporting federal candidates.

B) All documents and all tangible things which refer, relate or pertain in any way to any off book fund maintained by J. Ray McDermott, Inc. or any of its officers, since December 1, 1971 from which any transfers or contributions were made directly or indirectly to any candidate for federal office or any such candidate committee or any committee supporting federal candidates.

C) All documents and all tangible things including but not limited to all cancelled checks from accounts maintained in your name or the name of your wife or records of bank

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

checks which refer, relate, or pertain to any contributions made since December 1, 1971 by either you or you and your wife from funds under the ownership or control of you or you and your wife to any candidate for federal office or any such candidates committee or any committee supporting federal candidates.

WHEREAS, the Chairman of the Federal Election Commission has hereunto set his hand at Washington, D.C., this 18th day of July, 1977.

Thomas E. Harris
THOMAS E. HARRIS
CHAIRMAN

ATTEST:

Margaret W. Emmons
Secretary to the Commission

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

790400845



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

July 19, 1977

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Charles L. Graves
1329 Octavia Street
New Orleans, Louisiana

Re: MUR 254 (76)

Dear Mr. Graves:

In furtherance of its investigation in the above referenced matter, the Commission has issued a subpoena requiring your appearance for a deposition on July 28, 1977. (The subpoena is enclosed herewith). Please note that the subpoena also contains a request that you produce certain documents at the time of your appearance.

Sincerely yours,

William C. Oldaker
General Counsel

Enclosures

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



700400845

70010734567

GC MUR 254 Athy

PS Form 3811, Mar. 1978

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

● SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).

Show to whom and date delivered..... 15¢

Show to whom, date, & address of delivery.. 35¢

RESTRICTED DELIVERY. Show to whom and date delivered..... 65¢

RESTRICTED DELIVERY. Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:
Charles L. Graves
1329 Octavia St.
New Orleans, LA

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. | INSURED NO.
| 943640 |

(Always obtain signature of addressee or agent)

I have received the article described above.

SIGNATURE Addressee Authorized agent
Steven Jomine

4. DATE OF DELIVERY: 7/25/77

5. ADDRESS (Complete only if requested):
NEW ORLEANS, LA

6. UNABLE TO DELIVER BECAUSE:
NEW ORLEANS, LA

CLERK'S INITIALS

POSTMARK: NEW ORLEANS, LA JUL 22 1977 AM 10:11

☆ GOVERNMENT PRINTING OFFICE: 1977

SUF
MFB
AS

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

UNITED STATES OF AMERICA
FEDERAL ELECTION COMMISSION

Subpoena to Appear for Deposition Upon Oral Examination and
to Produce Books, Records and other Relevant Documents

TO: Charles L. Graves
1329 Octavia Street
New Orleans, Louisiana

7 0 0 4 0 9 9 4 5 5 5
At the instance of the Federal Election Commission pursuant to §437d of Title 2 of the United States Code, you are hereby subpoenaed to appear for deposition with regard to possible illegal campaign contributions from funds of J. Ray McDermott Inc. in connection with the campaign of candidates for federal office or committees supporting candidates for federal office, including but not limited to Congressman W. Hensen Moore, Congressman David C. Treen and Senator Russell Long. Notice is hereby given that the deposition is to be taken at Suite 1221, Mason Temple Building, 333 St. Charles Ave., New Orleans, Louisiana, 70130, on July 28, 1977, at 2:00 o'clock p.m., and at any and all adjournments thereof.

You are hereby subpoenaed to appear for this deposition and, pursuant to §437d of Title 2, United States Code, to produce at the time of the deposition;

FEDERAL ELECTION COMMISSION
CENTRAL FILE COPY
OFFICE OF GENERAL COUNSEL

A) All documents and all tangible things including but not limited to letters, memoranda, inter office communications, telephone logs, cancelled checks with back up data for any account held in the name of J. Ray McDermott, Inc. or any of its subsidiaries or any account under your control or the control of your wife, or records of any bank checks which refer, relate or pertain in any way to the transfer or contribution directly or indirectly of funds of J. Ray McDermott, Inc. and any of its subsidiaries since December of 1971 to any candidate for federal office or any such candidate's committee or any committee supporting federal candidates.

B) All documents and all tangible things which refer, relate or pertain in any way to any off book fund maintained by J. Ray McDermott, Inc. or any of its officers, since December 1, 1971 from which any transfers or contributions were made directly or indirectly to any candidate for federal office or any such candidate committee or any committee supporting federal candidates.

C) All documents and all tangible things including but not limited to all cancelled checks from accounts maintained in your name or the name of your wife or records of bank

checks which refer, relate, or pertain to any contributions made since December 1, 1971 by either you or you and your wife from funds under the ownership or control of you or you and your wife to any candidate for federal office or any such candidates committee or any committee supporting federal candidates.

WHEREAS, the Chairman of the Federal Election Commission has hereunto set his hand at Washington, D.C., this 18th day of July, 1977.

Thomas E. Harris
THOMAS E. HARRIS
CHAIRMAN

ATTEST:

Marjorie W. Emmons
Secretary to the Commission

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

7 9 0 1 0 0 3 1 5 1 1



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

July 19, 1977

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. R. Nelson Crews
3617 Inwood Drive
Houston, Texas

Re: MUR 254 (76)

Dear Mr. Crews:

In furtherance of its investigation in the above referenced matter, the Commission has issued a subpoena requiring your appearance for a deposition on July 27, 1977. (The subpoena is enclosed herewith). Please note that the subpoena also contains a request that you produce certain documents at the time of your appearance.

Sincerely yours,

William C. Oldaker
General Counsel

Enclosure

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



20040084566

7 9 0 4 0 0 8 1 5 3 7

MUR 254 GC ATAM

PS Form 3811, Mar. 1976

● **SENDER:** Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).

- Show to whom and date delivered..... 15¢
- Show to whom, date, & address of delivery.. 35¢
- RESTRICTED DELIVERY. Show to whom and date delivered..... 65¢
- RESTRICTED DELIVERY. Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:
R. Nelson Crews
3617 Inwood Dr.
Houston, TX

3. ARTICLE DESCRIPTION:
REGISTERED NO. CERTIFIED NO. INSURED NO.
943041

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE Addressee Authorized agent

4. DATE OF DELIVERY POSTMARK
JUL 1976

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE: CLERK'S INITIALS

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

☆ GPO 1976-O-203-456

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

UNITED STATES OF AMERICA
FEDERAL ELECTION COMMISSION

Subpoena to Appear for Deposition Upon Oral Examination and
to Produce Books, Records and other Relevant Documents

TO: R. Nelson Crews
3617 Inwood Drive
Houston, Texas

7 9 0 1 0 0 3 4 5 1 3
At the instance of the Federal Election Commission pursuant to §437d of Title 2 of the United States Code, you are hereby subpoenaed to appear for deposition with regard to possible illegal campaign contributions from funds of J. Ray McDermott, Inc. in connection with the campaign of candidates for federal office or committees supporting candidates for federal office, including but not limited to Congressman W. Hensen Moore, Congressman David C. Treen and Senator Russell Long. Notice is hereby given that the deposition is to be taken at Suite 900, 412 Main Street, Houston, Texas, on July 27, 1977, at 3:00 o'clock p.m., and at any and all adjournments thereof.

You are hereby subpoenaed to appear for this deposition and, pursuant to §437d of Title 2, United States Code, to produce at the time of the deposition;

FEDERAL ELECTION COMMISSION
OFFICE OF LEGAL COUNSEL
COPY

7 0 0 1 0 0 8 1 5 3 1

A) All documents and all tangible things including but not limited to letters, memoranda, inter office communications, telephone logs, cancelled checks with back up data for any account held in the name of J. Ray McDermott, Inc. or any of its subsidiaries or any account under your control or the control of your wife, or records of any bank checks which refer, relate or pertain in any way to the transfer or contribution directly or indirectly of funds of J. Ray McDermott, Inc. and any of its subsidiaries since December of 1971 to any candidate for federal office or any such candidate's committee or any committee supporting federal candidates.

B) All documents and all tangible things which refer, relate or pertain in any way to any off book fund maintained by J. Ray McDermott, Inc. or any of its officers, since December 1, 1971 from which any transfers or contributions were made directly or indirectly to any candidate for federal office or any such candidate committee or any committee supporting federal candidates.

C) All documents and all tangible things including but not limited to all cancelled checks from accounts maintained in your name or the name of your wife or records of bank

checks which refer, relate, or pertain to any contributions made since December 1, 1971 by either you or you and your wife from funds under the ownership or control of you or you and your wife to any candidate for federal office or any such candidates committee or any committee supporting federal candidates.

WHEREAS, the Chairman of the Federal Election Commission has hereunto set his hand at Washington, D.C., this 18th day of July, 1977.

Thomas E. Harris

THOMAS E. HARRIS
CHAIRMAN

ATTEST:

Marjorie W. Emmons
Secretary to the Commission

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

79091284511

July 18, 1977

MEMORANDUM TO: Marge Emmons

FROM: Charles N. Steele

It is necessary and permissible for Andy Athy to review the minutes of the June 30, 1977 meeting for the purpose of reviewing the discussion on MUR 254 (76).

79040084541

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



FEDERAL ELECTION COMMISSION

1117 K STREET N.W.
WASHINGTON, D.C. 20463

July 18, 1977

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. R. Nelson Crews
3617 Inwood Drive
Houston, Texas

RE: MUR 254 (76)

Dear Mr. Crews:

This letter is to notify you that based on information received in the course of doing business the Commission has found reason to believe that you have violated 2 U.S.C. §441b. This information indicates that cash funds of J. Ray McDermott Inc. were distributed to you for the purpose of having you and others make contributions to designated candidates. The evidence specifically suggests that on two separate occasions, \$1,000 of corporate funds were received by you and forwarded through others for the benefit of Benson Moore candidate for Congress.

Under the Act, you have an opportunity to demonstrate that no action should be taken against you. Please submit within 15 days of receipt of this letter any factual or legal materials you believe are relevant to the Commission's analysis of this matter. The Commission is under a duty to investigate this matter expeditiously. Accordingly, we plan to take depositions with respect to your knowledge of these matters and will be contacting you in this regard.

The attorney assigned to this matter is Andy Athy, Jr. at (202/523-4530).

Sincerely yours,

William C. Oldaker
General Counsel

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

7 2 0 4 0 3 8 4 5 4



70010031541

MUR 254 GC Pth

PS Form 3811, Mar. 1976
RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

● SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
 Show to whom and date delivered..... 15¢
 Show to whom, date, & address of delivery.. 35¢
 RESTRICTED DELIVERY. Show to whom and date delivered..... 65¢
 RESTRICTED DELIVERY. Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:
 Mr. R. Nelson Crews
 3617 Inwood Dr.
 Houston, TX

3. ARTICLE DESCRIPTION:
 REGISTERED NO. | CERTIFIED NO. | INSURED NO.
 | 943617 | |

(Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE Addressee Authorized agent
x Lesley Crews

4. DATE OF DELIVERY: JUN 9 1977
 POSTMARK: JUN 9 1977

5. ADDRESS (Complete only if requested)
 3617 INWOOD 77019

6. UNABLE TO DELIVER BECAUSE: _____
 CLERK'S INITIALS: _____

☆ GOP: 1976-O-203-456

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

July 15, 1977

MEMORANDUM TO: William C. Oldaker

FROM: Andy Athy

Not having received a receipt on the first letter,
I suggest that this second letter be sent to an alternative
address to insure prompt notice.

1
2
3
4
5
6
7
8
9
0
1
2
3
4
5
6
7
8
9
0

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



FEDERAL ELECTION COMMISSION

1125 K STREET N.W.
WASHINGTON, D.C. 20463

July 6, 1977

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Charles L. Graves
1329 Octavia Street
New Orleans, Louisiana

Re: MUR 254 (76)

Dear Mr. Graves:

This letter is written with regard to your discussions with this office as to a conciliation agreement concerning \$4,800 in political contributions made by you from corporate funds.

Although the Commission appreciates your cooperation to date, our continuing review of this matter indicates that an investigation of this matter is required to determine whether there are additional facts relevant to the conciliation process.

Pursuant to its enforcement authority under 2 U.S.C. §437g(a)(2), the Commission has found, on reason to believe that you have violated 2 U.S.C. §441b.

Under the Act, you have an opportunity to demonstrate that no action should be taken against you. Please submit within 15 days of receipt of this letter any factual or legal material you believe are relevant to the Commission's analysis of this matter. The Commission is under a duty to investigate this matter expeditiously. Accordingly, we plan to take depositions with respect to your knowledge of these matters and will be contacting you in this regard.

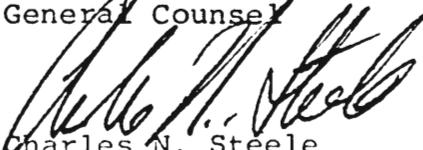
FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



The attorneys assigned to this matter are Carol Darr and Andrew Athy, Jr., (202/523-4038).

Sincerely yours,

William C. Oldaker
General Counsel



Charles N. Steele
Acting General Counsel

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

10040784545

70040084547

MUR 254 Athy

PS Form 3811, Rev. 1976

● **SENDER:** Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).

Show to whom and date delivered..... 15¢

Show to whom, date, & address of delivery.. 35¢

RESTRICTED DELIVERY. Show to whom and date delivered..... 65¢

RESTRICTED DELIVERY. Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:
Charles L. Graves
1329 Octavia St.
New Orleans, LA

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	943574	

(Always obtain signature of addressee or agent)

I have received the article described above.

SIGNATURE Addressee Authorized agent

Charles L. Graves

4. DATE OF DELIVERY: 7/11/77

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS

POSTMARK: JUL 11 1977

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

☆ GOP 1976-O-203-456

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



FEDERAL ELECTION COMMISSION

1125 K STREET NW
WASHINGTON, D.C. 20463

July 6, 1977

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Ernest B. Gravois
RFD 2, Box 515
Thibodaux, LA 70301

RE: MUR 254 (76)

Dear Mr. Gravois:

This letter is to notify you that based on information received in the course of doing business the Commission has found reason to believe that you have violated 2 U.S.C. §441b. This information indicates that cash funds of J. Ray McDermott Inc. were distributed through you to candidates for federal office. The evidence specifically suggests that \$1,200 in cash was given to you to arrange for contributions totalling that amount from company employees to David Treen and that \$600 was given to you to be given to or forwarded in the same manner to a dinner for Senator Russell Long.

Under the Act, you have an opportunity to demonstrate that no action should be taken against you. Please submit within 15 days of receipt of this letter any factual or legal materials you believe are relevant to the Commission's analysis of this matter. The Commission is under a duty to investigate this matter expeditiously. Accordingly, we plan to take depositions with respect to your knowledge of these matters and will be contacting you in this regard.

The attorneys assigned to this matter are Carol Darr and Andrew Athy, Jr., (202/523-4038).

Sincerely yours,

William C. Oldaker
General Counsel

Charles W. Steele
Charles W. Steele
Acting General Counsel

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



790710084541

MUR 254 AMV 68

PS Form 3811, Mar. 1976

● SENDER: Complete items 1, 2, and Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).

Show to whom and date delivered..... 15¢

Show to whom, date, & address of delivery.. 35¢

RESTRICTED DELIVERY.
Show to whom and date delivered..... 65¢

RESTRICTED DELIVERY.
Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:
Ernest B. Gravois
RFD 2, Box 515
Thibodaux LA 70381

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	943575	

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE Addressee Authorized agent

4. DATE OF DELIVERY

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS

POSTMARK
L61
TT
700

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

☆ GOP 1976-O-203-496

7004001541

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



FEDERAL ELECTION COMMISSION

125 K STREET N.W.
WASHINGTON, D.C. 20463

July 6, 1977

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

R. Nelson Crews
3617 Moore Drive
Houston, Texas

RE: MUR 254 (76)

Dear Mr. Crews:

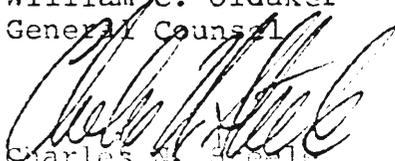
This letter is to notify you that based on information received in the course of doing business the Commission has found reason to believe that you have violated 2 U.S.C. §441b. This information indicates that cash funds of J. Ray McDermott Inc. were distributed to you for the purpose of having you and others make contributions to designated candidates. The evidence specifically suggests that on two separate occasions, \$1,000 of corporate funds were received by you and forwarded through others for the benefit of Henson Moore candidate for Congress.

Under the Act, you have an opportunity to demonstrate that no action should be taken against you. Please submit within 15 days of receipt of this letter any factual or legal materials you believe are relevant to the Commission's analysis of this matter. The Commission is under a duty to investigate this matter expeditiously. Accordingly, we plan to take depositions with respect to your knowledge of these matters and will be contacting you in this regard.

The attorneys assigned to this matter are Carol Darr and Andy Athy, Jr. at (202/523-4033).

Sincerely yours,

William C. Oldaker
General Counsel


Charles W. Steele
Acting General Counsel

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



7 0 9 4 0 0 8 4 5 5 1

MUR 254 Athy

PS Form 3811, Mar. 1976

● SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).

Show to whom and date delivered..... 15¢

Show to whom, date, & address of delivery.. 35¢

RESTRICTED DELIVERY. Show to whom and date delivered..... 65¢

RESTRICTED DELIVERY. Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:
R. Nelson Crews
3617 Moore Dr.
Houston, TX

3. ARTICLE DESCRIPTION:
REGISTERED NO. | CERTIFIED NO. | INSURED NO.
| 943576 |

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE Addressee Authorized agent

R. Nelson Crews

4. DATE OF DELIVERY: JUL 12 1977

5. ADDRESS (Complete only if requested)

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

☆ GOP: 1976-O-203-456

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

June 24, 1977

MEMORANDUM TO: Marge Emmons

FROM: William Oldaker

SUBJECT: MUR 254 (76)

Please have the attached General Counsel Report on MUR 254 distributed to the Commission and placed on the Compliance agenda for the Commission Meeting of Thursday, June 30.

Thank you.

EXECUTIVE SESSION

JUN 30 1977

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



the facts on which it was based were not sufficiently developed. The Office of General Counsel also recommended a finding of reason to believe that a violation of 2 U.S.C. §441b had been committed by Mr. Graves and certain other individuals associated with him and that the Commission initiate its own investigation.

On December 22, 1976, the Commission voted to postpone any determination until a Special Counsel had completed its investigation on behalf of the SEC. A report summarizing the results of this investigation was completed on April 12, 1977 and thereafter transmitted to the Office of General Counsel. (See attachment). The Report, for the purposes of statutes within the jurisdiction of the Commission, contains no significant new information, other than what was available at the time of staff's previous General Counsel Report. The precise amount given by Mr. Graves out of corporate funds is still unclear; it also continues to appear that the other McDermott officials mentioned in the previous General Counsel's Report may have committed §441b(a) violations.

On the basis of its continuing review of this matter the Office of General Counsel renews the reason to believe recommendation made in its previous report and further recommends that an investigation be commenced immediately.

II. Summary of Pertinent Evidence

The pertinent evidence herein consists of copies of depositions taken by the staff of the SEC and statements by Graves attorney to the General Counsel's Office. It also consists, as noted, of the Report prepared by Special Counsel for the SEC.

It appears settled that at least \$4,800 in contributions from corporate funds were made by Graves through various company employees. These were taken from a secret fund estimated by Graves to be \$6,000 (\$1,200 remains) which fund was passed to Graves by the secretary to his predecessor, Roger Wilson, at the time of Wilson's death.

A review of the reports of recipient committees in Louisiana shows that \$9,400 in contributions were received by candidates from employees of McDermott, this is \$4,600 in excess of the amount Graves admits transferring through employees.

It appears from the SEC materials that McDermott Company has had a history of maintaining secret cash funds. These consisted of transfers from foreign subsidiaries. One fund containing eleven diversions of corporate monies totalling \$300,090 was, according to the SEC complaint "created, directly supervised, collected and dispensed [sic] by . . . Wilson from 1962 until about the time of his death in 1972." The evidence also shows that \$50,000 of this fund was transferred to

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

Wilson by Graves near the time of Wilson's death and that of this amount, \$30,000" which remains unaccounted for, was kept in the same secret box as the \$6,000.

It should be noted that Graves estimate that the fund contained \$6,000 came in amended testimony to the SEC. Originally, Graves said that the fund contained \$1,500 but after conflicting testimony by Nelson Crews, a director and Executive President until he left the company in 1974, through whom Graves had forwarded contributions, he revised his estimate to \$6,000.

In the supplement to his SEC testimony Graves reconstructs the following disbursements of cash from the fund.

"In September of 1972, I gave \$1,000 in cash to John D. Dupy, who was then the company Treasurer, who at my request had contributed an identical amount to the 1972 Victory Dinner Committee. In August 1974, I gave approximately \$1,000 cash to Nelson Crews, instructing him to arrange for an identical amount to be given from Company employees to the campaign of Henson Moore, a Congressional candidate from Baton Rouge. In October 1974, I gave \$600 cash to Mr. E.B. Gravois, a company employee, to purchase six tickets for a dinner honoring Senator Long of Louisiana. In March 1975, I gave Mr. Gravois \$1,200 cash and asked him to arrange for contributions totalling that amount to be made by company employees to David Treen, a Congressman from Louisiana, to help make up a campaign deficit. The above constitutes my best present recollection of any and all withdrawals

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
DIVISION OF GENERAL COUNSEL

7001008457

made by me These withdrawals total approximately \$4,800. Accordingly, I now believe that the envelope that I received in 1972 must have contained approximately \$6,000.

Except for Crews all of the employees from whom statements were taken deny their participation in these schemes.

It should also be noted that the evidence refers to an \$18,000 fund. This is composed of \$12,000 in cash that Graves requested from abroad and the estimated \$6,000 from which the illegal contributions were made.

III. Analysis

Although Mayer, Graves personal attorney, desires to conciliate as to \$4,800 in admitted corporate contributions, the potentially conflicting evidence in this matter suggest that further information should be elicited from the apparent principals involved in the contributions from McDermott -- i.e., Graves, Crews, and E.B. Gravois administrative assistant to H.W. Baily, Executive Vice President of McDermott.

Graves contends that the withdrawal of approximately \$4,800 constitutes his best recollection of any and all corporate contributions funneled by him to four recipients, namely Congressman David Treen, Congressman Hansen Moore, Senator Russell Long and the 1972 Victory Committee. An analysis of the reports of these committees shows that

\$9,400 is listed as being contributed by Graves and other McDermott employees. (See the attached chart, which was prepared from an analysis of the reports of all Louisiana candidates, 1972-1976.) It is entirely possible that these additional amounts were properly given. However, these disparities as well as denials by various of the alleged participants, that they used corporate monies compels further examination of the facts. This would involve taking sworn testimony from the principals in this matter.

Graves claims to have given cash to Crews and Gravois for distribution to designated recipients by employees selected by Crews and Gravois. Crews detailed these arrangements under oath and after such testimony Graves amended his sworn testimony to conform to Crews remarks. There is no sworn statement in the record from Gravois. Crews indicates that certain employees may have been his conduits but that he can not recall definitely. The individuals that he does name deny under oath that they participated in any arrangement to contribute corporate funds. There would appear to be little evidence available to impeach these statements but a close examination of Graves, Crews and Gravois should elicit a more exact description of these facts involved. This would help insure that the Commission is not closing a case that is of greater magnitude than Graves recommended.

FEDERAL BUREAU OF INVESTIGATION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

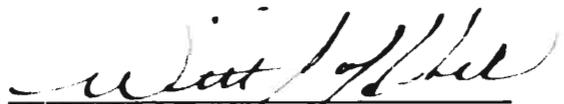
7 0 0 1 0 0 8 1 5 1 1

The statute of limitation would preclude enforcing a finding of a violation with respect to the \$1,000 given to the 1972 Victory Committee and the statute would similiarly run as to the \$1,000 given to Crews in August of 1974 unless this matter is promptly investigated.

IV. Recommendation

The staff recommends that the Commission find reason to believe that violations of 2 U.S.C. §441(b)(a) were committed by J. Ray McDermott and Company Inc., Charles L. Graves, Nelson Crews and Earnes B. Gravois. It is further recommended that sworn testimony be taken for Graves, Crews and Gravois after each of the respondents has been given a reasonable opportunity to respond.

6/24/77
DATE


WILLIAM C. OLDAKER
GENERAL COUNSEL

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

200701081561

UNITED STATES OF AMERICA
FEDERAL ELECTION COMMISSION

Subpoena to Appear for Deposition Upon Oral Examination and
to Produce Books, Records and other Relevant Documents

TO: R. Nelson Crews
3617 Moore Drive
Houston, Texas

7 0 0 4 0 0 3 4 5 5 1

At the instance of the Federal Election Commission pursuant to §437d of Title 2 of the United States Code, you are hereby subpoenaed to appear for deposition with regard to possible illegal campaign contributions from funds of J. Ray McDermott, Inc. in connection with the campaign of candidates for federal office or committees supporting candidates for federal office, including but not limited to Congressman W. Hensen Moore, Congressman David C. Treen and Senator Russell Long. Notice is hereby given that the deposition is to be taken at

and at any and all adjournments thereof.

You are hereby subpoenaed to appear for this deposition and, pursuant to §437d of Title 2, United States Code, to produce at the time of the deposition;

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

7
0
0
4
0
0
B
4
5
6
2

A) All documents and all tangible things including but not limited to letters, memoranda, inter office communications, telephone logs, cancelled checks with back up data for any account held in the name of J. Ray McDermott, Inc. or any of its subsidiaries or any account under your control or the control of your wife, or records of any bank checks which refer, relate or pertain in any way to the transfer or contribution directly or indirectly of funds of J. Ray McDermott, Inc. and any of its subsidiaries since December of 1971 to any candidate for federal office or any such candidate's committee or any committee supporting federal candidates.

B) All documents and all tangible things which refer, relate or pertain in any way to any off book fund maintained by J. Ray McDermott, Inc. or any of its office, since December 1, 1971 from which any transfers or contributions were made directly or indirectly to any candidate for federal office or any such candidate committee or any committee supporting federal candidates.

C) All documents and all tangible things including but not limited all cancelled checks from accounts maintained in your name or the name of your wife or records of bank

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

checks which refer, relate, or pertain to any contributions made since December 1, 1971 by either you or you and your wife from funds under the ownership or control of you or you and your wife to any candidate for federal office or any such candidates committee or any committee supporting federal candidates.

WHEREAS, the Chairman of the Federal Election Commission has hereunto set his hand at Washington, D.C., this day of , 1977.

THOMAS E. HARRIS
CHAIRMAN

ATTEST:

Secretary to the Commission

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

2001008456

UNITED STATES OF AMERICA
FEDERAL ELECTION COMMISSION

Subpoena to Appear for Deposition Upon Oral Examination and
to Produce Books, Records and other Relevant Documents

TO: Earnest B. Gravois
RFD 2, Box 515
Thibodaux, LA 70301

At the instance of the Federal Election Commission pursuant to §437d of Title 2 of the United States Code, you are hereby subpoenaed to appear for deposition with regard to possible illegal campaign contributions from funds of J. Ray McDermott, Inc. in connection with the campaign of candidates for federal office, including but not limited to Congressman W. Hensen Moore, Congressman David C. Treen and Senator Russell Long. Notice is hereby given that the deposition is to be taken at

and at any and all adjournments thereof.

You are hereby subpoenaed to appear for this deposition and, pursuant to §437d of Title 2, United States Code, to produce at the time of the deposition;

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

1904081561

1974008155

A) All documents and all tangible things including but not limited to letters, memoranda, inter office communications, telephone logs, cancelled checks with back up data for any account held in the name of J. Ray McDermott, Inc. or any of its subsidiaries or any account under your control or the control of your wife, or records of any bank checks which refer, relate or pertain in any way to the transfer or contribution directly or indirectly of funds of J. Ray McDermott, Inc. and any of its subsidiaries since December of 1971 to any candidate for federal office or any such candidate's committee or any committee supporting federal candidates.

B) All documents and all tangible things which refer, relate or pertain in any way to any off book fund maintained by J. Ray McDermott, Inc. or any of its office, since December 1, 1971 from which any transfers or contributions were made directly or indirectly to any candidate for federal office or any such candidate committee or any committee supporting federal candidates.

C) All documents and all tangible things including but not limited all cancelled checks from accounts maintained in your name or the name of your wife or records of bank

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

checks which refer, relate, or pertain to any contributions made since December 1, 1971 by either you or you and your wife from funds under the ownership or control of you or you and your wife to any candidate for federal office or any such candidates committee or any committee supporting federal candidates.

WHEREAS, the Chairman of the Federal Election Commission has hereunto set his hand at Washington, D.C., this day of , 1977.

THOMAS E. HARRIS
CHAIRMAN

ATTEST:

Secretary to the Commission

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

7 9 0 4 0 0 8 4 5 3 6

UNITED STATES OF AMERICA
FEDERAL ELECTION COMMISSION

Subpoena to Appear for Deposition Upon Oral Examination and
to Produce Books, Records and other Relevant Documents

TO: Charles L. Graves
1329 Octavia Street
New Orleans, Louisiana

At the instance of the Federal Election Commission pursuant to §437d of Title 2 of the United States Code, you are hereby subpoenaed to appear for deposition with regard to possible illegal campaign contributions from funds of J. Ray McDermott Inc. in connection with the campaign of candidates for federal office or committees supporting candidates for federal office, including but not limited to Congressman W. Hensen Moore, Congressman David C. Treen and Senator Russell Long. Notice is hereby given that the deposition is to be taken at

and at any and all adjournments thereof.

You are hereby subpoenaed to appear for this deposition and, pursuant to §437d of Title 2, United States Code, to produce at the time of the deposition;

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

7 9 9 1 1 7 8 4 5 6 7

19010084563

A) All documents and all tangible things including but not limited to letters, memoranda, inter office communications, telephone logs, cancelled checks with back up data for any account held in the name of J. Ray McDermott, Inc. or any of its subsidiaries or any account under your control or the control of your wife, or records of any bank checks which refer, relate or pertain in any way to the transfer or contribution directly or indirectly of funds of J. Ray McDermott, Inc. and any of its subsidiaries since December of 1971 to any candidate for federal office or any such candidate's committee or any committee supporting federal candidates.

B) All documents and all tangible things which refer, relate or pertain in any way to any off book fund maintained by J. Ray McDermott, Inc. or any of its office, since December 1, 1971 from which any transfers or contributions were made directly or indirectly to any candidate for federal office or any such candidate committee or any committee supporting federal candidates.

C) All documents and all tangible things including but not limited all cancelled checks from accounts maintained in your name or the name of your wife or records of bank

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

checks which refer, relate, or pertain to any contributions made since December 1, 1971 by either you or you and your wife from funds under the ownership or control of you or you and your wife to any candidate for federal office or any such candidates committee or any committee supporting federal candidates.

WHEREAS, the Chairman of the Federal Election Commission has hereunto set his hand at Washington, D.C., this day of , 1977.

THOMAS E. HARRIS
CHAIRMAN

ATTEST:

Secretary to the Commission

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

70940784567





FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Charles L. Graves
1329 Octavia Street
New Orleans, Louisiana

Re: MUR 254 (76)

Dear Mr. Graves:

This letter is written with regard to your discussions with this office as to a conciliation agreement concerning \$4,800 in political contributions made by you from corporate funds.

Although the Commission appreciates your cooperation to date, our continuing review of this matter indicates that an investigation of this matter is required to determine whether there are additional facts relevant to the conciliation process.

Pursuant to its enforcement authority under 2 U.S.C. §437g(a)(2), the Commission has found, on reason to believe that you have violated 2 U.S.C. §441b.

Under the Act, you have an opportunity to demonstrate that no action should be taken against you. Please submit within 15 days of receipt of this letter any factual or legal material you believe are relevant to the Commission's analysis of this matter. The Commission is under a duty to investigate this matter expeditiously. Accordingly, we plan to take depositions with respect to your knowledge of these matters and will be contacting you in this regard.

7004978157

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



The attorneys assigned to this matter are Carol Darr and Andrew Athy, Jr., (202/523-4038).

Sincerely yours,

William C. Oldaker
General Counsel

70040084571

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Earnest B. Gravois
RFD 2, Box 515
Thibodaux, LA 70301

RE: MUR 254 (76)

Dear Mr. Gravois:

This letter is to notify you that based on information received in the course of doing business the Commission has found reason to believe that you have violated 2 U.S.C. §441b. This information indicates that cash funds of J. Ray McDermott Inc. were distributed through you to candidates for federal office. The evidence specifically suggests that \$1,200 in cash was given to you to arrange for contributions totalling that amount from company employees to David Treen and that \$600 was given to you to be given to or forwarded in the same manner to a dinner for Senator Russell Long.

Under the Act, you have an opportunity to demonstrate that no action should be taken against you. Please submit within 15 days of receipt of this letter any factual or legal materials you believe are relevant to the Commission's analysis of this matter. The Commission is under a duty to investigate this matter expeditiously. Accordingly, we plan to take depositions with respect to your knowledge of these matters and will be contacting you in this regard.

The attorneys assigned to this matter are Carol Darr and Andrew Athy, Jr., (202/523-4038).

Sincerely yours,

William C. Oldaker
General Counsel

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL



7 9 7 4 0 0 8 4 5 7 1



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

R. Nelson Crews
3617 Moore Drive
Houston, Texas

RE: MUR 254 (76)

Dear Mr. Crews:

This letter is to notify you that based on information received in the course of doing business the Commission has found reason to believe that you have violated 2 U.S.C. §441b. This information indicates that cash funds of J. Ray McDermott Inc. were distributed to you for the purpose of having you and others make contributions to designated candidates. The evidence specifically suggests that on two separate occasions, \$1,000 of corporate funds were received by you and forwarded through others for the benefit of Henson Moore candidate for Congress.

Under the Act, you have an opportunity to demonstrate that no action should be taken against you. Please submit within 15 days of receipt of this letter any factual or legal materials you believe are relevant to the Commission's analysis of this matter. The Commission is under a duty to investigate this matter expeditiously. Accordingly, we plan to take depositions with respect to your knowledge of these matters and will be contacting you in this regard.

The attorneys assigned to this matter are Carol Darr and Andy Athy, Jr. at (202/523-4038).

Sincerely yours,

William C. Oldaker
General Counsel



FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

7 0 0 4 0 0 8 1 5 7

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. Charles Graves
1329 Octavia Street
New Orleans, Louisiana 70115

Re: MUR 254 (76)

JAN 12 1977

Dear Mr. Graves:

This letter is to advise you that the Commission has determined not to conciliate in the above-numbered MUR and to leave its file open pending the receipt of further information. At the present time, we do not have sufficient information upon which to take action in this matter.

A copy of a certification of the Commission's action is enclosed with this letter. If you have any questions please contact Carol Darr (telephone no. 202/382-4041), the attorney assigned to this case.

Sincerely yours,

William C. Oldaker
Assistant General Counsel

Enclosure

CDarr:pjg:12/23/76
cc: Chron file
MUR file
CD

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

79040084574

7 9 9 4 0 0 8 4 5 7 5

GC

PS Form 3811, Mar. 1976

● SENDER: Complete items 1, 2, and 3. Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).

Show to whom and date delivered..... 15¢

Show to whom, date, & address of delivery.. 35¢

RESTRICTED DELIVERY.
Show to whom and date delivered..... 65¢

RESTRICTED DELIVERY.
Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:

Mr. Charles Graves

3. ARTICLE DESCRIPTION:

REGISTERED NO.	CERTIFIED NO.	INSURED NO.
	<i>438123</i>	

(Always obtain signature of addressee or agent)

I have received the article described above.

SIGNATURE Addressee Authorized agent

Charles L. Graves

4. DATE OF DELIVERY <i>1-17-77</i>	POSTMARK <i>JAN 17 1977</i>
---------------------------------------	--------------------------------

5. ADDRESS (Complete only if requested)
*Service Window Bldg B
- Rm 70115*

6. UNABLE TO DELIVER BECAUSE:

CLERK'S INITIALS

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

☆ GPO 1976 O-203-458

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF LEGAL COUNSEL

JAN 07 1977

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Daniel Mayers, Esq.
Douglas Thompson, Jr., Esq.
Wilmer, Cutler & Pickering
1666 K Street, N.W.
Washington, D.C. 20006

Re: MUR 254 (76)

Dear Messrs Mayers & Thompson:

This letter is to advise you that the Commission has determined not to conciliate in the above-numbered MUR and to leave its file open pending the receipt of further information. At the present time, we do not have sufficient information upon which to take action in this matter.

A copy of a certification of the Commission's action is enclosed with this letter. If you have any questions please contact Carol Darr (telephone no. 202/382-4041), the attorney assigned to this case.

Sincerely yours,

101
William C. Oldaker
General Counsel

Enclosure

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

79040084575

79010784577

PS Form 3811, Mar. 1976

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

SENDER: Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
 Show to whom and date delivered..... 15¢
 Show to whom, date, & address of delivery.. 35¢
 RESTRICTED DELIVERY.
 Show to whom and date delivered..... 65¢
 RESTRICTED DELIVERY.
 Show to whom, date, and address of delivery 85¢

2. ARTICLE ADDRESSED TO:
 DANIEL MAYERS
 Douglas Thompson

3. ARTICLE DESCRIPTION:
 REGISTERED NO. | CERTIFIED NO. | INSURED NO.
 | 432112 | |

(Always obtain signature of addressee or agent)

I have received the article described above.
 SIGNATURE Addressee Authorized agent
[Signature]

4. DATE OF DELIVERY
 1-10-77

5. ADDRESS (Complete only if requested)
 10FL
 1626-K St New York

6. UNABLE TO DELIVER BECAUSE:

POSTMARK
 WASHINGTON, DC
 1977
 JAN 11
 CLEAR'S INITIALS

☆ GPO : 1976 - O - 203 - 456

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
) MUR 254 (76)
J. Ray McDermott & Co.,)
Inc. & Charles L. Graves)

CERTIFICATION

I, Marjorie W. Emmons, Secretary to the Federal Election Commission, do hereby certify that on December 22, 1976, the Commission determined by a vote of 5-0, not to conciliate in this matter and to leave the file open. Commissioner Thomson was absent.

Betty J. Moo
for Marjorie W. Emmons
Secretary to the Commission

FEDERAL ELECTION COMMISSION
KEEPING THE COPY
OFFICE OF GENERAL COUNSEL

79010784578

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
) MUR 254 (76)
J. Ray McDermott & Co., Inc.)
& Charles L. Graves)

GENERAL COUNSEL'S REPORT

I. Allegations

This MUR was initiated internally on the basis of information supplied to the Federal Election Commission on September 30, 1976 by Daniel Mayers, attorney for Charles Graves, President and Chairman of the Board of J. Ray McDermott and Company.

An examination of the voluntarily supplied materials indicates a violation of §441b prohibiting corporate political contributions to federal candidates.

Mr. Mayers' objective in providing the Commission with evidence of Charles Graves' illegal political contributions is to conciliate as to \$4,800 in corporate monies which Graves admittedly has contributed to various federal candidates and officeholders since 1972.

Our examination of the materials supplied voluntarily by respondents indicates that there is insufficient evidence to reach a conciliation agreement in this matter. At the present time

0011994570

FEDERAL ELECTION COMMISSION
GENERAL COUNSEL

it is unclear whether the \$4,800 represents the full extent of respondent's §441b violation; it is also unclear what effect the 3 year statute of limitations in 2 U.S.C. §455 has on the possible violations in this matter.

II. Evidence

No complaint has been filed in this matter. However, the Securities & Exchange Commission is conducting an investigation into McDermott and filed a §10(b) complaint against the Company naming Charles Graves and others as defendants. As part of the permanent injunction which was filed on October 6, 1976, pursuant to the complaint, McDermott agreed to have a Special Counsel further investigate the allegations in the SEC's complaint, and file a report of its findings within 120 days of the October 6, 1976 injunction.

The officers of McDermott made cash disbursements of corporate monies for two illegal purposes. One fund was used for commercial bribery paid to an officer of the Tenneco Oil Company one of McDermott's customers.

The second purpose of the illegal case disbursements of

corporate funds was political. The third count of the SEC's complaint alleges that since 1962, the McDermott Company, Charles Graves and several other officers of the company, caused the accumulation of a secret, off-book cash fund totalling at least \$300,090, which was concealed and disguised through false accounting entries. They also created and maintained another secret cash fund of at least \$18,000 in corporate monies, part of which was used to make illegal political contributions to candidates for federal office. Mayers, attorney for Graves, is willing to conciliate as to \$4,800 of this \$18,000 fund. Both of these funds were at the corporate headquarters in New Orleans.

One fund containing eleven diversions of corporate monies totalling \$300,090 was, according to the SEC complaint, "created, directly supervised, collected and dispersed [sic] by a now deceased officer of McDermott, Roger Wilson," during a period from 1962 until about the time of his death in 1972.

Although the SEC's complaint states that the purpose of this \$300,090 fund was "unknown", the other admittedly political fund containing at least \$18,000 is considered in the complaint "a further part of aforesaid conduct (i.e. the \$300,090 fund)." This \$18,000 was accumulated at

FEDERAL ELECTION COMMISSION
ORIGINAL FILE COPY
OFFICE OF GENERAL COUNSEL

the direction of Charles Graves from 1972 to 1974, and disbursed from 1972 through 1975. This second fund may be in fact a continuation of the original \$300,090 fund.

Dan Mayers, attorney for Graves, states that the speculation expressed in the depositions of various employees, particularly Katherine Moore, Wilson's secretary, was the sole basis on which the SEC characterized the \$300,090 fund as political.

When asked to give the basis of her speculation that the purpose of the \$300,090 may have been for political contributions, Moore states [p. 20-21, Moore's testimony to SEC]

"Well, just thinking about the foreign money. I can say that I am very certain he [Wilson] never used it for himself So then where is the money going if its not for political contributions, you know?

Q - Has this speculation you have come about as a result of various newspaper articles in the last few years or was this speculation that perhaps went through your mind at the time?

A - It went through at the time.

The first diversion of corporate monies into the \$300,090 fund was made in 1962 in the amount of \$30,000 by Roger Wilson, who was then president of McDermott.

79040084582

Charles Graves, successor to Wilson and present president of McDermott, admits in his testimony to the SEC that Wilson told him of the conversion of the \$30,000 in to cash at the time it was made, but that Wilson did not mention the purpose of the transaction, and that "you didn't question Mr. Wilson on matters of that nature." [p. 16, Graves' SEC testimony]

Graves' second association with this \$300,090 fund occurred in December of 1971, when Bob Richie, president of Oceanic, a subsidiary of McDermott, brought an envelope containing \$50,000 in cash to Graves, because Wilson, who had requested the money, was in the hospital, and Graves was the chief operating officer.

Richie states: [Richie's testimony to SEC p. 153]

"he [Wilson] was at the hospital at the time I brought it [the cash] in [to the office] so he wasn't available for me to give it to, so I handed it to Mr. Graves because Mr. Wilson wasn't capable of receiving it"

Q - What did he [Graves] say to you when you handed him \$50,000?

A - "He didn't say anything to me. He just gave me a receipt for it that he received it"

Q - Did you have a conversation at all with Mr. Wilson then?

A - "no sir, I never saw Mr. Wilson after that time up until he died. I was overseas when he died . . ."

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

7974008458

Q - Did he open it up in your presence?

A - No. He did not.

Q - What did Mr. Graves say to you when you brought the envelope to him?

A - Oh probably just "thank you". We didn't have any great conversation about it, as I recall.

Graves states that he gave the envelope to Jim Cunningham, who had a fireproof safe in his office. Graves testified that Cunningham returned the envelope some months later. "Well, I said okay and took the envelope back, and that was the first time I opened it. I opened it and it contained fifteen hundred dollars in cash." [p. 19]

Cunningham states in his testimony [at pp. 69-70]

". . . Mr. Graves gave me for safe keeping an envelope which purported to have cash in it which I never opened, and shortly overnight over the weekend put in safe keeping, that I delivered it back to him . . ."

Q - When did you give it back to Mr. Graves?

A - Overnight or over the weekend or whatever the period of time. I don't rightly remember. It was about the time that Wilson was terminal.

In May, 1974, Graves requested that Crews, Cunningham and Richie, each bring him \$4,000 in cash from overseas. [Graves, p. 41]

79010034585

"In early '74, . . . I had always understood Roger [Wilson] kept some cash here. I have told you I had fifteen hundred. I still have that fifteen hundred. I had never had occasion to use it, but if we needed cash for any basis, certainly fifteen hundred dollars isn't very much cash for anything you might need. So I asked them to bring some money home. They were getting ready to leave on the audit trip. They did so. Each one of the gentlemen brought in four thousand dollars in cash I have the twelve thousand dollars.

Graves later amended his testimony after he was informed that Nelson Crews, who was no longer with McDermott, recalled that he had received cash from Graves in connection with political contributions. Graves attributes his previous lack of memory to medical treatments that he was currently undergoing and states that "Mr. Crews' recollection in turn jogged my memory."

With respect to the envelope given to him by Wilson's secretary, Graves says that "I now realize that the envelope must have contained more. My best estimate is that the envelope must have contained approximately \$6,000."

This \$6,000 in addition to the \$12,000 that Graves received from overseas comprises the \$18,000 to which the SEC complaint refers.

In the supplement to his SEC testimony, Graves reconstructs the following cash disbursements from the fund.

7 9 9 4 0 0 8 4 5 8 5

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100

"In September of 1972, I gave \$1,000 in cash to John D. Dupy, who was then the company Treasurer, who at my request had contributed an identical amount to the 1972 Victory Dinner Committee. In August 1974, I gave approximately \$1,000 cash to Nelson Crews, instructing him to arrange for an identical amount of contributions from Company employees to the campaign of Henson Moore, a Congressional candidate from Baton Rouge. In October, 1974, I again gave Mr. Crews approximately \$1,000 cash and asked him to arrange for similar contributions to the Moore Campaign. Also in October, 1974, I gave \$600 cash to Mr. E. B. Gravois, a company employee to purchase six tickets to a dinner honoring Senator Long of Louisiana. In March, 1975, I gave Mr. Gravois \$1,200 cash and asked him to arrange for contributions totalling that amount to be made by company employees to David Treen, a Congressman from Louisiana, to help make up a campaign deficit. The above constitutes my best present recollection of any and all withdrawals made by me These withdrawals total approximately \$4,800. Accordingly, I now believe that the envelope that I received in 1972 must have contained approximately \$6,000.

As to the \$1,500 listed previously, Graves says "I simply was off by \$300 in remembering the amount."

Therefore, \$4,800 disbursed + \$1,200 remaining in fund (instead of \$1,500) = \$6,000, + \$12,000 from overseas = \$18,000 fund.

III. Analysis

Mayer, Graves personal attorney, wishes to conciliate as to the \$4,800 in illegal corporate political contributions which Graves has admitted disbursing.

OFFICE OF GENERAL COUNSEL

There are, however, numerous unanswered questions concerning the two secret, off-book cash funds of which Graves had knowledge, especially the \$50,000 cash which Richie brought to him to give to Wilson shortly before Wilson died in 1972.

A. The \$300,090 FUND

This \$50,000 is particularly troublesome because Graves may have had access to it. The remainder of \$300,090 fund, including \$30,000 received 3 months previous to the \$50,000, appears to have been collected and disbursed by the now deceased former president, Roger Wilson.

There are several different possibilities regarding the disappearance of the \$50,000.

1. Graves gave the money to Wilson who converted the money to his own use.

Wilson maintained a lock box in which he kept an envelope of his own money (used primarily for betting) and a separate envelope of corporate money. The box was in Wilson's name, and he and his secretary were the only two persons who had access to it.

Ms. Moore, Wilson's secretary stated [p. 20].

"Well, just thinking about the foreign [corporate] money, I can say that in my own mind I am very certain that he never used it for himself. There would have been no reason to keep things so separate and he wasn't the type of person to do this anyhow."

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

7 9 0 9 0 0 8 4 5 3 3

home. Maybe he would be here for an hour maybe two hours maybe three hours always in the attendance of a nurse, even though she didn't sit in his office, she was always present helping." [pp. 11-12, Graves].

Even though Wilson was no longer the chief operating officer and was extremely ill, it is possible that he disbursed the entire amount.

III. All or part of the \$50,000 found its way into Graves' possession.

Wilson may have given the money to Graves directly, although Graves testified that in the period immediately preceding Mr. Wilson's death, that he never had any discussions with Wilson concerning the contents of any safety deposit boxes or vaults in which Wilson maintained corporate funds. Wilson may have put all or part of the money in the safety deposit box in the corporate envelope, the contents of which were given to Graves by Ms. Moore around the time of Wilson's death on February 12, 1972. Or possibly, Graves never gave the money to Wilson in the first place.

79010131589

B. The \$18,000 FUND

On page four of his amended testimony, Graves states that his testimony concerning the withdrawal of approximately \$4,800 "constitutes my best present recollection of any and all withdrawals made by me from the cash given [returned] to me by Cunningham" [i.e., the \$6,000]

Our independent investigation into the reports filed the 1972 Victory Dinner Committee, Congressmen David Treen and Henson Moore, and Senator Russell Long, shows that more money was contributed to their campaigns by employees of McDermott than Graves admitted disbursing.

It is, of course, entirely possible that these contributions were given personally by the employees without reimbursement from McDermott corporate funds.

The information provided in the amendment to Graves' SEC testimony and the list of Graves' personal contributions from 1972-1976 attached thereto was compared to the reports filed by the candidates named in Graves' testimony. The following discrepancies appeared:

1. 1972 VICTORY DINNER COMMITTEE

Graves testified that he gave \$1,000 to John D. Dupy, company treasurer, in September of 1972, to contribute to the 1972 Victory Dinner Committee. The 1972 Victory Dinner Committee reports a \$1,000 contribution from Mr. Dupy on

79040084571
FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

September 29, 1972. Dupy's contribution checks out.

2. CONTRIBUTIONS TO SENATOR RUSSELL LONG

a. Employees excluding Graves.

Graves testified that he gave E. B. Gravois, company employee, \$600 cash in October '74 to purchase six dinner tickets to a benefit for Senator Russell Long.

Senator Long's reports list 4 contributions of \$200 each from Gravois, Crews, Cunningham, and Dupy for a total of \$800.

Senator Long additionally reports a \$200 contribution from Mrs. H.W. Bailey on May 1, 1974. [In H. W. Bailey's testimony to the SEC, he says that he has no recollection of being solicited to make contributions by either Crews or Gravois - or receiving reimbursements for contributions to Moore or Treen. "I did make personal contributions on my personal account to these campaigns." Bailey says nothing about any contributions to Senator Long.]

There is discrepancy between Graves' testimony regarding McDermott employees' contributions and Long's reports of \$200. (\$400 including Mrs. Bailey's contribution).

b. Graves' Personal Contributions.

Graves lists two contributions to Senator Long from his personal funds, \$800 on March 21, 1974 (Check number 5680),

79010084591

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

and \$200 on October 8, 1974 (Check number 5880).

However, the reports filed by Senator Long list two contributions of \$200 each on May 2, 1974, one from Mr. Graves, one from Mrs. Graves. The \$800 check (number 5680) does not appear on Senator Long's reports.

Long's reports do list a \$200 contribution from Mr. Graves on November 7, 1974, which appears to correspond to the \$200 check which Graves says was dated October 8, 1974.

With regard to Graves' personal contributions to Senator Long, a total of \$400 is listed on Long's reports which Graves has not admitted; and Graves has admitted an \$800 contribution (Check number 5680) which does not appear on Long's reports.

3. CONTRIBUTIONS TO CONGRESSMAN DAVID TREEN

a. Employees excluding Graves.

Graves testified that he gave \$1,200 cash to Mr. Gravois in March, 1975, with instructions that an identical amount be contributed from McDermott employees to the campaign of Congressman David Treen.

Reports filed by the Treen committee show that \$2,500 was contributed by McDermott employees between July, 1974,

200 1008459
FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

and May 29, 1975, which differs in the amount of \$1,300 from what Graves reports.

b. Graves personal contributions.

Graves lists personal contributions of \$700 in 1974 and \$200 in 1975 to Treen's Campaign. These two sums are reported by the Treen Committee.

4. CONTRIBUTIONS TO CONGRESSMAN HENSON MOORE

a. Employees excluding Graves.

Graves states that he gave \$1,000 cash in August, 1974, and \$1,000 cash in October, 1974, to Nelson Crews with instructions that the same amount be contributed to the Campaign of Henson Moore through McDermott employees.

Moore's campaign reports show that \$2,400 was contributed between September 9, 1974 and December 3, 1974 from employees of McDermott, \$400 more than Graves admits giving to Crews.

b. Graves' personal contributions.

Graves reports two contributions of \$500 each to Moore's campaign, both of which are listed in Moore's reports.

. . .

The campaign reports of the 1972 Victory Dinner Committee, Senator Russell Long, and Congressmen Henson Moore and David Treen list a total of \$9,400 in contributions from the employees

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

of McDermott, including Graves. \$2,100 of Graves' admitted personal contributions are listed in the reports of the four campaigns, in addition to the \$4,800 in corporation monies which Graves admits disbursing, for a total of \$6,900.

There remains, therefore, an additional \$2,500 which is reported by the candidates and political committees as contributions from employees of McDermott which Graves does not report.

The explanation given by Charles Graves of the disbursal of the \$4,800 in corporate funds evidences a pattern of concealing political contributions by routing them through McDermott employees. This behavior, in addition to the other employees' contributions found in the candidates' reports but not admitted by Graves, suggests that there may be other undisclosed illegal contributions, especially in light of the previously mentioned \$50,000.

It should also be noted that Graves denied any knowledge of any corporate political contributions until Nelson Crews had made statements to the SEC.

STATUTE OF LIMITATIONS

There is also a question of the effect of the statute of limitations with regard to these contributions.

As to the \$4,800 which is admitted, the statute has already run on the \$1,000 which was contributed in September, 1972, to the 1972 Victory Dinner Committee.

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

7 9 0 1 0 0 8 1 5 9 4

The \$50,000 which Richie gave to Graves to give to Wilson has never been accounted for. The effect of the statute will of course be determined by the date on which it was disbursed (assuming we can ever find out.)

IV. Recommendation

20010081501
The permanent injunction to which McDermott and its officers agreed in the suit brought by the SEC requires, inter alia, that McDermott retain a law firm satisfactory to the SEC to act as Special Counsel to further investigate the allegations in the SEC's complaint, and that a report of the findings be filed within 120 days of the October 6, 1976, injunction. The final judgement also ordered McDermott to correct a file with the SEC any appropriate amendments to its annual and periodic reports from 1962 to date with respect to the matters alleged.

These amended annual and periodic reports should be most helpful in determining where and how the funds in question were spent, and it is recommended that no investigation or conciliation be concluded until after the date the reports are due.

In the interim, the Commission should find reason to believe violation of §441b by McDermott, Graves, Richie, Crews, Cunningham, Dupy and Gravois.

FEDERAL ELECTION COMMISSION
CENTRAL FILE COPY
OFFICE OF GENERAL COUNSEL

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

LITIGATION RELEASE NO.

/October 6, 1976

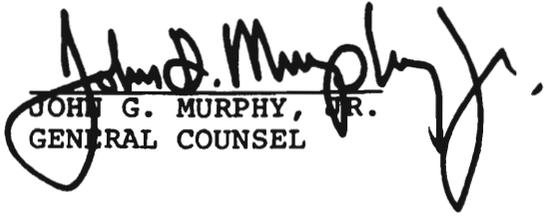
S.E.C. v. J. RAY McDERMOTT & CO., INC., et al.
Civil Action No. 76- (United States District Court for the
District of Columbia.)

7
0
0
4
0
8
4
5
9
5
The Securities and Exchange Commission today announced the filing of a civil injunctive action in the United States District Court for the District of Columbia seeking to enjoin J. Ray McDermott & Co., Inc. ("McDermott"), a Delaware corporation; Charles L. Graves ("Graves"), chairman of the board of directors of McDermott; R. Nelson Crews ("Crews"), a former officer and director of McDermott; Robert K. Richie ("Richie"), Hosea W. Bailey ("Bailey"), James E. Cunningham ("Cunningham") and Charles L. Davis ("Davis"), all officers of McDermott; and Schacht V. McCollum ("McCollum"), a former officer of Tenneco Oil Company, a subsidiary of Tenneco, Inc., from further violations of Sections 10(b), an anti-fraud provision, 13(a), a reporting provision, and 14(a), a proxy provision, of the Securities Exchange Act of 1934 ("the Exchange Act") and certain rules thereunder. The individual defendants, Graves, Richie, Bailey, Cunningham and Davis are all members of McDermott's board of directors.

7
0
0
4
0
8
4
5
9
5
The Commission's complaint alleged that since 1971 the defendants violated Section 10(b) of the Exchange Act by making secret cash payments totaling at least \$109,000. to McCollum to aid in the procurement and maintenance of certain contracts between McDermott and McCollum's employer, Tenneco Oil Company. As a part of this conduct, the defendants concealed and disguised the payments to McCollum through certain false accounting entries on the books and records of McDermott.

The complaint further alleged that since 1962 the defendants McDermott, Graves, Crews, Richie, Cunningham, and Davis, caused the accumulation of a secret, off-book cash fund totalling at least \$300,000. which was concealed and disguised through false accounting entries, as well as created and maintained a secret cash fund of at least \$18,000. in corporate monies, part of which was used to make illegal and unlawful political contributions to candidates for Congressional office.

FEDERAL ELECTION COMMISSION
ORIGINAL FILE COPY
OFFICE OF GENERAL COUNSEL


JOHN G. MURPHY, JR.
GENERAL COUNSEL

DATE: December 1, 1976

7 9 0 4 0 0 8 4 5 9 7

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

Graves was also questioned by the SEC about the purpose of the corporate cash fund that Wilson kept.

Q - Do you know if Wilson viewed this as a supplement to his income or whether he had a specific purpose in mind for withdrawing these funds?

A - I would not hazard a guess.

Q - Was Mr. Wilson's influence such that he could have had whatever salary he desired?

A - I would say that he probably could have.

II. Wilson disbursed the \$50,000 within the two months preceding his death.

Graves stated that he gave Wilson the envelope within several days after he himself received it on December 10, 1971.

From the time that Wilson entered the hospital about the first of December, until his death on February 12, 1972, Graves was the chief operating officer. Graves states that when Wilson returned from his exploratory surgery, he came to the office or attended to corporate business relatively infrequently, "from one to three days a week maybe four days a week, only a few hours at a time He had cancer of the lung, so he would go out to the clinic and take his cobalt treatment, and then come to the office maybe for an hour or so until he began to feel badly and he would go

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

79040084593

The complaint also alleged that the defendant McDermott and others falsified the company's books and records with respect to McDermott's foreign operations by, among other things, disguising certain disbursements on McDermott's books and records, and those of its subsidiaries, by utilizing or causing to be utilized certain false accounting entries which did not reflect the true nature, purpose and description of the expenditures; channelling funds through certain consultants, agents and others, ostensibly for consulting or other business purposes, as nominees and conduits for payments to certain foreign government officials and others; and maintaining funds of McDermott corporate monies off the books and records of McDermott and its subsidiaries operating in foreign countries.

Without admitting or denying the allegations contained in the Commission's complaint, the defendant McDermott consented to the entry of a final judgment of permanent injunction enjoining the company from further violations of Sections 10(b), 13(a) and 14(a) of the Exchange Act and certain rules thereunder. In addition, the judgment provided for certain ancillary relief, including provisions requiring the Audit Committee of McDermott's Board of Directors to retain a law firm satisfactory to the Commission to act as Special Counsel to further investigate the allegations contained in the Commission's complaint and other relevant matters; to file a report of its findings with the Commission and the Court; and reserving to the Commission the right to apply to the Court for any further relief upon submission of the report of the Special Committee.

Defendants Graves, Crowe, Richie, Bailey, Cunningham and Davis also consented, without admitting or denying the allegations contained in the Commission's complaint, to final judgments of permanent injunction enjoining them from further violations of Sections 10(b), 13(a) and 14(a) of the Exchange Act and certain rules thereunder.

10740784509

FILE

CC # 627
MUR 254

WILMER, CUTLER & PICKERING
1666 K STREET, N. W.

RE: HARRIS WILMER (1992-1976)

LLOYD N. CUTLER
JOHN H. CHERRING
MANUEL F. COHEN
HUGH R. H. SMITH
LOUIS F. DEBRIDGEMAN
J. ROGER WOLLENBERG
CHARLES C. GLOVER, III
MARSHALL HORNBIOWER
HENRY T. RATHBUN
REUBEN CLARK
SAMUEL J. LANAHAN
WILLIAM R. PERLIK
SAMUEL A. STERN
ARNOLD M. LERMAN
ROBERT P. STRANAHAN, III
MAX O. TRUITT, JR.
JOEL ROSENBLUM
HOWARD P. WILLENS
ANDREW T. A. MACDONALD
ROBERT A. HAMMOND, III
DANIEL K. MAYERS
TIMOTHY B. DYK

DAVID R. ANDERSON
J. RODERICK HELLER, III
ARTHUR F. MATHEWS
JAMES S. CAMPBELL
DENNIS M. FLANNERY
DANIEL MARCUS
JAMES ROBERTSON
RAYMOND C. CLEVENGER, III
LOUIS R. COHEN
MICHAEL R. KLEIN
STEPHEN A. WEISWASSER
TIMOTHY N. BLACK
SALLY KATZEN
F. DAVID LAKE, JR.
PAUL J. MODE, JR.
STEPHEN F. BLACK
C. BOYDEN GRAY
RONALD J. GREENE
JAY F. LAPIN
DEANNE C. SIEMER
GARY D. WILSON

WASHINGTON, D. C. 20006

CABLE ADDRESS: WICRNG WASH., D. C.
INTERNATIONAL TELEX: 440-239
TELEX: 89-2402
TELEPHONE 202 672-6000

EUROPEAN OFFICE

5, CHEAPSIDE
LONDON, EC2V 6AA, ENGLAND
TELEPHONE 01-236-2401
TELEX: 851 883242
CABLE ADDRESS: WICRNG LONDON

RICHARD A. ALLEN
PETER D. BEWLEY
STEWART A. BLOCH
LACKLAND H. BLOOM, JR.
MICHAEL L. BURACK
RICHARD W. CASS
WILHELMINA REUBEN COOKE
MICHELE B. CORASH
MARY CAROLYN COX
PATRICIA D. DOUGLASS
S. ALLEN EARLY, III
JAMES R. FARRAND
NANCY C. GARRISON
NEAL M. GOLDBERG
CORNELIUS J. GOLDEN, JR.
FRANCES M. GREEN
ROBERT C. HACKER
ALLEN H. HARRISON, JR.
JOHN H. HARRWOOD II
MICHAEL S. HELFER
A. STEPHEN HUT, JR.
C. LORING JETTON, JR.
DAVID R. JOHNSON

NEIL J. KING
WILLIAM J. KOLASKY, JR.
JOHN H. KORNS
WILLIAM T. LAKE
ELWYN C. LEE
CARY B. LERMAN
ROBERT S. MCCAM
MARY A. McREYNOLDS
A. DOUGLAS MELAMED
ROBERT R. MORRIS
WILLIAM J. PERLSTEIN
PHILLIP L. RADOFF
RENE TOWNSEND ROBINSON
JOHN ROUNSVILLE, JR.
MICHAEL S. SCHOOLER
GAIL F. SCHULZ
KAREN ROSE SCHWARTZ
THEODORE S. SIMS
MARIANNE R. SMYTHE
DOUGLAS G. THOMPSON, JR.
ALAN S. WEITZ
ROBERT G. WILSON
WALTER T. WINSLOW, JR.
ROGER H. WITTEN

EZEKIEL G. STODDARD
GERARD C. SMITH
COUNSEL

September 30, 1976

7021008700

William Oldaker, Esquire
Compliance Section
Federal Election Commission
Fourth Floor
1325 K Street, N. W.
Washington, D. C. 20463

Dear Bill:

I talked with Jack Murphy yesterday, who suggested that I deliver to you various documents relating to the matter of our client, Charles Graves.

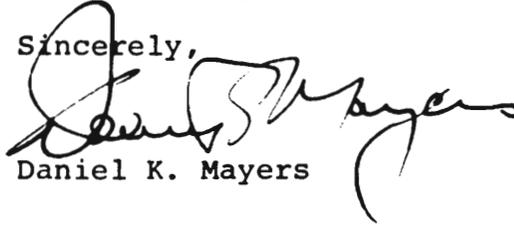
On July 14 Mr. Graves gave sworn testimony to SEC staff attorneys (Attachment A). Pages 40-43 of that testimony are directly relevant, as is Mr. Graves' August 18 supplement to that testimony (Attachment B). Since these SEC proceedings are not public documents, I hope that you will keep them and the matter confidential until the complaint and consent is filed, which hopefully should occur by the middle of next week. As I told Jack, the day after we met with you we discovered that McDermott & Co. had previously made mention of the subject transactions in its 8-K filing to the SEC for the month of August (Attachment C).

I believe I also told you that none of the monies in question were ever used by Mr. Graves to reimburse himself for his own political contributions. For your information, I am enclosing a schedule of those contributions for the years 1972-1976 (Attachment D).

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

As you know, we hope we can move forward expeditiously, and are ready at any time to discuss the matter and provide you with any further information you may need.

Sincerely,



Daniel K. Mayers

Enclosure

79010084601

FEDERAL ELECTION COMMISSION
OFFICIAL FILE COPY
OFFICE OF GENERAL COUNSEL

FEDERAL ELECTION COMMISSION

Attachments to Letter

The above-described material was removed from this file pursuant to the following exemption provided in the Freedom of Information Act, 5 U.S.C. Section 552(b):

- (1) Classified Information
- (2) Internal rules and practices
- (3) Exempted by other statute
- (4) Trade secrets and commercial or financial information
- (5) Internal Documents
- (6) Personal privacy
- (7) Investigatory files
- (8) Banking Information
- (9) Well Information (geographic or geophysical)

Signed Michele L. Brown
date 12/8/78

70040084602



FEDERAL ELECTION COMMISSION

1125 K STREET N.W.
WASHINGTON, D.C. 20463

THIS IS THE BEGINNING OF MUR # 254

Date Filmed 1/12/79 Camera No. --- 2

Cameraman GPC

**Report of The Audit Committee of
The Board of Directors of
J. RAY McDERMOTT & CO., INC.**

7 9 0 4 0 1 3 1 6 0 4

John A. Morgan
Chairman

George D. Aldrich
James A. Hunt
G. W. Douglas Carver

Davis Polk & Wardwell
Special Counsel

Arthur Young & Company
Special Auditors

FEDERAL ELECTION COMMISSION
OFFICE OF GENERAL COUNSEL

April 12, 1977

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
I. Introduction	1
A. Background Information	1
1. McDermott's Initial Public Disclosure of Questionable Payments	1
2. The Commission's Investigation	1
3. Subsequent Developments	2
B. Summary of Findings	3
1. The Wilson Fund	3
2. The Graves Fund	3
3. Domestic Political Contributions	3
4. The McCollum Payments	4
5. Other Questionable Foreign Transactions	4
6. Participation and Knowledge of Senior Management	5
7. Attitude of Management	5
8. Assessment of Findings	7
II. Events Leading to the Committee's Investigation and Report	7
A. Events Leading to the Disclosures in the 1976 Annual Report	7
B. Events Leading to the Audit Committee's Investigation	8
C. The Commission's Lawsuit and the Report Required by the Consent Decree	9
III. The Audit Committee's Investigation	9
A. The Audit Committee	9
B. The Committee's Advisers	10
C. The Investigation	10
IV. The Wilson Fund	13
A. Introduction	13
B. The Generation of the Fund	14
1. The First Payment	14
2. Subsequent Payments	15
C. The Accounting for the Fund	15
D. The Uses to Which the Fund Was Put	16
E. Knowledge and Participation of Senior Management	17
V. The Graves Fund and Domestic Political Contributions	18
A. The Generation of the Fund	18
B. The Accounting for the \$12,000 Transfer	18
C. The Use to Which the Fund Was Put	19
1. The Commission's Evidence Regarding Domestic Political Contributions	19
2. The Audit Committee's Investigation Into Domestic Political Contributions	20
3. Domestic Political Contributions to Candidates for Federal Office	20
D. Domestic Political Contributions to Candidates for State or Local Office	21

	<u>PAGE</u> <u>NUMBER</u>
VI. The McCollum Payments and Certain Other Questionable Practices	22
A. The McCollum Payments	22
1. The First Payment	23
2. The Second Payment	23
3. Subsequent Payments	24
4. The Winding Down of the Arrangement with Mr. McCollum	24
5. The Purpose of the Payments	25
a. The Commission's Hypothesis	25
b. Doubts as to the Commission's Hypothesis	26
c. The Explanations of the Participants	27
d. Impediments to a Definitive Conclusion	27
B. Other Questionable Practices	28
VII. Questionable Foreign Transactions	29
A. Questionable Payments	29
B. Other Transactions	33
C. Off-Book Accounts	35
D. Foreign Sales Agents	35
VIII. The Committee's Conclusions	36
A. Participation and Knowledge of Senior Management	36
B. Knowledge of the Outside Directors	37
C. The Attitude of Management	37
D. The Role of the Outside Auditors	38
IX. Recommendations	39
Exhibits	
1. Final Judgment; Consent and Undertaking	
2. Audit Committee's Questionnaire and Form of Response	
3. Payments to Roger W. Wilson	
4. Payments to Schacht V. McCollum	
5. Statement of Policy Prohibiting Improper Payments and Accounting Practices	
6. Letter of Charles L. Graves Regarding McDermott's Statement of Policy	
7. Audit Committee's Letter Regarding Accounting Practices	

**REPORT OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS OF
J. RAY McDERMOTT & CO., INC.**

I. INTRODUCTION

A. BACKGROUND INFORMATION

J. Ray McDermott & Co., Inc. (herein generally "McDermott" or the "Company") is a publicly-owned corporation which provides specialized engineering and construction services to the oil and gas industry throughout the world. McDermott was incorporated in Delaware in 1946 as the successor to businesses engaged in providing construction services to the oil and gas industry since the 1920's. The Company, which is headquartered in New Orleans, Louisiana, is a leader in the fabrication of offshore structures used in the production of oil and gas and operates one of the largest worldwide fleets of marine construction equipment. International oil and gas companies are the Company's principal customers for its marine construction services. At December 10, 1976 McDermott had outstanding approximately 15,700,000 shares of common stock held of record by approximately 8,600 holders.

1. McDermott's Initial Public Disclosure of Questionable Payments

On June 8, 1976, the Company mailed to its stockholders copies of its Annual Report for the fiscal year ended March 31, 1976. The Report included a letter from Charles L. Graves, Chairman of the Board and President of McDermott. Mr. Graves referred therein to certain questionable payments which had been made by the Company in prior years. This portion of the letter was included in preliminary proxy materials—filed with the Securities and Exchange Commission (herein the "Commission") on June 9, 1976—for the Annual Meeting of McDermott's stockholders. Prior to the disclosure in Mr. Graves' letter, neither the Commission nor the public had been informed by the Company of the existence of any such payments.

In his letter, Mr. Graves described an arrangement entered into by a now-deceased executive of the Company which involved the payment of approximately \$500,000 to an employee of a McDermott customer during the years 1971 through 1974. Also mentioned was the disbursement of approximately \$300,000 by the same executive—in payments which, the letter stated, may have been made for "political purposes." In both cases, the McDermott executive referred to was Roger W. Wilson, former President and Chief Executive Officer. The McDermott customer was Tenneco Oil Company, a subsidiary of Tenneco Inc. Schacht V. McCollum, the recipient of the \$500,000, was at the time of the payments an Executive Vice President and later Vice Chairman of Tenneco Oil.

2. The Commission's Investigation

The Committee is informed that the Commission and the Internal Revenue Service ("IRS") had been developing information with respect to certain aspects of the Company's operations—in particular the McCollum payments—prior to the time of McDermott's first

public disclosure. Immediately after that disclosure, the Commission issued an order of investigation to look into the matters thus disclosed and other possibly questionable payments and practices on the part of the Company or its employees.

By late July, the Commission's staff had obtained substantial documentary evidence and had taken the depositions of several senior members of McDermott's management, as well as certain other individuals. The depositions focused upon, and developed further information on, the Wilson fund, a successor fund maintained by Mr. Graves and the McCollum payments.

Toward the end of July and in early August, the Commission staff and the non-management members of McDermott's Board of Directors were advised that certain of the witnesses, including Mr. Graves, intended to supplement their Commission testimony. The supplements would indicate that relatively small sums of Company funds had been used to reimburse employees who had made domestic political contributions.

3. Subsequent Developments

On August 9, 1976, the Audit Committee of the Board of Directors of McDermott—John A. Morgan (Chairman), James A. Hunt and George D. Aldrich, all outside directors who have never been employees of McDermott—determined to conduct a world-wide investigation into the possible existence at the Company of (1) illegal political contributions, either foreign or domestic; (2) off-book funds or accounting practices which could be used for improper purposes; (3) payments of money, or the providing of any consideration, to government officials, domestic or foreign; and (4) commercial bribery. G. W. Douglas Carver, also an outside director, has joined with the Committee for purposes of this investigation.

At the same meeting, the Audit Committee decided to retain the law firm of Davis Polk & Wardwell as its special counsel. The Committee also authorized Davis Polk & Wardwell to retain independent public accountants to assist it in conducting the investigation.

On August 10, 1976, the Board of Directors of McDermott approved and ratified these determinations of the Audit Committee, and resolved that all officers and employees of the Company be instructed to cooperate in the investigation. A description of the Committee's activities is set forth in Part III of this Report.

In light of the investigation by the Commission and the determination of the Audit Committee to conduct its own investigation, the Annual Meeting of Stockholders on August 10 was adjourned after preliminary formalities to a date to be set by the Board of Directors.

On October 6, 1976, the Commission filed a complaint, in the United States District Court for the District of Columbia, charging McDermott and seven individuals—including Mr. Graves and four other present directors of McDermott—with violations of the securities laws. The complaint alleged that the defendants had participated in various unlawful payments and practices, including those referred to in Mr. Graves' letter to stockholders, as well as the making of unlawful domestic political contributions. McDermott and all but one of the individual defendants consented to the entry of final judgments which were filed simultaneously with the complaint and which provided for injunctive relief.*

* The other defendant subsequently agreed to similar relief.

McDermott also filed with the District Court a Consent and Undertaking which referred to the Audit Committee's ongoing investigation, and which required that a written report of the Committee's activities, findings and recommendations be submitted to McDermott's Board of Directors and be made public. This Report is being made pursuant to the requirements of the Consent and Undertaking.

B. SUMMARY OF FINDINGS

The Audit Committee's investigation has taken approximately seven months and has focused upon the five fiscal years ended March 31, 1976. The Committee's findings and conclusions, summarized in this section, are set forth in detail in Parts IV-VIII below.

1. *The Wilson Fund*

At Roger W. Wilson's express direction, approximately \$300,000 in cash was paid to him over a period of slightly less than ten years, beginning in June 1962. The money was obtained from McDermott's principal foreign subsidiary, Oceanic Contractors, Inc. ("Oceanic"), and was ordinarily brought to Mr. Wilson from abroad by senior members of McDermott's management. The payments are evidenced by cancelled checks, related accounting documents and signed receipts.

No such documentation has been found relating to the disbursement of the Wilson fund. Nevertheless, the Committee has found evidence that Mr. Wilson made at least some domestic political contributions therefrom. In particular, Mr. Wilson appears to have contributed \$20,000 from the fund to a Louisiana candidate for state office in 1971—contributions which were made in his own name.

2. *The Graves Fund*

Mr. Wilson's successor, Charles L. Graves, maintained an off-book cash fund—partially inherited from Mr. Wilson—from 1972, when he became President of the Company, through mid-1976. Approximately \$6,000 was turned over to Mr. Graves by Mr. Wilson's secretary at the time of Mr. Wilson's death. Apparently, this was the remains of the Wilson fund. In May 1974, Mr. Graves added \$12,000 to the fund. At Mr. Graves' direction, senior members of McDermott's management instructed employees abroad to obtain the cash from Oceanic. The money was then brought to the United States, again by senior management personnel, in three packages of \$4,000 each.

3. *Domestic Political Contributions*

In 1972, 1974 and 1975, Mr. Graves directed that a total of approximately \$5,000 be paid to reimburse certain officers and employees of the Company for political contributions which they had made to candidates for federal office. These payments, which were made out of the Graves fund, were not recorded on the Company's books. Federal law prohibits corporations from making contributions to any candidate for federal office.

The Committee has also determined that approximately \$13,550 in contributions were made, directly by the Company, to state and local politicians in Louisiana. Such contributions were unrelated to the Graves fund and were accurately reported on the Company's books. At the time of the payments (but not today), it was unlawful in Louisiana for a corporation to contribute funds to a political party or an individual representing such a party, or to aid or oppose the election of a candidate for state or local office.

4. *The McCollum Payments*

✓ On five occasions beginning in December 1971 and ending in August 1974, senior members of McDermott's management made (or caused to be made) cash payments to Schacht V. McCollum, at the time an Executive Vice President and director of Tenneco Oil Company. Such payments, which aggregated \$508,615, were made abroad, from funds of Oceanic, and were initiated at the direction of Mr. Wilson. However, only \$33,500 was paid before Mr. Wilson's death, and the payments continued for more than two years thereafter.

The deaths of Mr. Wilson and other potential witnesses, and the refusals of Tenneco Oil and Mr. McCollum to provide evidence requested by the Audit Committee, have left the Audit Committee with insufficient evidence to permit it to reach any responsible conclusion as to the purpose of the McCollum payments. However, the available facts relating to the payments, and possible reasons therefor, are set forth in detail in Part VI of this Report. Also included is an analysis of the Commission's hypothesis, as to which the Committee has serious doubts, that the payments were made to aid McDermott in obtaining business from Tenneco Oil. In the Committee's view, an at least equally valid hypothesis is that the funds were paid to Mr. McCollum to be passed on to others for some purpose. The Committee's position is based primarily on the routine nature of the Company's dealings with Tenneco Oil, on its assessment of Mr. Wilson's business style, and on the fact that the investigation has disclosed no similar incidents of payments to customers' employees.

Because of the comparatively casual way in which the McCollum payments and other questionable transactions were carried on the Company's books, the Committee's advisers have a reasonably high degree of confidence that they would have uncovered other significant transactions like the McCollum payments, if there had been any. Perhaps the most important finding of this Report is that there was no evidence of any other transactions of this type.

The investigation has, however, revealed that the Company has engaged in other practices, involving its relations with customers and government officials, which collectively warrant mention although the individual transactions are relatively minor. These practices, occurring largely but not exclusively abroad, include giving gifts of significant value to government officials and customers' employees, and making available Company aircraft to such persons for non-business purposes.

5. *Other Questionable Foreign Transactions*

In addition to the matters described above, the Audit Committee discovered a variety of questionable payments and other possible improprieties in several foreign countries in which the Company does business. In particular, the investigation revealed a total of approximately \$1,030,000 in payments, during the five fiscal years ended March 31, 1976, which ultimately could have gone, in whole or in part, to government officials of the nations in question; or which were questionable in other respects. Of this amount, approximately \$160,000 was paid, generally in small sums, to low-level government bureaucrats and functionaries of various countries in order to facilitate desired government actions. Normally, the Company was entitled to receive the government actions in question. However, had the money not been paid, such actions might have been refused or unreasonably delayed.

A final area of investigation involved payments to foreign sales agents. The Company paid approximately \$17.3 million to such agents during the five-year period, at commission

rates which—varying from country to country—averaged approximately 3.2% on sales of \$545 million. The Committee found that the agency relationships were reduced to writing, that the commission percentages appeared commercially reasonable, and that the commissions paid were properly recorded on the books and were in accordance with the terms of the agreements.

The Committee found direct evidence that one agent had made cash payments and gifts totaling approximately \$37,000 to a foreign government's officials. It is possible to speculate that additional agency payments in one or more countries may have ultimately found their way into the hands of government officials or customers. Such speculation could be supported by the fact that some agents engaged in only limited sales activities and did not incur large expenses for staff support or servicing activities. However, the investigation turned up no direct evidence from documents or interviews—including interviews with certain agents—to support such speculation.

6. Participation and Knowledge of Senior Management

The senior management of the Company is a closely-knit group of executives, all of whom have been with the Company for long periods of time. Management decisions in general, and decisions relating to the questionable transactions discussed in this Report, have been confined to a handful of executives. Of the six management members on the Board of Directors, five participated in, or knew about and acquiesced in, various questionable transactions—Mr. Graves; Robert K. Richie, the President of Oceanic; James E. Cunningham, Executive Vice President and Chief Financial Officer of McDermott; Charles L. Davis, Group Vice President of Oceanic; and H. W. Bailey, Executive Vice President of McDermott. Also involved in a number of the transactions was R. Nelson Crews, a director and Executive Vice President of McDermott until he left the Company at the end of 1974.

The precise roles of each of these director-officers are described more fully in the body of the Report. In short, however, Messrs. Graves, Richie and Cunningham participated in, or knew of and acquiesced in, most of the questionable payments and practices. Mr. Bailey's role in these transactions was smaller and appears to have been limited to the McCollum payments and perhaps to certain domestic political contributions. Mr. Davis operated at a lower level of authority than the others, but participated in, or knew of and acquiesced in, most of the questionable payments and practices. Mr. Crews played a substantial role in the McCollum payments and in generating the Graves fund.

7. Attitude of Management

When the investigation began, the Audit Committee's primary concern was to determine whether the Company had engaged in any transactions which were similar to the Wilson, Graves or McCollum payments. Although, as indicated above, the investigation turned up certain other questionable transactions, the Committee is satisfied that McDermott has been involved in no other transactions of the nature and magnitude of those which triggered the investigation.

However, as the investigation proceeded, the Committee became increasingly concerned about another serious problem at McDermott, which involved the attitude and structure of management. The problem stems largely from the rapid growth of McDermott, the

forcefulness of those who have controlled the business since its inception and the nature of the business—which, combining elements of the construction and oil industries, has required forceful development by aggressive, assertive management.

Although McDermott became a publicly-owned corporation in 1953, for many years thereafter the Company's three founders, R. Thomas McDermott, Albert Stall and Roger Wilson, dominated every aspect of its business and operations. Since 1953, McDermott has grown with remarkable speed. In fiscal 1954 McDermott was primarily a local company with revenues of \$25.8 million and assets at fiscal year-end of \$21 million. When Mr. Wilson died in 1972, after having served as President since 1964, McDermott's revenues were \$322 million with assets at fiscal year-end of \$374 million. Today, McDermott is a leader in its field with operations in virtually all non-Communist oil-producing countries, revenues and assets both exceeding \$1.1 billion and net income (after taxes) of nearly \$158 million.

During this period of rapid growth and profitability, however, the Company was slow to institute some of the techniques and controls associated with more mature companies of comparable size. For example, it was not until after Mr. Wilson's death in 1972 that the Company began to assemble an internal audit staff to monitor its internal control system. Further, during the entire period, senior operating personnel have maintained considerable influence over employees on the financial and accounting side of the business. Accounting personnel have been directly responsible to the operating personnel and have followed their directives, even where the documentation for accounting entries was inadequate or where there was reason to question the accuracy of entries which were made at the direction of the operating personnel.

Most important and most striking, the Company has retained the atmosphere of a privately-held company even through very recent times. That is, employees from senior management on down have taken the position that "the boss's word is law." Members of senior management, as well as lower-level employees, have considered the critical and determinative issue—even with respect to what are now viewed as questionable payments—to be whether the boss was aware of and approved the transaction.

In fairness to the employees who have adopted this stance, it should be pointed out that the dominant figures in the Company have historically been very strong men who grew up in an industry which was distinctly rough-and-tumble. The industry requires a unique blend of technical expertise—offshore drilling and production platforms and marine pipelines are now being installed, in forbidding seas, at depths of over 1000 feet—skills in dealing with high-level personnel throughout the world, and entrepreneurial flair. The senior officers at McDermott, as the Company's successful record shows, have possessed these abilities and talents throughout the Company's history. Thus, the employees have had a high degree of confidence that the boss's orders would be for the best interests of the Company and all its shareholders. Further, they have been aware that—given the strength of the senior officers of the Company—employees who balked at orders from the boss were very likely to be dismissed.

While changes of attitude and changes of policy are clearly necessary at this time, the Audit Committee recognizes the great abilities of the Company's senior officers and the role which they have played in the Company's growth. These men viewed their actions, including the actions referred to in the body of this Report, as in the best interests of the Company and its shareholders. In the Committee's judgment, these men also recognize

that the attitude described above must be modified, and the Committee expects them to cooperate fully in implementing the recommendations directed to this problem. The Committee believes that the findings and recommendations of this Report should be read against this background.

8. *Assessment of Findings*

It is the Committee's ultimate conclusion that the transactions described herein—while not of the magnitude of many others which have been publicly reported—reflect the fact that the controls instituted in the past five years must be further supplemented, and management attitudes must be modified, in order to avoid such problems in the future. The Committee's recommendations have been structured to meet these goals. These recommendations involve, among other things: (a) restructuring the Board of Directors so that non-management directors will constitute a majority of the Board; (b) requiring certain Company officers to make restitution to the Company for domestic political contributions made from corporate funds; (c) taking into account, in determining the compensation to be awarded to management pursuant to the Company's Supplemental Compensation Plan, each individual's participation in or knowledge of questionable practices or payments disclosed by the Audit Committee's investigation; (d) retaining a major international accounting firm to provide auditing services and supervision, as well as accounting advice, on a world-wide basis; (e) hiring a full-time professional to manage an expanded internal audit staff, and modifying the lines of authority in the accounting area; (f) creating the new position of Vice President and General Counsel; and (g) strengthening Company policies with respect to improper or unlawful practices.

II. EVENTS LEADING TO THE COMMITTEE'S INVESTIGATION AND REPORT

A. EVENTS LEADING TO THE DISCLOSURES IN THE 1976 ANNUAL REPORT

On April 12, 1976 agents from the Intelligence Division of the Internal Revenue Service's Houston office subpoenaed certain records from McDermott's Morgan City, Louisiana office in connection with an investigation entitled "In re Tenneco".* In addition, in early April, two or three teams of IRS agents interviewed members of McDermott's management, as well as other employees who had been involved in work for Tenneco Oil Company. From these interviews, the IRS prepared written affidavits regarding the payments to Tenneco Oil, which were signed by present or former McDermott personnel in May and June 1976.

On the same day that the IRS subpoena was delivered in Morgan City, the so-called eleven questions of the Internal Revenue Service were also received by the Company in New Orleans.** Prior to that date, the Company had received a draft version of the eleven questions. The members of McDermott's management apparently believed that they were

* Tenneco Inc., the parent of Tenneco Oil Company, has reported publicly that the Internal Revenue Service is conducting an investigation into possible civil and criminal violations of the Internal Revenue Code.

** The IRS, pursuant to a program begun in 1976, has required certain corporations and their senior officers to respond to questions relating to, among other things, political contributions, payments to government officials, off-book funds and payments in the nature of commercial bribery.

aware of all transactions and questionable payments covered by the IRS inquiry, and did not direct that any investigation be conducted in response thereto. Under the direction of Mr. Cunningham, however, Company employees did collect information and accounting documentation regarding the Wilson fund, the McCollum payments and other transactions as to which, in management's view, disclosure might be required.

With such material in hand, Company representatives held meetings in New Orleans on April 20 and 21 to consider the Company's response to the eleven questions. The discussions focused upon (a) the Wilson transactions, (b) the McCollum transactions, (c) the cash fund maintained by Mr. Graves, and (d) certain aspects of the Company's foreign operations. At these meetings, which were attended by the Company's outside counsel, Cahill Gordon & Reindel, the question of public disclosure was discussed and a consensus was reached in favor of making the disclosure in the 1976 Annual Report.

Parts of the meetings were attended by a partner of Mattison and Riquelmy, McDermott's independent public accountants. He was instructed to extend his firm's audit procedures for the fiscal year ended March 31, 1976, with a view to uncovering any further payments of the kind made to Messrs. Wilson, Graves and McCollum. In that connection Mattison and Riquelmy obtained, from Mr. Graves and other members of management, letters of representation which, among other things, denied knowledge of any domestic political contributions for 1976 and previous years.

B. EVENTS LEADING TO THE AUDIT COMMITTEE'S INVESTIGATION

The Commission's investigation in June and July provided additional information on the Wilson, Graves and McCollum payments. The Commission's investigation also focused on political contributions which had not been referred to in the Annual Report. Information on that subject came to light in late July when counsel for Mr. Crews disclosed, to McDermott's outside counsel, that Mr. Crews was going to correct his earlier testimony to the Commission with respect to political contributions at McDermott. He now recalled having been reimbursed by Mr. Graves for certain domestic political contributions in 1974.

On August 4, 1976, Mr. Graves advised each member of the Audit Committee of this new development, and of the fact that he too now recalled having directed that employees be reimbursed for domestic political contributions. On August 9, the Audit Committee determined that it should conduct an investigation and retain special outside counsel and outside auditors to assist in the investigation. These determinations were approved and ratified by the Board on August 10.

In substance, Mr. Graves stated, in the supplement to his testimony before the Commission, that on five separate occasions he had used corporate funds (or caused them to be used) to reimburse McDermott employees for contributions which they made to candidates for federal office. Mr. Graves estimated the amount so used to be approximately \$4,800. In their supplements, Messrs. Cunningham, Richie and Bailey denied knowledge of any such corporate political contributions or of receiving reimbursement for personal contributions. Messrs. Cunningham and Richie, however, acknowledged that they each personally brought \$4,000 in cash from overseas in 1974, which (together with \$4,000 brought in by Mr. Crews) was given to Mr. Graves by Mr. Richie.

C. THE COMMISSION'S LAWSUIT AND THE REPORT REQUIRED BY THE CONSENT DECREE

On October 6, 1976, the Commission brought a Civil Action (No. 76-1854) in the United States District Court for the District of Columbia against McDermott and five of its officer-directors: Messrs. Graves, Cunningham, Richie, Bailey and Davis. Other defendants were Messrs. Crews and McCollum. On the date the complaint was filed, each of the defendants, with the exception of Mr. McCollum, consented to the entry of a Final Judgment enjoining them from future violations of the federal securities laws.* Insofar as McDermott is concerned, the Final Judgment enjoins it and all of its personnel, subsidiaries and affiliates from, among other things: (a) making materially false and misleading entries on the Company's books and records; (b) maintaining or establishing any secret or unrecorded funds; and (c) violating the securities laws by making untrue statements of material fact regarding, or by failing to report material facts concerning: the use of corporate funds for unlawful political contributions, payments in the nature of commercial bribery or other unlawful purposes.

McDermott also filed with the District Court a Consent and Undertaking in which it was agreed that the Audit Committee would continue to conduct an extensive investigation into the matters referred to in the Commission's complaint and all other relevant and similar matters; that a written report of the Committee's activities, findings and recommendations would be submitted to McDermott's Board of Directors; and that the report would be filed with the District Court and the Commission. This Report is responsive to those undertakings.

The Company's undertaking also requires that only those members of the McDermott Board who are determined by the Committee "not to have been involved in the transactions and activities set forth in the Commission's Complaint, shall independently review the Report and take such action as [they determine] necessary and proper to implement the findings and recommendations of the Report." These directors are Messrs. Morgan, Aldrich, Hunt, Carver, W. E. Earles and Graham D. Mattison. The Final Judgment against the Company and the related Consent and Undertaking are reproduced as Exhibit 1 to this Report.

III. THE AUDIT COMMITTEE'S INVESTIGATION

A. THE AUDIT COMMITTEE

The Audit Committee of McDermott's Board of Directors is comprised of John A. Morgan, Chairman, a senior vice-president and director of Smith Barney, Harris Upham & Co., Incorporated, investment bankers;** George D. Aldrich, an account executive of H. C. Wainwright & Co., securities brokers; and James A. Hunt, a partner of Kalb Voorhis & Co., securities brokers. G. W. Douglas Carver, managing partner of Carver-Dodge International Partnership, who is also a director of the Company, has joined with the Committee for the purposes of this investigation. Messrs. Morgan, Aldrich, Hunt and Carver have been directors of McDermott since 1973, 1955, 1974 and 1974, respectively.

* On December 21, 1976, Mr. McCollum consented to a Final Judgment in this proceeding.

** Mr. Morgan's firm has for some time performed investment banking services for McDermott. In addition, Mr. Hunt's firm has performed brokerage services for the Company.

At its meeting held on August 9, 1976 the Audit Committee decided that the investigation should cover:

1. The payment or loan of any money or the providing of goods or services or other consideration to any political candidate, party or organization in violation of domestic or foreign law.
2. The existence of any off-book funds, numbered bank accounts or accounting practices designed to generate funds which could be used for political contributions or other improper purposes.
3. Payments or loans of any money or the providing of goods or services or other consideration to any government official, domestic or foreign, or any other bribe of any government official, etc.
4. Commercial bribery.

B. THE COMMITTEE'S ADVISERS

The Committee retained the law firm of Davis Polk & Wardwell to act as its special counsel. The Committee directed Davis Polk to carry out the investigation and, pursuant to authorization from the Company's full Board, to represent the Company in any related dealings with the Commission.

Pursuant to authority given it by the Committee, Davis Polk & Wardwell retained Arthur Young & Company to serve as special auditors and to assist in the investigation. Since at the outset of the investigation it appeared that McDermott's books contained a number of inaccurate accounting entries, Arthur Young was asked by counsel to make an independent search of the Company's financial records for all items which might fall within the areas under investigation.

C. THE INVESTIGATION

The Audit Committee directed that the investigation be complete and thorough, and that directive has been carried out. The Committee believes that the findings and recommendations set forth in this Report are based upon all relevant evidence which could be discovered in an investigation of this kind.

The Committee's activities commenced in mid-August 1976. The Company furnished to counsel copies of testimony taken in the Commission's investigation, as well as copies of the affidavits given to the Internal Revenue Service in the Tenneco investigation. Arthur Young was given copies of the workpapers of Mattison and Riquelmy with respect to their extended audit procedures for the fiscal year ended March 31, 1976.* A series of meetings was held with members of management to familiarize Davis Polk and Arthur Young with the general nature of the Company's business and its accounting systems.

* At management's request, Mattison and Riquelmy performed additional audit procedures for the purpose of uncovering any other transactions in the nature of the Wilson fund or the payments to Mr. McCollum. In June 1976 Mattison and Riquelmy advised the Company that they were satisfied as to the accuracy of the responses of the Company and its officers to the IRS's eleven questions and the disclosures in the Company's Annual Report to Stockholders.

On the basis of this information, the special auditors and counsel developed a program for examining the Company's financial records.* The most comprehensive aspect of the program involved a review of payments charged to certain of the Company's accounts during the period under investigation. These accounts were: redundancy and gratuity pay; employee expense; watchmen and security (outside service); subscriptions, publications and dues; advertising; promotional engineering; contributions; public relations expense; sales promotion; employee relations expense; bid expenses; legal fees; fees and services—other; directors' fees and expenses; taxes—other; and miscellaneous. These accounts were chosen because they had been used in accounting for the monies paid to Messrs. Wilson, Graves and McCollum, or because other corporations had used similar accounts in creating off-book accounts. Accordingly, the Company prepared an analysis of all amounts charged to these accounts during the five-year period. The completeness of this analysis was verified, to the extent practicable, by Arthur Young.

It was determined that Arthur Young would examine, out of all the payments charged to those accounts, each transaction which (a) was greater than \$10,000 in amount; (b) involved an expense incurred by an employee of more than \$1,000; or (c) had characteristics which suggested the appropriateness of further investigation (for example, Arthur Young examined all payments to government entities, and all payments of round amounts). 10% of all remaining items of over \$100 were also examined.

The examination of these items performed by Arthur Young included a review of the underlying accounting documentation and, if appropriate, a review of the related purchase order, contract or general correspondence. In many cases particular employees were questioned concerning the transactions.

Because the Company moves large amounts of money by means of bank transfers, Arthur Young tested such non-check transfers. In the case of transfers to persons or entities outside the Company, Arthur Young reviewed the invoice or equivalent document with respect to each transfer involving an amount in excess of \$100,000; each transfer to an individual, numbered bank account or tax-haven country; and 20% of all remaining transfers. As to inter-company bank transfers, the paying and receiving banks were traced to a list of bank accounts maintained by the Company during the five-year period. Arthur Young also verified that the accounts on this list had been reviewed, during the five-year period, by the Company's independent auditors.

Other procedures employed by Arthur Young included: (a) tests to uncover other types of transactions through which off-book accounts might be created (e.g., the writing off of valid accounts receivable and the subsequent deposit of the funds in noncorporate bank accounts; the misappropriation of proceeds from the sale of scrap materials; the placing of bogus employees on the payroll); (b) a review of the log books for the Company's aircraft and hunting and fishing camps; (c) an examination of the documentation underlying certain items on any expense report filed by anyone in the three highest levels of the Company's management (150 people in all); (d) a review of disbursements from certain bank accounts from which questionable payments were made; and (e) tests of payments to governments

* There are a number of factors which affect the reliance which may be placed on any set of auditing procedures. Given the time available for the investigation, the Committee is satisfied that the procedures employed by Arthur Young were comprehensive enough to bring to light the vast majority of entries which might give rise to questionable items of the type under investigation.

(or agencies or employees thereof), banks, cash or numbered accounts. Arthur Young also reviewed all internal audit reports prepared by McDermott's internal audit staff and interviewed each independent auditor retained by the Company.

The specific tests were performed by seventy-one Arthur Young accountants (excluding those who spent less than one week on the engagement) at four domestic and ten overseas Company locations. The Arthur Young personnel spent over 21,000 man-hours on this work and reviewed tens of thousands of documents. The results of the independent review conducted by Arthur Young have been incorporated into this Report.

Simultaneously, counsel conducted interviews with present and former McDermott employees, as well as with certain persons outside the Company who might have knowledge of matters under investigation. These interviews, at which two attorneys from Davis Polk were generally present, were conducted at the Company's main office in New Orleans, at other domestic locations including Houston and New York, and in Europe, the Middle East and the Far East. John A. Lynott, the Company's Treasurer, attended most of the interviews and, where appropriate, a representative of Arthur Young was also present. At many locations, file searches were also conducted which covered both Company files and, in certain cases, files maintained by officers or employees.

Interviews were conducted with each of McDermott's principal officers, including the president, each executive vice president and each group vice president, most vice presidents, the treasurer and the secretary. Each area (operating) manager and area controller was also interviewed. Each employee with any involvement in the Wilson or Graves funds or the McCollum payments was interviewed, as were those persons who serve or have served in positions where knowledge of any matter under investigation would likely be obtained. Certain former key personnel, principally in the Company's foreign operations, agreed to meet with counsel, as did members of McDermott's principal outside law firms. The investigation entailed well over 100 interviews, and a number of persons were interviewed on more than one occasion.

Each officer or employee who was interviewed received a questionnaire from counsel requesting that such person confirm directly to counsel the accuracy and completeness of the information furnished. Copies of this questionnaire and of the suggested form of response are reproduced as Exhibit 2 to this Report. Additional investigative procedures and techniques which relate to certain of the areas under investigation are set forth in the appropriate parts of this Report.

The overall scope and direction of the investigation have been closely supervised by the Committee. In addition to numerous conversations among Committee members and with the Committee's advisers, the Committee held formal meetings on August 9, September 22 and November 6, 1976; and January 26, February 7, March 8, March 9 and March 21, 1977. In addition, on March 9, 1977 members of the Committee formally interviewed Messrs. Graves, Cunningham, Richie and Bailey—supplementing numerous previous conversations and interviews by counsel.

Mr. Lynott, who joined the Company as its Treasurer in 1973, devoted much of his time during the investigation to coordinating matters within the Company and to satisfying the numerous information requests generated by the Committee's advisers. Seven members of the Company's internal audit staff devoted virtually all of their time from September through December to isolating relevant documents and preparing various analyses

for review by counsel and the special auditors. Some 360 Company employees spent approximately 58,000 man-hours organizing data, preparing analyses, locating documents and explaining transactions.

The efforts of the Committee were also facilitated by assistance from members of the Commission's staff. Counsel reviewed with the staff the scope of the investigative program and the period of time to be covered thereby, reported to the staff from time to time on the progress of the investigation, and obtained several suggestions as to particular areas of inquiry.

Finally, in this investigation—as in most investigations of questionable payments—questions relating to tax matters have arisen. In November 1976 the Company was advised that the Intelligence Division of the Internal Revenue Service was conducting an investigation into possible civil and criminal violations of the Internal Revenue Code by the Company. Among the areas known to fall within the scope of this investigation are the payments to Mr. McCollum, the Wilson fund, payments to the Company's foreign sales agents, and travel and entertainment of Company officers. In view of the IRS investigation, the Committee believes it would be inappropriate to comment in this Report on any possible federal tax consequences of the transactions referred to herein.

IV. THE WILSON FUND

A. INTRODUCTION

From the period June 14, 1962 through December 10, 1971 a total of \$300,000 in cash was delivered to Roger W. Wilson, former President and Chief Executive Officer of the Company. The cash, which was generated at Mr. Wilson's request from the principal foreign subsidiary of the Company, was paid to him in a series of eleven payments ranging in amounts from \$10,000 to \$50,000. Questionable accounting descriptions on the books of the subsidiary disguised the true nature of the payments to Mr. Wilson. A schedule setting forth certain information with respect to each of these payments is reproduced as Exhibit 3 to this Report.*

During the course of the Committee's investigation into this series of transactions, officers and employees of the Company repeatedly impressed upon the Committee's advisers the necessity of understanding the remarkably dominant and forceful character of Roger Wilson, and the near-total and unchallenged authority which he exercised over all major corporate decisions.

Roger Wilson was hired by R. Thomas McDermott in 1936 to be the superintendent of Mr. McDermott's Louisiana oil and gas exploration business. In 1938, Mr. Wilson met Albert Stall, and the three men formed a partnership in a small dredging company. By 1946, when J. Ray McDermott & Co., Inc. was incorporated as the successor to several businesses in which the three men were then involved, Mr. Wilson was a main force in the management of the Company. From 1964, when he became President, until his death in early 1972, he was the dominant force in the Company.

* Until October 1970, McDermott's principal foreign subsidiary was named McDermott International, Inc. The name was then changed to Oceanic Contractors, Inc. Unless otherwise specified, references in this Report to Oceanic for periods prior to October 1970 shall be understood to refer to McDermott International, Inc.

Mr. Wilson's style of management was direct and uncomplicated. In the words of Charles L. Graves, the current President and Chairman of the Board of the Company, "Wilson was the boss. One line [of authority]. Every living soul was under him." In the Committee's view, this style of management was not unusual in the oil and gas service industries.

Abhorring paper work and written reports, Mr. Wilson made most major decisions based only upon conversations with business associates and his ability to sense practical solutions to complex and detailed problems. Mr. Wilson's manner of doing business with customers and suppliers was equally uncomplicated. Written contracts were often viewed as unnecessary formalities, and Mr. Wilson closed numerous transactions involving millions of dollars on the basis of handshakes.

Mr. Wilson apparently confided in few people. As far as the Committee can determine, no person who survives today was told by Mr. Wilson what he did with these funds. Among those with whom he might possibly have discussed important matters were his original business partners, Messrs. McDermott and Stall, both of whom are now deceased. His second wife, Mrs. Ailine Wilson, died shortly after Mr. Wilson. His personal secretary of many years, Miss Ada Edmunds, died approximately two years before Mr. Wilson. These events and the passage of time have made it impossible for the Committee to determine with certainty what Mr. Wilson did with the approximately \$300,000 of Company funds that he received.

B. THE GENERATION OF THE FUND

1. *The First Payment*

The mechanism for generating and paying the \$300,000 to Roger Wilson reflects both the simplicity and directness of Mr. Wilson's management style and the unswerving manner in which his corporate commands were obeyed.

The first payment to Mr. Wilson was in the amount of \$30,000 and occurred in mid-June of 1962. R. T. Lietz, then a Senior Vice President of Oceanic, gave the funds to Mr. Wilson on one of the latter's trips to the Middle East. Mr. Lietz, who is no longer with the Company, stated that Mr. Wilson simply told him to "write a check" for \$30,000. The check was signed by Mr. Lietz and made payable to Mr. Wilson, who endorsed it. Mr. Lietz cashed the check, returned to the office and gave Mr. Wilson the funds. Mr. Wilson signed an expense voucher indicating that the payment was "To reimburse for sales promotional expenses incurred." The check requisition form and voucher for payment described the payment as "Sales Promotion Expenses."

James E. Cunningham, head of the Company's foreign operations from 1960 to approximately April 1964 and now a director and Chief Financial Officer of the Company, was in Beirut at the time and was informed of this transaction (as well as all subsequent payments to Mr. Wilson). Mr. Graves first learned of the transaction from Mr. Wilson, at a dinner in Beirut attended by Mr. Wilson and others during the time period in question. Neither Mr. Graves nor Mr. Cunningham knew or asked what Mr. Wilson planned to do with the money, or questioned his authority.

2. *Subsequent Payments*

The first two payments to Mr. Wilson were the only ones which he personally received abroad. The remaining payments were delivered to him in the United States. The transactions were essentially similar in nature.

Most often, Mr. Wilson informed Mr. Cunningham or Robert K. Richie, now President of Oceanic and a director of the Company, that he would like a specified amount of cash brought to him. Either Mr. Lietz or Joseph Brechtel, then manager of Oceanic's Beirut office, was informed of the request and instructed to have the cash made available. Checks were drawn which were made payable to Mr. Brechtel (five instances), Mr. Wilson (two instances), Mr. Richie, Mr. Lietz, and, on one occasion, to the executive secretary to Messrs. Lietz and Brechtel.* All but one of the checks were signed on behalf of Oceanic by either Mr. Lietz or Mr. Brechtel.

Thereafter, Mr. Richie would generally receive the cash from Mr. Lietz or Mr. Brechtel during a trip to the Middle East. On some occasions, members of Oceanic's middle management acted as couriers in transporting the cash to Mr. Richie at foreign locations outside the Middle East.

On at least six occasions, Mr. Richie brought the funds back to the United States and personally delivered them to Mr. Wilson, who in turn would sign receipts for the funds. On a seventh occasion, in late 1971, Mr. Richie arrived from overseas with \$50,000 in cash comprising the eleventh and final payment. At the time, Mr. Wilson was undergoing treatment for a terminal illness, and was not at his office. Mr. Richie informed Mr. Graves that he had \$50,000 in cash that Mr. Wilson had requested he obtain. At Mr. Richie's request, Mr. Graves took the money, without discussion, and signed a receipt. According to Mr. Graves, he in turn gave the cash to Mr. Wilson on the next occasion when Mr. Wilson was able to appear at the Company's offices.**

On another occasion, Mr. Cunningham brought the money from the Middle East to Mr. Wilson and obtained a receipt therefor. The other payments were apparently delivered in similar fashion by other Oceanic employees.

C. THE ACCOUNTING FOR THE FUND

Check requisition forms and expense vouchers were prepared to cover the issuance of each of these checks. The charges were usually described—in broad terms—as "Director's Expense", "Sales Promotion", and "Expenses in the Middle East". No receipts, data or other records were furnished to support the validity of these charges, or were requested by persons with responsibility for financial matters.

* The fourth check is missing; all efforts to find it have been unavailing.

** In November 1971, Mr. Wilson had asked for and received \$30,000 in cash, which had been withdrawn from a local Company bank account. The withdrawals, effected by Company checks to cash for \$10,000 and \$20,000, were charged to a "suspense account" which was reversed when \$30,000 was redeposited on December 10, 1971—the day Mr. Richie delivered the \$50,000 to Mr. Graves from abroad. In light of these facts, Mr. Graves now believes that Mr. Wilson must have come to the office and received the \$50,000 on the same day that Mr. Richie had turned the cash over to Mr. Graves.

Accounting entries on the books of Oceanic were made in a similar manner. Except for one payment, all were described as either "Sales Promotion" or "Promotional Engineering" expenses. That payment, by check made payable to Mr. Richie, was described as a "Director's Expense".

In his interview with counsel, Mr. Lietz stated that either Mr. Cunningham or Mr. Richie gave him instructions on how to account for the payments. Mr. Cunningham has expressed doubts that he gave any specific instructions concerning the accounting treatment of each transaction. Mr. Richie believes that he instructed that the transactions be booked as either "Sales Promotion" or "Director's Expense" pursuant to Mr. Wilson's instructions that he expense the payments.

The Committee is of the opinion that persons with a reasonable knowledge of Oceanic's operations would have known that at least some of the descriptions were questionable. For example, the expense voucher submitted by Mr. Lietz, in connection with one \$30,000 payment, described the charge as "Professional Services Rendered" in a country which Mr. Lietz had never visited and where Oceanic had only recently commenced its first dredging operation. This voucher was approved and signed by Mr. Cunningham. No records were supplied to support the charge.

D. THE USES TO WHICH THE FUND WAS PUT

Persons interviewed during the investigation have repeatedly expressed confidence in Mr. Wilson's personal integrity. Everyone interviewed by the Committee on this point agreed that it would have been completely out of character for Mr. Wilson to convert the funds to his personal use. Moreover, Mr. Wilson was a man of substantial wealth with significant holdings of McDermott stock, oil and gas royalties and other investments, and a large annual income.

Some hard evidence on this point was provided by Mr. Wilson's personal secretary for the last two years of his life. She recalled that on a number of occasions, generally during the horse-racing season, Mr. Wilson would ask her to get "the horse betting money." These funds—which were in a safe deposit box in a nearby bank—were kept in an unsealed envelope. Also kept in the box was another envelope, this one sealed. On at least two occasions, Mr. Wilson's secretary recalled having been asked by Mr. Wilson to go and get "the foreign money" and bring it to him. On these occasions, she understood Mr. Wilson to have been referring to the sealed envelope.

Once the existence of the Wilson fund became known, many persons, including Mr. Graves and Mr. Wilson's secretary, expressed the belief that Mr. Wilson was likely to have used the funds to make political contributions. Concerned about issues related to the oil industry, Mr. Wilson was acquainted with virtually all major politicians from the State of Louisiana. Some witnesses recalled seeing leading political figures from Louisiana in or around Mr. Wilson's office. However, the time period during which the approximately \$300,000 was collected, and presumably disbursed by Mr. Wilson, pre-dates the implementation of the Federal Election Campaign Act of 1971 and the Louisiana Campaign Finance Act of 1975, both of which require public disclosure of campaign contributions to candidates for public office. It was thus impossible to examine any public records in connection with possible campaign contributions by Mr. Wilson or the Company to candidates for state or federal office from Louisiana.

Nonetheless, in order to develop information which might exist privately, counsel wrote a letter to all surviving members of the United States Senate and Congress from the State of Louisiana who served during the period 1962-1972, as well as to the Governors and Lieutenant Governors during that period, requesting any information that they might have concerning political contributions in the name of either Roger W. Wilson or the Company. Out of a total of 21 inquiries, counsel received one response which tends to confirm the hypothesis that Mr. Wilson made political contributions from this fund. Bennett Johnston, who was a candidate for Governor of Louisiana in 1971 and is now a United States Senator from Louisiana, advised counsel that, on two occasions in 1971, his campaign finance chairman had received cash contributions from Roger Wilson which aggregated \$20,000. The finance chairman recalled that the second contribution, although not delivered personally by Mr. Wilson, was accompanied by a handwritten note from Mr. Wilson.

There is no evidence to indicate that this candidate knew that the contributions may have come from corporate funds. Further, it should be noted that Senator Johnston supplied the information on a voluntary basis—the only political figure to supply such information regarding a contribution from Mr. Wilson—and that the information, highly relevant to this investigation, was not available to the Committee from any other source.

The significance of the \$20,000 in contributions to Senator Johnston is that they appear to have been made at approximately the same time that Mr. Wilson obtained \$30,000 in cash from a domestic bank account, as noted at page 15. The inference is strong that Mr. Wilson used \$20,000 of such funds to make the contributions, and then caused the domestic account to be reimbursed from the cash brought from abroad on December 10, 1971.

As a check on this hypothesis and in order to determine whether Mr. Wilson may have made personal political contributions of such dimensions, counsel requested permission to review Mr. Wilson's personal financial records. The executors of Mr. Wilson's estate permitted counsel to examine Mr. Wilson's cancelled checks and bank statements for the period 1962 through 1971. It appears from these documents that Mr. Wilson did not make large personal political contributions. There is no indication that he used \$20,000 of his own funds to make campaign contributions in 1971.

E. KNOWLEDGE AND PARTICIPATION OF SENIOR MANAGEMENT

During the investigation as well as in their testimony to the Commission, Messrs. Graves, Cunningham and Richie frankly acknowledged their awareness that funds of Oceanic had been repatriated to the United States for use by Mr. Wilson. Further, Messrs. Richie and Cunningham conceded that they acted as couriers to transport the funds—Mr. Richie on numerous occasions. Messrs. Richie and Cunningham also had reason to know or believe that the payments were being charged incorrectly on the books of Oceanic.

Their explanation was simply that "the boss" told them to do it. They were confident that he was acting in the best interests of the Company. In any event, it was not their place to question him. Mr. Cunningham did insist that Mr. Wilson give receipts acknowledging the payments and, according to Mr. Cunningham, Mr. Wilson was enraged at even this modest questioning of his authority. Mr. Cunningham also initiated the practice of having the Company's principal overseas auditor list all unsupported payments (*i.e.*, payments for which there was not adequate documentation) in yearly letters to the directors of Oceanic.*

* These letters identified as unsupported items the most significant of the questionable items discussed in this Report.

These letters were acknowledged by the directors, who included at various times Messrs. Wilson, Graves, Richie, Cunningham and Crews. Mr. Cunningham has stated that this procedure was instituted not as an accounting matter, but to make it clear that the Oceanic directors were on notice as to the unsupported items.

V. THE GRAVES FUND AND DOMESTIC POLITICAL CONTRIBUTIONS

Charles L. Graves was Roger Wilson's successor as President and Chief Executive Officer of McDermott. Like Mr. Wilson, Mr. Graves maintained an off-book cash fund of corporate monies. The Graves fund, which remained in existence from 1972 through mid-1976, totaled approximately \$18,000. Mr. Graves, in a supplement to his testimony before the Commission, has acknowledged that a portion of the fund, estimated at \$4,800, was used to reimburse officers and employees of the Company for political contributions which they made to candidates for federal office.*

A. THE GENERATION OF THE FUND

The cash for this fund was derived from two sources. The first source, according to Mr. Graves, was approximately \$6,000 in cash which remained in the Wilson fund at the time of Mr. Wilson's death. Mr. Wilson's secretary gave Mr. Graves an envelope containing this money on February 8, 1972, the day Mr. Graves was elected President of McDermott. It appears that, except for a short period of time during which Mr. Cunningham had custody of the envelope, the money was kept by Mr. Graves in the fireproof file in his office. Mr. Cunningham has stated that, while he held the envelope for safekeeping, he never opened it to examine its contents.

In addition to these monies, \$12,000 in cash was repatriated at the direction of Mr. Graves from a foreign subsidiary. During the first half of 1974, Mr. Graves instructed Mr. Richie to arrange to have \$12,000 in cash brought back to Mr. Graves in New Orleans. At about this time, several members of McDermott's top management were preparing to attend the annual overseas audit meetings in connection with the closing of the Company's foreign accounts for the fiscal year ended March 31, 1974.

Charles L. Davis, at the time a vice president of Oceanic, was contacted by Mr. Richie and was told to put together three packages, each containing \$4,000 in cash, from Oceanic funds. In turn, Mr. Davis instructed the controller for the Middle East area to obtain the money, which was done well in advance of the audit meetings.

Although there is some question as to who handled the money in the Middle East, it appears that the three packages were given to Mr. Richie, who in turn gave one package to Mr. Cunningham and one to Mr. Crews. Each of these individuals brought his package to New Orleans. Mr. Richie collected the packages there and delivered them to Mr. Graves, who acknowledged receipt on May 27, 1974.

B. THE ACCOUNTING FOR THE \$12,000 TRANSFER

On the books of Oceanic, \$6,000 of the \$12,000 payment to Mr. Graves was recorded as a public relations expense, and the remaining \$6,000 was recorded as an advertising

* In October 1976, Mr. Graves turned over to the Audit Committee \$13,200 in cash, which he advised was the unused portion of the Graves fund. In turn, the Audit Committee turned the money over to the Treasurer to be recorded on the Company's books.

expense. The charges were supported only by three receipts signed by Mr. Richie—one for himself and one each on behalf of Mr. Crews and Mr. Cunningham. Each receipt described the charge as a director's expense.

C. THE USE TO WHICH THE FUND WAS PUT

1. *The Commission's Evidence Regarding Domestic Political Contributions*

At the time of the delivery of the \$12,000 to Mr. Graves, each of the couriers was a member of McDermott's senior management and a director of the Company. Each has stated that he did not know why Mr. Graves wanted the money or what Mr. Graves intended to do with it.

Mr. Graves was asked by the Commission's staff why he had the \$12,000 brought to him. The following is an excerpt from the transcript of Mr. Graves' testimony:

"A. . . . I had always understood Roger kept some cash here. . . . So I asked them to bring some money home. They were getting ready to leave on the audit trip. They did so. . . .

Q. What did you have in mind when you were thinking you needed it?

A. I had no idea."

Mr. Graves further testified that he had not disbursed any of the \$12,000, which—along with approximately \$1,500 left him by Mr. Wilson—still remained in his office. He also indicated, in his affidavit to the Internal Revenue Service and in a letter of representation to the auditors, that the Company and its subsidiaries had made no domestic political contributions except as specified therein.

The first indication that political contributions had been made to candidates for federal office, and that Mr. Graves had been involved, came from Mr. Crews. In a supplement dated July 28, 1976 to his Commission testimony, Mr. Crews disclosed that on two occasions he was instructed by Mr. Graves to obtain campaign contributions from McDermott employees and to reimburse the donors with funds provided by Mr. Graves. On August 18, Mr. Graves also supplemented his Commission testimony to state that Mr. Crews' testimony had refreshed his own recollection: on five occasions he had disbursed an aggregate of approximately \$4,800 for the purpose of reimbursing McDermott personnel for domestic political contributions to federal candidates.*

Mr. Graves also pointed out in his supplement that he had been undergoing a series of laser treatments in Baltimore for severe diabetic retinopathy, a consequence of long-term diabetes, which can ultimately result in blindness. He had been undergoing these treatments since June, on the advice of his ophthalmologist that such treatments were imperative if he was to keep his sight. At the time of his testimony before the Commission staff, he had just returned from one of the treatments, was still feeling the disorientation and discomfort resulting therefrom, and had been unable to review the subject matter of the staff's investigation in any depth.

* According to Mr. Graves, this money came from the fund left him by Mr. Wilson. Thus, Mr. Graves estimated that Mr. Wilson must have left him approximately \$6,000, not \$1,500 as he had originally testified. He also stated that in light of his refreshed recollection as to the use of the fund left by Mr. Wilson, one possible use of the repatriated \$12,000 would have been the support of political campaigns—even though, in fact, none of the \$12,000 was ever expended for any purpose.

2. *The Audit Committee's Investigation into Domestic Political Contributions*

In an effort to follow up on the leads provided by the Commission testimony, and to uncover any other domestic political contributions by the Company, the Committee and its advisers gathered information from various sources. Initially, counsel questioned each of the individuals who were mentioned in testimony or in other interviews as having received reimbursement for political contributions. The results of these interviews were and in certain respects still are inconclusive. Counsel also engaged in an extensive search of all campaign contribution reports filed by candidates for the United States Congress from Louisiana during the period April 7, 1972 through December 10, 1976, inclusive.*

The review of these documents involved scrutiny of over 1,000 campaign reports filed with the Federal Election Commission ("FEC") in Washington, D. C. On the basis of the examination of relevant FEC filings, accounting documents and interviews with Company personnel, the Committee believes that the following subsections set forth the extent of domestic political contributions paid for with corporate funds during the period under investigation, although it is possible that additional contributions were made out of the Wilson fund—such as the \$20,000 to a candidate for state office in Louisiana in 1971.

3. *Domestic Political Contributions to Candidates for Federal Office*

In September 1972 John Dupy, then the Company's Treasurer and now the Vice President—Administration, wrote a personal check in the amount of \$1,000 to purchase tickets to a fund-raising dinner in New Orleans for President Nixon. Mr. Dupy has stated that he made the contribution—at Mr. Graves' request—knowing that he would be reimbursed by Mr. Graves. He was in fact reimbursed shortly thereafter.

In late 1974 Mr. Graves approached Mr. Crews on two occasions and requested that he obtain contributions for a local candidate for Congress, Henson Moore.

On the first occasion, according to Mr. Crews, Mr. Graves instructed him to obtain personal checks from the donors, to reimburse the donors with cash which Mr. Graves provided on the spot (approximately \$1,000), and thereafter to deliver the checks to the candidate. Although Mr. Crews cannot recall with certainty which officers of the Company he approached, an examination of the FEC filings by this candidate reveals that on September 9, 1974 checks from Messrs. Bailey, Crews, Cunningham, Graves and Ernest Gravois (Mr. Bailey's administrative assistant)—all in the amount of \$200 except for Mr. Graves' \$500 check—were received by Mr. Moore's campaign committee. Mr. Crews has conceded that he was reimbursed by Mr. Graves in the amount of \$200 at the time he wrote his check. Mr. Bailey has said that he might have been reimbursed, although he has no recollection of any such reimbursement. Messrs. Cunningham, Graves and Gravois have stated to counsel that they were not reimbursed.

Later in 1974, Mr. Graves again gave \$1,000 in cash to Mr. Crews and asked him to arrange for further contributions to Mr. Moore. The FEC filings reveal that, on October 9, 1974, Mr. Moore's campaign committee received contributions of \$500 each from Messrs. Crews and Graves. On November 4, 1974 the committee received a \$100 contribution from Mr. Gravois. In December, it received further \$500 contributions from

* Except for a single \$100 contribution to the campaign of a candidate for the state senate in Texas, the Committee has not uncovered, or been supplied with, any evidence of contributions to state or local politicians outside Louisiana.

Messrs. Bailey and Dupy. Mr. Dupy has acknowledged that he was reimbursed for his contribution. Mr. Crews has stated that he believes, but is not sure, that he was also reimbursed. Mr. Bailey has stated that he might have been reimbursed although he has no recollection of such reimbursement. Mr. Graves and Mr. Gravois have stated that they were not reimbursed.

A final contribution in 1974 involved Senator Russell B. Long. In this instance, Mr. Graves gave \$600 in Company funds to Mr. Gravois for the purchase of six \$100 tickets to a dinner honoring Senator Long. Interviews have established that Messrs. Crews, Dupy and Gravois, along with their wives, attended the dinner held for Senator Long in New Orleans.

In March 1975 Mr. Gravois received \$1,200 in cash from Mr. Graves and was instructed to obtain contributions to make up the campaign deficit of David C. Treen, a candidate for Congress. Mr. Gravois recalls obtaining personal checks from Mr. Bailey and five other McDermott employees, including himself.* Each contribution was in the amount of \$200, and each person who contributed money has acknowledged that he was reimbursed from corporate funds (except Mr. Bailey, who recalls nothing of the kind but acknowledges the possibility that he was reimbursed). Each of the checks was received by the candidate's committee on April 29, 1975.**

The Committee has also learned of one further instance in which an employee of the Company was reimbursed in 1975 for a \$200 contribution to another candidate for federal office.

A review of the FEC filings has indicated that other political contributions were made by officers of McDermott mentioned in this part of the report. The surviving officers have all stated that the checks represented personal political contributions for which they did not receive reimbursement.

* * * * *

On the basis of the foregoing, the Committee is unable to reach any precise conclusions with respect to the total amount of political contributions which may have been reimbursed out of corporate funds since March 31, 1971. However, the Committee has concluded that such amount is probably in the area of \$5,000 and could possibly be somewhat higher, apart from what may have been contributed out of the Wilson fund. The Committee has developed no evidence that any of the candidates was advised of the source of the contributions—all of which were made in the names of individuals—except Representative Treen, who promptly returned the contributions when he learned of the source in late 1976 or early 1977.

D. DOMESTIC POLITICAL CONTRIBUTIONS TO CANDIDATES FOR STATE OR LOCAL OFFICE

In addition to the political contributions heretofore mentioned, the investigation has revealed that the Company made direct contributions totaling approximately \$13,550 to state or local candidates or government officials in Louisiana. These contributions—none of which was made from the Graves fund—were accurately reported on the Company's books.

* In fact, it appears that one employee purchased a bank draft rather than writing a personal check to the candidate, and that Mr. Gravois himself made a contribution in another employee's name.

** In late 1976 or early 1977, Mr. Graves advised Representative Treen of the source of these six contributions. In January 1977, Representative Treen's campaign committee returned the contributions to the Company.

The largest single contribution—\$7,500—was made in October 1971, when Mr. Wilson was still President, to the campaign of Lawrence Chelardy, a candidate for tax assessor in Jefferson Parish, Louisiana. The contribution was apparently approved by a middle-level employee. The full amount of the contribution was reported to the Internal Revenue Service as a non-deductible expense on the Company's tax returns.

The other contributions were: \$2,000 and \$600 for testimonial dinners honoring Edwin W. Edwards in 1971 and 1972, prior to his taking office as Governor of Louisiana; \$1,000 for a testimonial dinner honoring James E. Fitzmorris in 1972, prior to his taking office as Lieutenant Governor of Louisiana; \$1,000 for a testimonial dinner in 1972 honoring John Mamoulides, district attorney of Jefferson Parish; \$384 for his campaign fund in 1973 and \$48 in 1975; \$600 in 1973 which was collected by Jack McClanahan, for a testimonial dinner; \$100 in 1972 to the "Mengden Campaign Fund" in support of a candidate for state senator from Texas; \$100 in 1971 for a testimonial dinner honoring B. H. Miller, Jr., councilman for Jefferson Parish; \$100 in 1974 to the Republican Party; and \$115 in contributions of \$50 or less.

VI. THE McCOLLUM PAYMENTS AND CERTAIN OTHER QUESTIONABLE PRACTICES

A. THE McCOLLUM PAYMENTS

From the period December 1971 through August 1974, Schacht V. McCollum, an Executive Vice President and later Vice Chairman of Tenneco Oil Company ("Tenneco Oil"), a subsidiary of Tenneco Inc., received five cash payments aggregating \$508,615 from employees of McDermott. The payments, which represented approximately 2½% of the amounts billed to Tenneco Oil by McDermott for certain work performed in the Gulf of Mexico area, were apparently made pursuant to an oral arrangement between Mr. McCollum and Roger W. Wilson, former President and Chief Executive Officer of McDermott. Cash to fund the payments was generated from Oceanic. Pursuant to Mr. Wilson's instructions, R. Nelson Crews, then an Executive Vice President and director of McDermott, coordinated the arrangements for the transfer and delivery of the cash to Mr. McCollum. A schedule setting forth certain information with respect to each payment is reproduced as Exhibit 4 to this Report.

The Audit Committee interviewed approximately 11 present or former McDermott employees—some on several occasions—who acknowledged that they had participated to some extent in the payments to Mr. McCollum. The Committee also interviewed many others who might have had some knowledge of the payments or of McDermott's dealings with Tenneco Oil. Each person stated that he had never been advised of the reasons for the McCollum transactions, although some were willing to speculate. McDermott's senior officers were advised of the transactions as follows:

- According to Mr. Crews, Mr. Wilson said—in late 1971—that he had an arrangement whereby payments would be made to Mr. McCollum in amounts equal to 2½% of work that McDermott performed for Tenneco Oil on a cost-plus or "rental rate" basis in the Gulf Coast area. Mr. Wilson, terminally ill at the time, advised that Mr. McCollum would contact Mr. Crews to arrange for deliveries. Mr. Crews was then to contact Mr. Richie to obtain the money from Oceanic.

• Mr. Wilson also called Mr. Richie in late 1971. Mr. Wilson advised that Mr. Crews would from time to time seek help in obtaining cash from Oceanic. Mr. Richie was to provide such help and charge the payments to sales promotion or directors' expenses. Not until some time later did Mr. Richie learn (from Mr. Crews) that the payments were to be turned over to Mr. McCollum.

• Mr. Graves recalls a conversation, also in late 1971, in which Mr. Wilson referred to a deal which he had with Mr. McCollum. The deal might require some foreign funds, Mr. Wilson stated, which were to be provided to Mr. Crews. Mr. Graves was to make sure that Mr. Crews got those funds.

• Mr. Cunningham was advised, probably by Mr. Crews, of an agreement made by Mr. Wilson whereby payments would be made to Mr. McCollum. According to Mr. Cunningham, he checked at the time of each transaction with the Chief Executive Officer—Mr. Graves in all instances but the first—to make sure that the payment was authorized.

Nobody asked Mr. Wilson what the payments were to be for. Nobody asked Mr. McCollum, either before or after Mr. Wilson's death. Mr. Wilson and (later) Mr. Graves authorized the payments. As Mr. Richie said, "You don't ask the boss why." Mr. Cunningham struck a similar note: he did not ask Mr. Crews any questions, other than the amounts of funds to be transferred, "because [Mr. Crews] had the boss' approval."

1. *The First Payment*

The first payment to Mr. McCollum was personally arranged by Roger Wilson shortly before his death. Mr. Wilson asked Mr. Crews to have a schedule prepared listing the amounts billed to Tenneco Oil for Gulf Coast work from April 1, 1971 through October 31, 1971. A controller in the Company's Morgan City office prepared the list and sent it to Mr. Crews. Mr. Crews gave the list to Mr. Wilson, who apparently made the calculations necessary to determine the sum—\$33,500—to be paid to Mr. McCollum.

Mr. Wilson (or perhaps Mr. Crews) then informed Mr. Richie that the sum of \$33,500 in cash was to be made available to Mr. Crews.

Mr. Richie in turn instructed Charles L. Davis to arrange for the withdrawal of \$33,500 from an Oceanic bank account in Beirut, to charge the disbursement as a sales promotion expense, and to make the money available to an employee of Oceanic who was traveling to Beirut at the time. Mr. Davis relayed these instructions to his Beirut office manager. The office manager drew and cashed an Oceanic check made payable to himself, and charged it to sales promotion. The currency was packaged and carried to Oceanic's Dubai office, where Mr. McCollum came to claim it. The courier has stated that he was not aware of the contents of the package and did not discuss its contents with Mr. McCollum.

2. *The Second Payment*

In September 1972, after Mr. Wilson's death, Mr. McCollum contacted Mr. Crews and suggested that Mr. Crews ought to "bring the situation up to date". Mr. Crews understood that Mr. McCollum was suggesting another payment, and promised to respond shortly thereafter. At Mr. Crews' request, Mr. Bailey instructed the controller in the Company's Morgan

City office to prepare a list of billings to Tenneco Oil. From this list, Mr. Crews performed the necessary calculations and noted that \$184,000 was due Mr. McCollum.*

It is Mr. Crews' recollection that following a staff meeting in Mr. Graves' office, at which Messrs. Richie, Cunningham and Graves were present, he informed the group that he intended to turn over the \$184,000 to Mr. McCollum, pursuant to Mr. Wilson's instructions. In his meeting with the Committee's counsel, Mr. Crews stated he was "sure I didn't take \$184,000 of McDermott money and convey it to somebody without the Chief Executive Officer and Chief Financial Officer knowing it."

While Mr. Graves remembers meeting with Mr. Crews at this time, he does not recall being told of the amount Mr. McCollum was to receive, and Messrs. Richie and Cunningham do not remember any discussion of the kind described by Mr. Crews. Mr. Graves does recall contacting Messrs. Richie and Cunningham to approve their making the cash available.

Upon Mr. Richie's instructions, Mr. Davis arranged for the cash to be withdrawn from an Oceanic bank account in Beirut and delivered to Mr. Crews in London. Shortly thereafter, Mr. Crews turned the \$184,000 over to Mr. McCollum. The voucher for the payment describes it as a "promotional engineering" expense for the New Orleans office, and the charge was so entered on Oceanic's books at the instruction of Mr. Richie or Mr. Cunningham.

3. *Subsequent Payments*

The three subsequent payments followed similar patterns. On each occasion, Mr. Crews was contacted by Mr. McCollum to arrange for another payment. Mr. Crews would request and receive a billing memorandum from Mr. Bailey and calculate the required payment by using the 2 1/2% formula. Mr. Crews would request this sum from Mr. Richie, who obtained approval for each payment from Mr. Graves. Mr. Crews recalls personally informing Messrs. Graves, Cunningham and Richie of the amount he planned to pay Mr. McCollum prior to making each payment.

On each occasion, Mr. Richie would arrange for the cash to be made available from Oceanic's Beirut office and delivered by a middle management employee to London. Mr. Richie dealt either with Mr. Davis or directly with the other Oceanic employees.**

The funds for the third and fourth payments were withdrawn from an Oceanic account by checks made payable to the bank. These payments were charged to promotional engineering and fees and services, respectively. The check for the final payment was also drawn on an Oceanic account, and was made payable to a currency exchange dealer who provided the necessary United States dollars. The final payment, in the amount of \$31,675, was again charged to fees and services and was supported by an expense voucher for Mr. Crews—signed by Mr. Richie—reflecting \$7,918.75 in travel and entertainment expenses for each of the previous four quarters.

4. *The Winding Down of the Arrangement with Mr. McCollum*

Mr. Graves has stated that although he approved providing Mr. Crews with cash for the second and all subsequent McCollum payments, he was not aware of the magnitude

* Mr. Bailey asserts that he did not know until the fourth or fifth payment that Mr. McCollum was to receive the funds. Mr. Crews recalls informing him earlier.

** While Mr. Davis was aware of the cash movements, he states that he had no knowledge of the arrangement with Mr. McCollum. He did not question the payments, or the accounting therefor, because of his trust in his immediate superior, Mr. Richie, and because of his understanding that Mr. Crews had received at least some of the payments.

of the sums involved until the closing of the Company's books in the spring of 1973. At that time, he sought from Mr. Crews the details of the McCollum arrangement and learned that Mr. McCollum had received over \$340,000 from the two payments he had approved. Mr. Graves recalls that he was "appalled at the magnitude of the amounts," and told Mr. Crews, "This is all out of the question. I just never had any idea that this was going to run into any sum like this and this has got to terminate". Mr. Graves asserts that he ordered Mr. Crews to terminate the arrangement with Mr. McCollum, on as amicable a basis as possible, and that he believes Mr. Crews agreed to do so.

Mr. Crews' recollection of this conversation varies somewhat from that of Mr. Graves. First, Mr. Crews remembers no surprise being expressed at the amounts of the payments. As noted above, Mr. Crews says that he informed Messrs. Graves, Richie and Cunningham of the amount of every payment prior to delivery. Second, Mr. Crews believes that Mr. Graves told him to terminate the arrangement shortly prior to the fifth and final payment, not the fourth. Mr. Crews remembers informing Mr. McCollum, on the occasion of the fifth payment, that the arrangement was being terminated at Mr. Graves' instructions; Mr. McCollum's recollection is the same. According to Mr. Crews, Mr. McCollum did not react in any way to his announcement.

5. *The Purpose of the Payments*

The Commission has alleged in its complaint that the McCollum payments were made "to aid McDermott in procuring and maintaining certain contracts and billings with the Tenneco Oil Company of which McCollum was then Vice Chairman of the Board of Directors." The Committee has focused considerable attention on this allegation and has developed as much evidence as possible with respect to it and with respect to other possible explanations for the McCollum payments.

In the last analysis, the Committee is unable to reach any firm conclusion for a number of reasons, but it does have serious doubts that the Commission's hypothesis is correct. An alternative explanation which appears equally plausible to the Committee—if not more so—is that the payments went to Mr. McCollum and were passed on by him for other purposes. Because Mr. McCollum and representatives of Tenneco Oil were unwilling to be interviewed, the Committee has been unable to follow up on this possibility in a meaningful way. On the basis of the available evidence, the Committee could do no more than speculate as to what the funds were actually used for and it does not believe that such speculation would be appropriate, especially in view of the fact that there is a possibility of litigation with Tenneco Oil.*

a. *The Commission's Hypothesis*

The Commission's hypothesis is supported to some extent by the following: (1) substantial payments were made to a top officer of Tenneco Oil who has testified that he took such payments without the knowledge of other senior officers of his company; (2) the payments were apparently measured by a percentage of certain fabrication and installation business done by McDermott for Tenneco Oil in the Gulf of Mexico area; (3) at about the time when the presumptive arrangement with McCollum was being made, McDermott obtained an exclu-

* Tenneco Oil's counsel has recently advised the Company that Tenneco Oil is considering bringing suit against the Company with respect to these payments

sive or "blanket" contract from Tenneco Oil for such fabrication and installation business—a contract (similar to those which McDermott had with a number of major clients) which McDermott had been seeking from Tenneco Oil for some time; (4) the payments were made in cash and in a clandestine manner without being appropriately recorded on the books of McDermott or any other entity, as far as the Committee knows; (5) no one now with McDermott has offered any affirmative explanation for this transaction, other than speculation; (6) McDermott's domestic fabrication and installation business with Tenneco Oil increased substantially after the contract was entered into; and (7) McDermott's profit on such business with Tenneco Oil during the period of payments was substantially higher than its profit on similar business done with others in the same area in the same period.

b. *Doubts as to the Commission's Hypothesis*

At least equally persuasive, in the view of the Committee, is the evidence that the payments to Mr. McCollum were for reasons other than to obtain business from Tenneco Oil: (1) after an exhaustive search, the Committee's advisers did not uncover—and do not believe that there were—any other instances of such payments by McDermott or its subsidiaries; (2) the blanket contract entered into with Tenneco Oil was similar to a number of other such contracts entered into for normal business reasons with major oil companies; (3) to the extent that the Tenneco Oil contract differed from such other contracts—it was a "mark-up" of one such contract—it was slightly favorable to Tenneco Oil; (4) McDermott's profit margins on the work performed for Tenneco Oil under the blanket contract were not out of line with its margins on work performed for other oil companies and priced in similar fashion (e.g., on a cost-plus or rental rate basis); (5) McDermott's profit margins on the work performed for Tenneco Oil under the blanket contract were lower than its margins on similar work—not covered by the blanket contract—performed for Tenneco Oil during the period when the McCollum payments were being made; (6) the increase of business from Tenneco Oil during the period appears to reflect an increase in operations by Tenneco Oil in the area, and not an increase in McDermott's share of Tenneco Oil's business; (7) Tenneco Oil was by no means McDermott's largest customer—it accounted for less than 3% of McDermott's total revenues from fabrication and marine construction in the period—and the Tenneco Oil business was not unusually important to McDermott; (8) in the view of those members of the Committee and of senior management who knew Roger Wilson well, it would have been totally out of character for him to have made the McCollum payments for the reasons alleged by the Commission. No one in senior management could recall an instance in which Mr. Wilson ever indicated that he had considered any such undertaking. Members of the Committee and of senior management were also of the belief that, if Mr. Wilson were to have embarked on such an undertaking, he would have had compelling business reasons for doing so. The Tenneco Oil business was not sufficiently important to McDermott, and the profits on that business were not such as to constitute compelling business reasons, quite apart from any question of wrongdoing; and (9) some of the work which apparently provided the basis for the McCollum payments was work performed before the blanket contract was entered into, and some of the subsequent work fell outside the scope of the blanket contract. If there had been a *quid pro quo*—i.e., the blanket contract in return for the payments—it would not be illogical to expect that the 2½% payments to Mr. McCollum would be applied only against work performed under the contract. In fact, the payments were based not only on work performed under the contract but also on substantial other work done for Tenneco Oil.

The most significant of the foregoing reasons for questioning the Commission's hypothesis, however, involves the assessment of Roger Wilson. Like members of management who

were interviewed at length by the Committee and its counsel, the members of the Committee found it extremely difficult to believe that Mr. Wilson would have agreed to such payments in return for the Tenneco Oil business received by McDermott.

c. *The Explanations of the Participants*

A basic difficulty faced by the Committee was that the explanations by the surviving participants were at best incomplete. The McDermott people testified that Mr. Wilson entered into a "deal" with Mr. McCollum, the nature of which he never disclosed and they never questioned. They carried out the terms of this arrangement by paying out approximately \$475,000 after Mr. Wilson's death, without ever inquiring of Mr. McCollum or Tenneco Oil what the nature of the transaction was. Payments of \$98,800 and \$31,675 were made in September 1973 and August 1974, although Mr. Graves may have ordered the program shut down as early as May 1973. Mr. McCollum accepted the termination without comment.

The McCollum explanation was, if anything, less enlightening. Mr. McCollum has refused to be interviewed by counsel to the Committee, but he testified on the subject before the Commission and at a deposition taken on July 14, 1976 in connection with a civil suit brought against him by Tenneco Oil to recover the payments. Mr. McCollum testified that during a meeting with Mr. Wilson in New Orleans in late 1971, he learned of an "international deal" that Mr. Wilson had arranged with Tenneco Oil's management. Mr. Wilson informed Mr. McCollum that as part of the international deal (which Mr. McCollum claims he never discussed with any officials at Tenneco Oil), Mr. McCollum would receive certain packages and be instructed to deliver them to other persons. According to Mr. McCollum, he received four to six such packages. He immediately turned them over to "a man who I did not know." When pressed on the point, Mr. McCollum stated that he gave the packages to a number of different men, all of whom he described as "white" and "average looking."

d. *Impediments to a Definitive Conclusion*

Mr. Wilson and his closest colleagues are no longer alive. The understanding and recollections of the McDermott management group have been disappointingly incomplete. On the Tenneco Oil side, Mr. McCollum's testimony is not enlightening as to the ultimate nature and purpose of the transaction—and he has refused to give any information to the Committee. Similarly, Tenneco Oil has declined to give the Committee access to records and personnel.* Finally, according to a recent filing by Tenneco Inc. with the Commission, federal grand juries in Louisiana, Wisconsin and the District of Columbia are conducting investigations into aspects of Tenneco's business. The assistant United States attorneys in charge of those investigations have declined to share information with counsel for the Committee.**

* The refusals to cooperate were not absolute. Rather, Tenneco Oil and Mr. McCollum suggested a willingness to provide unspecified information if the Audit Committee would provide information to them. Particularly in light of the Audit Committee's role as a fact-finder, the Committee through its counsel determined that the preconditions set by Tenneco Oil and Mr. McCollum were unacceptable.

** Another blind alley for the Committee involved a Chicago grand jury proceeding in late 1975 and early 1976 relating to another company and a former McDermott employee. Certain present McDermott employees were questioned about the former employee—who had participated in the early Wilson payments—and to a lesser extent about the payments to Mr. McCollum. An indictment eventually resulted, which in no way referred either to McDermott or to any aspect of McDermott's business. Counsel for the Audit Committee have sought, unsuccessfully, to obtain from the United States Attorney's office any relevant information which that office might have developed about McDermott or its employees.

In all the circumstances, the Audit Committee believes that no responsible conclusion can be reached as to the nature and purpose of the McCollum payments. However, the Committee has learned enough about those payments to entertain serious questions as to whether they were made for the purpose of obtaining business from Tenneco Oil, as alleged by the Commission.

B. OTHER QUESTIONABLE PRACTICES

The Committee has found no other transactions of the McCollum type and is convinced that there were none. The investigation has, however, revealed that the Company has engaged in other practices, involving its relations with customers (and to some extent government officials) which, taken as a whole, warrant mention in this Report. Thus, in several areas of the Company's operations, the Committee found an inattention to careful accounting and recording practices which left open the possibility that improprieties could have occurred. Principal examples of this problem were as follows:

1. Because the Company's business requires that employees travel a great deal, the Company maintains a large fleet of corporate aircraft stationed around the world. At the outset of the investigation, the special auditors were asked by counsel to review the log books of these aircraft to determine whether they had been used for appropriate corporate purposes.

In general, this procedure was not effective. Particularly prior to 1975, the log books were not kept with sufficient detail to determine how often and why Company aircraft were used to transport persons other than employees. In numerous instances, however, the logs show—without recording any business purpose—that the planes were used to transport customers and government employees.

2. Similar comments apply to the Company's records with respect to the use of its hunting and fishing camps. Prior to November 1975, no logs were kept for the hunting camp. The records that do exist are often incomplete in the same manner as the airplane logs.

3. An additional area of inquiry by the Committee was the practice—both in the United States and abroad—of giving gifts to government officials and employees of customers. For example, many of the Company's subsidiaries maintain Christmas lists for the giving of gifts such as liquor or fruit baskets. However, the investigation has also disclosed that in some instances the gifts took the form of cash or cash advances which were never repaid. On other occasions, the values of gifts were such that they may have exceeded prudent business standards or created the appearance of impropriety. Similar comments could be applied to the entertainment provided to certain customers.

4. Since it might be possible to generate off-book funds through unrecorded sales of scrap materials, the Company's procedures in this area were reviewed by Arthur Young. In general, procedures and controls in this area have been unimpressive, and the documentation maintained by the Company has been minimal. Approximately two million dollars of scrap material has been sold during the five-year period with little check on how the sales were made or whether better prices or practices might be available. However, no indication of any improper diversion of funds was found.

VII. QUESTIONABLE FOREIGN TRANSACTIONS

In addition to the payments discussed above, the Audit Committee's investigation has uncovered a variety of questionable payments made in foreign countries, as well as other foreign transactions involving possible improprieties.

The locations in which transactions described in this section occurred were: Algeria, Australia, Belgium, Brazil, Egypt, Indonesia, Iran, Kuwait, Lebanon, Nigeria, Saudi Arabia, Singapore, Trinidad and the United Arab Emirates. Messrs. Richie and Davis were aware of or approved many of these transactions, and Messrs. Cunningham and (to a lesser extent) Graves had a general knowledge of many of them. Others who authorized such transactions were John W. McCarte and Eric R. H. Selley, both group vice presidents of Oceanic.

A. QUESTIONABLE PAYMENTS

The Audit Committee has developed evidence to support the view that government officials of various countries may have been the ultimate recipients of all or part of certain payments. Certain other transactions, in all the circumstances, appeared to the Committee to be of questionable propriety although not necessarily involving payments to government officials. Each of the payments described in subpart A—aggregating approximately \$1,030,000 over the five-year period ended March 31, 1976—falls into one of these categories.

1. A supplier to one of the Company's subsidiaries was the subject of an investigation, by government officials of Country A,* into alleged improprieties relating to currency transactions. As an outgrowth of that investigation, a government official (the "Official") visited the offices of the subsidiary and requested documents relating to its transactions with the supplier. These documents were supplied. A few days later the Official returned, demanding that he be allowed to inspect all of the subsidiary's books and records. The subsidiary's controller told the Official that he lacked the authority to turn over the books. Nevertheless, the Official demanded that the books be brought to his office on the following day.

At the time in question, the subsidiary was holding certain books of an affiliated company, which the Company did not regard as doing business in Country A. Officials of the subsidiary were concerned that taxes might be assessed on the affiliated company's income if the government learned that these books were being held by the subsidiary. Furthermore, the taking of the books—with no reliable way to ensure their return—could have been extremely disruptive. During the evening, therefore, employees of the subsidiary moved the affiliated company's books from the subsidiary's office to another location.

When the controller appeared before the Official the following day, without the subsidiary's books, he was told that warrants would be obtained both for his arrest and for "the books of the company." Shortly thereafter, an influential businessman approached an employee of the subsidiary and arranged a meeting with an individual who might be of assistance. The individual displayed an extensive knowledge of the problem at hand and stated that he was a close friend of the Official.

* For each transaction, the country involved is identified by a separate letter, even though more than one transaction may have occurred in the same country.

Following this meeting, it was suggested to employees of the subsidiary that the entire problem could be resolved by a payment of \$140,000. The subsidiary's office manager decided to make the payment, in order to protect his controller from arrest, to avoid the disruption which would flow from a seizure of the books, and to protect the Company from possible tax claims that could be made if the books of the affiliated company were discovered.

After arrangements to make the payment had been made, the intermediary informed the controller that the problem had been settled. Shortly thereafter, a higher officer of the subsidiary, and an officer of an affiliated company, arrived in town. They instructed an Oceanic accountant in another country to pay the \$140,000 to yet another intermediary, and this was done. The check was described as being a "payment on account". Nothing was heard again from the Official.

It is interesting to note that, before the foregoing facts were developed, representatives of the Committee questioned several senior members of the Company's management about this incident. All stated that the controller had actually been jailed and that the payment had been needed in order to free him. It is not unlikely that officials of the subsidiary had presented such a story to senior management, in order to justify the \$140,000 payment. After intensive questioning on this subject, the Committee has found no evidence to warrant a finding that any member of senior management knew the facts as set forth above.

2. An employee of a Company subsidiary was involved in a major automobile accident in Country B. He was arrested and remained incarcerated pending trial. Two senior officers of Oceanic approved the payment of \$20,000 to a judicial official of Country B. Shortly after the payment was made, the employee was released and left the country.

Initially, one of the Oceanic officers included a \$20,000 lump-sum charge on his expense report for "public relations expense". No supporting documentation was provided. Subsequently, the charge to public relations expense was reversed and the \$20,000 was charged to this officer's advance account. A new expense report was prepared for "entertainment of customers and employee guests"—\$1,500 per month for twelve months and \$2,000 for one month—and the advance account was then charged to entertainment and/or public relations expense.

3. A subsidiary of the Company has experienced great difficulty in obtaining the necessary quota of work visas for its employees in Country C. During a three-year period prior to the period upon which the Audit Committee focused its investigation, substantial sums had been paid by an affiliated company to an intermediary for his assistance in obtaining work quotas from the appropriate government agency. In general, the payments were charged to "professional services."

Early in the period under investigation, visas were required for a substantial number of employees of the subsidiary. A senior officer of the subsidiary approached a well-connected businessman who had previously assisted the subsidiary in obtaining work quotas. The businessman advised that the needed visas could be granted if payments were made to certain individuals. He ultimately agreed to accept a fee of \$100,000 to handle the matter. Payment of this sum was approved by two senior officers of an affiliated company, which paid the fee and charged it as an employee relocation expense. The subsidiary thereafter received an acceptable quota of visas from the government.

Some years later, the government took preliminary steps to reduce the quota of visas, and it became extremely difficult for employees to enter Country C. The businessman was again approached by a senior officer of the subsidiary for help in maintaining the needed quota of visas. A fee of \$100,000 was settled upon, again approved by two senior officers of the affiliated company which again made the payment. The documentation relating to the payment described it as being for "assistance in acquiring import permits."

4. Obtaining entry visas for Country D—especially multiple-entry visas—can be a time-consuming process which leads to costly delays. In order both to expedite the visa application process and to obtain multiple-entry visas, an employee of a Company subsidiary has made payments to two embassy officials employed by Country D in a foreign city. The first official was paid \$1,000 per month, some of which was advanced to him upon his request. Subsequently, payments were made at irregular intervals to the official's replacement at the embassy. An aggregate of at least \$30,000 in such payments has been made during the five fiscal years ending March 31, 1976. Money to fund these payments was disbursed largely from petty cash. On occasion, however, payment was made by check. The payments were approved by a senior officer of Oceanic and were generally charged as fees and services.

5. Regular payments aggregating \$2,000 per month are made to three customs officials in Country E. The arrangements began in 1974. The customs officials solicited the payments from an employee of a Company subsidiary, stating that the payments would be necessary for the subsidiary to receive prompt customs clearances. Several of these payments were described in the accounting documentation as contributions to aid a local village that houses many of the subsidiary's employees; most of the other payments have been charged as public relations expenses, consulting or promotional fees, or fees for licenses and permits.

6. During the period under investigation, subsidiaries of the Company settled tax claims which had been asserted against them by Countries F and G. The subsidiaries, working through their local outside accountants, were able to settle these claims for substantially less than the amounts initially claimed by the governments concerned. For their services the accountants received fees from the subsidiaries aggregating approximately \$320,000. There is no direct evidence that any portion of these sums was paid to government officials. However, the context of the payments, the manner in which they were effected (*i.e.*, in one case by two separate checks), and the amounts thereof in relation to previous fees paid to such persons, give rise to possible questions regarding the transactions.

7. An oil company awarded a contract to a Company subsidiary in Country H and requested that the subsidiary buy certain necessary materials from an affiliate of the oil company. At governmental insistence, the oil company required that a firm price be set for the materials portion of its contract. However, the McDermott subsidiary was unwilling to make such a commitment—severe monetary fluctuations made it impossible to determine what the dollar price of the materials would ultimately be. The agreed-upon solution was for the oil company's affiliate to commit to a fixed dollar price for the materials—thus apparently accepting the risk of monetary fluctuation. As part of this agreement, however, the oil company apparently promised to reimburse its affiliate for any losses it might suffer thereby.

By the time the contract was performed, monetary fluctuations had resulted in a loss of \$50,000 to the oil company's affiliate. Officials of the McDermott subsidiary have advised

that, in order to avoid embarrassment before the governmental authorities which had insisted upon a fixed-price contract, the oil company requested that McDermott's subsidiary pay the \$50,000, and agreed to reimburse the subsidiary for this amount. The payment was accordingly made (to the bank account of the president of the oil company's affiliate) and a receipt was received therefor. Officials of the McDermott subsidiary have advised the Committee that the \$50,000 was made up by overbilling the oil company for this amount on invoices relating to a number of different jobs. No documentation for such overbilling has been found.

8. In June 1972 the director of Indonesian Enterprises, Inc. wrote to a senior officer of Oceanic and requested that Oceanic subscribe to the stock of this corporation. The letter stated that the request was being made on behalf of General Ibnu Sutowo, then the head of Pertamina, the Indonesian oil conglomerate. The purpose of the corporation was to operate the Ramayana Restaurant in New York City.

Two senior officers of Oceanic approved a \$25,000 subscription to the corporation's stock, to be made by McDermott's Indonesian subsidiary. The restaurant was opened but has suffered financial reverses. The subsidiary's investment of \$25,000 has been written off.

As was recently reported in the press, the Commission, in a lawsuit against Pertamina, Gen. Sutowo and others, has alleged that the sale of these securities violated federal securities laws and that the purchasers were coerced into buying the shares.

9. A Company subsidiary needed a communications license in order to transmit messages between offshore barges and land-based personnel in Country I. Apparently, no such license had previously been issued in this country. An Oceanic employee asked an intermediary for help in arranging for the issuance of the license. The individual stated that a payment of approximately \$11,000 in advance would be needed, with a supplemental payment of approximately \$2,000 if the license were granted.

A middle-level employee of the subsidiary approved the \$11,000 payment, which was made in cash to the intermediary. Shortly after the payment was made, the license was issued. The \$2,000 payment to the intermediary was then made in a similar manner. Most of the amount paid in this connection was accounted for as a legal expense.

10. Country J imposes a tax on employers similar to the United States Social Security tax. The amount of tax paid is often negotiated with tax officials. In the early 1970's a dispute arose, between the government and a Company subsidiary, concerning assessment of the tax on a project constructed for a customer. The government was threatening the subsidiary with a large fine for late payment of the tax. Lengthy negotiations did not resolve the dispute.

Ultimately, a senior officer of Oceanic authorized the payment of approximately \$8,000 to an intermediary for the purpose of inducing a key government official to have the fine for late payment withdrawn. In addition, the subsidiary paid the government all pre-penalty taxes that had been assessed. The Oceanic officer obtained bills for legal services to support the \$8,000 payment.

11. A Company subsidiary's sales agent in Country K requested that the subsidiary advance him \$10,000 in cash. The agent informed a middle-level employee of the subsidi-

ary that he planned to give the cash to a friend in government whose son had been badly injured in an automobile accident. Payment of the money was approved by a senior officer of Oceanic. The subsidiary issued two checks of \$5,000 each, which were converted into United States currency and given to the agent. The expenditures were booked as donations to a local village. The \$10,000 advance was subsequently deducted from the commissions due the agent.

12. A payment of \$6,000 was made to a government department of Country L as a contribution toward the construction of a government facility.

13. A marine crew was flown into Country M in 1972 to man a boat that was prepared to leave the local port. The crew carried seamen's visas, which normally allow the holders entry into a country for from 48 to 72 hours. Despite this, the seamen were refused entry at the airport for lack of valid visitors' visas. A local businessman advised an employee of the Company's subsidiary that the problem could be solved if he were paid \$5,000 in cash. The businessman was paid the requested sum, and shortly thereafter the seamen gained entry into Country M. The payment was accounted for as a miscellaneous job expense.

14. A Company subsidiary was experiencing difficulty in obtaining a dock location from a local governmental authority in Country N. A middle-level employee persuaded a government official to help overcome the difficulty. The desired location was subsequently obtained. In return, the subsidiary paid the government official approximately \$600 in cash, which he stated he planned to donate to a local civic organization. This disbursement was charged as a public relations expense.

15. The investigation has disclosed that during the time period in question, approximately \$160,000 was paid to low-level government functionaries of various nations to facilitate some desired government action. The payments were normally used to facilitate government action to which a subsidiary of the Company was entitled. However, had the payments not been made, such actions might have been refused or unreasonably delayed. Functionaries who receive the payments in question included harbor masters, customs and immigration authorities, police officials and telephone department employees.

B. OTHER TRANSACTIONS

In the case of several transactions, described in this subpart, the Committee could not satisfy itself as to the absence of any impropriety—one or more pieces of information suggested that there might be some questionable aspect to each of these transactions.*

1. The government of Country O promulgated a decree requiring that native citizens or organizations must own stated percentages of companies doing business there. A Company

* Not included in this discussion are transactions for which accounting documentation is inadequate or missing, but as to which no evidence has been developed which raises questions. There is no pattern or apparent significance to the missing documentation. It is nevertheless possible that some of these transactions may have had questionable aspects which the Committee has been unable to discover. There is no basis for speculating on the nature or dollar amounts of such questionable transactions, if any. However, the Committee's recommendations with respect to auditing and accounting are being made with a view to minimizing the number of transactions as to which adequate documentation cannot be produced.

subsidiary was covered by the decree. Unable to sell its stock publicly or to the government, the subsidiary placed a percentage of its stock with certain leading citizens, former high government officials, who also became salaried employees and directors of the subsidiary.

The purchasers lacked the capital to buy the subsidiary's stock. Thus, another subsidiary loaned them the money—approximately \$600,000. None of the money loaned to the purchasers has yet been repaid. At the time the arrangement was entered into, Company officers may have had reason to believe that the purchasers were unlikely to repay their loans.

2. A Company subsidiary in Country P entered into a consulting agreement with a relative of a high official of a company with which McDermott has a business relationship. Pursuant to this agreement, the individual conducted a survey relating to the possible construction of a plant by the subsidiary, and submitted a written report containing his findings. The individual was paid almost \$300,000 for this work. The report did not appear to contain any significant amount of original work. The subsidiary subsequently decided not to pursue construction of the plant, and the consulting agreement with the individual was terminated.

3. A Company subsidiary received a written request for a contribution of approximately \$256,000 to a quasi-political organization. The request—which was signed by a high official of the government of Country Q—was written on government stationery. The letter had been preceded the day before by a telephone call asking for immediate payment. A senior official of Oceanic approved the contribution, and a check to this organization in the amount requested was delivered immediately. The contribution was accurately reflected on the books of the subsidiary.*

4. In October 1973 a payment in the amount of \$50,000 was made to a representative of a subsidiary of Oceanic in Country R. At the time, the subsidiary was engaged in a small project for the state-controlled oil company. Counsel were advised that the representative performed valuable services for the subsidiary; however, the payment was entered on the subsidiary's books as a "public relations" expense.

5. A Company subsidiary has maintained a close relationship with a high official of a foreign oil company doing substantial business with Oceanic in Country S. This individual frequently traveled to a particular city, normally accompanied by a group of associates. During these visits, which generally lasted two or three days, the individual and his party were entertained by the subsidiary's employees at a cost which sometimes amounted to two or three thousand dollars a visit. Expenses relating to the entertainment were approved by a senior officer of Oceanic. In addition, on one occasion the individual requested and received a \$3,000 advance from Oceanic that was charged to public relations and was not repaid; and on two other occasions he has received smaller amounts of cash, totaling approximately \$700. This official and his family have also received gifts of substantial value from Oceanic.

6. An oil company in Country T has state participation in its ownership and is a customer of a Company subsidiary. A middle-level employee of the oil company gave

* Another contribution of approximately \$5,000 was made to a similar organization under similar circumstances at another time during the period under investigation.

the subsidiary information which may have been of limited value to the subsidiary in obtaining business from the customer.

In turn, the subsidiary on at least three occasions converted the individual's foreign currency into United States dollars and deposited them in his personal foreign bank account. The conversion was made at the official market rate, which at the time was approximately two times the actual exchange value of the foreign currency. These transactions apparently involved a sum of approximately \$3,000 (the amount of one of the transactions is unknown). In addition, the subsidiary paid the air fare and hotel expenses incurred by this individual and his family on a trip to a foreign city. A number of other requests for assistance from the subsidiary by this individual were refused, and the subsidiary determined, prior to the commencement of this investigation, not to honor any further requests for assistance.

C. OFF-BOOK ACCOUNTS

1. In 1973, a Company subsidiary entered into a fixed-price contract with a state-owned oil company. Pursuant to this contract, the subsidiary agreed to perform certain work for the oil company, which in turn agreed to pay the subsidiary approximately \$700,000 in United States currency and the equivalent of \$340,000 in local currency. The subsidiary anticipated receiving its profit from the dollar portion of the contract, and using the local currency for expenses it planned to incur locally. The dollar portion of the contract received normal accounting treatment on the books of the subsidiary.

On the ground that the local currency was a "blocked currency"—not freely convertible into dollars—the subsidiary did not record the local currency fund on its books. A small portion of the fund was kept in a safe deposit box and used for petty cash. The major portion of the fund was deposited at a local bank in the name of an employee (the fund could not be deposited in the subsidiary's name because the subsidiary was not registered to do business in the country in question, as distinguished from off-shore). The bank account, although not recorded on the subsidiary's books, was under the accounting supervision of the subsidiary's controller.

As of March 31, 1976 this off-book fund was recorded on the subsidiary's books. An audit of transactions relating to the petty cash fund and the bank account has been conducted by the Audit Committee's special accountants and reviewed by the Committee's counsel. This review has disclosed unsupported expenditures, due to missing invoices or lost expense accounts, of approximately \$5,200. However, no evidence has been uncovered that this sum, or any other transaction relating to this bank account or petty cash fund, was used to make any questionable payment.

2. Prior to 1975, two petty cash accounts were kept in the names of employees of a Company subsidiary. The cash in these accounts was recorded on the books of the subsidiary as cash, but not as being in a known bank account. A number of facilitating payments to minor government officials were made through these accounts. Since 1975, such petty cash funds have been kept in Company bank accounts and have been reflected on the books of the subsidiary as such.

D. FOREIGN SALES AGENTS

The Company and its subsidiaries use the services of sales agents in countries where the practice is normal or required by law. During the period under investigation, the

Company and its subsidiaries maintained 15 such arrangements. Most of these arrangements were with individuals who were influential businessmen in the countries where they operated.

Each arrangement for the payment of sales or agency commissions was evidenced either by a written contract or by an exchange of letters sufficient to establish the existence of an agency relationship. Copies of all agreements with these agents were furnished to counsel, as well as schedules setting forth each payment made to such agents during the period under investigation. In addition, copies of the checks and other documents evidencing payments to the agents were collected and made available. With minor exceptions, payments could be traced to bank accounts in the agent's name or designated by the agent for payment. One of the designated accounts, however, could not be identified as belonging to the agent.

The commissions—which varied from agreement to agreement—appear to be commercially reasonable for the areas of the world involved. Over the five-year period, the commissions averaged 3.2%; \$17.3 million in commissions were paid on projects which gave rise to revenues of \$545 million.*

Numbers of this magnitude may give rise to speculation that some of the agency payments may have ultimately found their way into the hands of government officials or customers. Such speculation may be supported by the fact that some agents engaged in only limited sales activities and did not incur large expenses for staff support or servicing activities. However, except as noted herein, the investigation turned up no direct evidence, from documents or interviews, to support such speculation.

In the case of one arrangement, certain evidence suggests that some portion of the fees paid may have been passed on to government officials. At the request of this agent, the Company made cash advances to him, and paid bills incurred by him, totaling approximately \$37,000. These funds were in large part used to make cash payments to, or to purchase gifts for, various government officials in the agent's country. The agent, in an interview with counsel, stated that these payments and gifts were made to his personal friends, and that he neither sought nor received any *quid pro quo*. He further represented that he has never made any political contributions on behalf of McDermott.

In the case of another arrangement, the agency commissions in some instances aggregated as much as 10%. Interviews with Company personnel and with the primary agent turned up no hard evidence that any of the commissions were passed along to government officials, nor could any documentary evidence be found which in any way indicated that government officials had benefited. The agent flatly denied that he had ever passed on any of the commissions.

VIII. THE COMMITTEE'S CONCLUSIONS

A. PARTICIPATION AND KNOWLEDGE OF SENIOR MANAGEMENT

Several of the preceding parts of this Report have discussed the evidence relating to the knowledge and participation of McDermott's senior management in the transactions described

* The sales which are subject to agency commissions have increased throughout the period under investigation. Thus, for the fiscal year ended March 31, 1976, \$10.8 million in commissions were paid on contracts which gave rise to revenues of \$341 million.

therein. Set forth below is a summary of the conclusions which may be drawn from the evidence as a whole.

It is manifest that during Mr. Wilson's lifetime the reins of authority were held tightly in his hands, with a small group of executives carrying out his orders. Only Messrs. Stall and McDermott appear to have had real input in Mr. Wilson's decision-making process. After Mr. Wilson's death, although corporate authority remained highly centralized, it was spread somewhat more evenly among a tightly-knit group of senior executives—Messrs. Graves, Richie, Cunningham, Bailey and (for a time) Crews.

Each of these executives was aware of or participated in most of the transactions described in Parts IV through VI, although their individual participation varied with the transaction. Thus, Mr. Richie participated most actively in the Wilson payments, although Messrs. Graves and Cunningham had knowledge thereof and participated to some extent; Messrs. Graves, Richie, Cunningham and Crews were each instrumental in creating the \$12,000 Graves fund, with Messrs. Graves and Crews playing prominent roles in the disbursement of some of the fund; and Messrs. Richie and Crews generated the McCollum payments, with Mr. Graves authorizing them, Mr. Cunningham fully aware of them and Mr. Bailey apparently on notice, at least as to the later payments. Mr. Davis also helped to generate the monies collected by Messrs. Wilson and Graves and paid to Mr. McCollum, although his overall knowledge and responsibility appears less than that of the other four. Mr. Bailey may have been aware of or participated to some extent in the domestic political contributions.

B. KNOWLEDGE OF THE OUTSIDE DIRECTORS

The outside directors and Mr. Earles appear to have been completely unaware of the Wilson and Graves funds and the McCollum payments until disclosure was made to them in the spring of 1976, shortly prior to publication of the 1976 Annual Report. Nor did any of the outside directors or Mr. Earles participate in any of the foreign payments described in Part VII. Some had been advised in general terms that facilitating payments were being made, that a substantial payment was made to get an accountant out of jail, etc., but none had detailed knowledge. None knew of most of the questionable payments. None knew of the magnitude of such payments.

C. THE ATTITUDE OF MANAGEMENT

Although substantial progress has been made in fostering greater accountability since 1972, the following conclusions emerge from the investigation:

1. Throughout the period under investigation, senior management of the Company has operated aggressively to pursue what it viewed as the best interests of the Company, even in instances where those interests led to what today is considered improper conduct.
2. Senior management should be subject to more effective checks and balances, and held to greater accountability. Many of the Audit Committee's recommendations are directed to this end, including the recommendation that the Board of Directors be expanded to include a majority of non-management directors. However, the checks

and balances should come from within management as well as from without. It is unacceptable for management directors of the Company to accept, without any question, conduct or practices which they may believe are improper or even illegal.

3. The approach of senior management, and its relative freedom from control, have affected personnel at all levels of management. Although a significant number of employees had some knowledge of payments and practices described in this Report, none appears to have questioned them or made any effort to do anything about them.

4. As a result of this attitude, accounting and auditing controls still need to be bolstered in a number of areas.

D. THE ROLE OF THE OUTSIDE AUDITORS

For many years Mattison and Riquelmy has served as McDermott's outside accountants. The firm's main office is in Houston and its operations are concentrated in Texas. It does not have offices overseas. McDermott, by contrast, has expanded rapidly overseas and more than two thirds of its net income is now generated abroad.

In an effort to meet the need for overseas auditing help, McDermott has retained local accounting firms in several areas. Since the early 1960's, such local auditors have reported to the firm of F. Saba & Associates, which firm has also been directly responsible for auditing a substantial portion of the Company's foreign business. Saba & Associates, relying in part on the work of the local auditors, has then certified a consolidation of the results of operations and financial position of the foreign entities. After reviewing the work of the Saba firm and local auditors, Mattison and Riquelmy has certified the consolidated financial statements for the Company as a whole, without making reference in its audit certificate to the work of foreign accountants.

Mattison and Riquelmy was unaware of the major transactions which are the subject of this Report until the spring of 1976, when the transactions were brought to the attention of the auditors by management. Saba & Associates, by contrast, had been aware of the unsupported charges which gave rise to the Wilson, Graves and McCollum payments, as well as certain other transactions discussed herein, but there is no evidence that Saba representatives were aware of the ultimate nature and purpose of the transactions. As mentioned above, the Saba firm submitted letters to the Board of Directors of Oceanic (and, in certain instances, other foreign subsidiaries of McDermott) listing all transactions for which there was not adequate documentary support. The members of the boards of directors would then acknowledge that they were aware of the transactions and state to Saba & Associates that the transactions were entered into for "the business and objects" of the companies involved.

It was the position of Saba & Associates that, having put the boards of directors on notice and having received these assurances, the firm did not need to make any further inquiry or take any further action. Mattison and Riquelmy was apparently advised that the letters existed, but Saba & Associates did not send copies to Mattison and Riquelmy or discuss the size or nature of the major unsupported items. There was information as to certain of the unsupported items in the audit workpapers of the Saba firm, but it is unclear whether those particular workpapers were in existence or available to Mattison and Riquelmy

at the time of the latter's review. It is clear, however, that Mattison and Riquelmy did not learn about the major unsupported items until the spring of 1976.

It would be difficult to assess individual responsibility for the apparent lack of communication among the Company's principal independent accounting firms. The major problem, in this Committee's view, lies in a diffusion of auditing activities which has gradually developed as the Company has grown and expanded its operations abroad. Thus, the Committee believes it appropriate to recommend that the Company's auditing function be performed and supervised by a major international accounting firm with a substantial presence in the areas where the Company has its major operations. The new arrangement will help centralize responsibility for the auditing operations. It will make it easier to verify that the Company's books and internal controls are being maintained on a uniform basis. Further, at a time when the Audit Committee is recommending changes in the lines of authority of the Company's internal accounting and auditing personnel and an increase in the size of the internal auditing force, a major international accounting firm should be able to provide advice and supervision on a world-wide basis.

IX. RECOMMENDATIONS

The recommendations of the Audit Committee, made pursuant to paragraph 10 of the Consent and Undertaking filed with the District Court on October 6, 1976, are as follows:

1. The Board of Directors should be restructured so that, following the Annual Meeting for the fiscal year ending March 31, 1977, the number of non-management directors shall be at least equal to the number of management directors; and following the Annual Meeting for the fiscal year ending March 31, 1978, the number of non-management directors shall be greater than the number of management directors.

2. The number of regular directors' meetings should be increased.

3. The Company should be reimbursed for certain domestic political contributions made from corporate funds during the five fiscal years ended March 31, 1976.

4. In determining the supplemental compensation to be awarded in 1977 to senior members of corporate management pursuant to the Company's Supplemental Compensation Plan, the Board of Directors should take into account each individual's participation in and knowledge of questionable practices or payments disclosed by the Audit Committee's investigation.

5. Upon the advice of the Audit Committee, the Board of Directors should recommend for ratification by the shareholders at the Annual Meeting for the fiscal year ending March 31, 1977, the retention of a major international accounting firm with a substantial presence in those parts of the world in which the Company operates.

6. Upon the advice of the Audit Committee, the Company should hire a full-time internal audit manager to head up an expanded internal audit staff. The new head of the internal audit staff should report to the Chief Financial Officer of the Company and directly to the Audit Committee of the Board of Directors.

7. The Audit Committee should meet with the special auditors to the Committee, the Chief Financial Officer, the new head of the internal auditing staff and representatives of the Company's new independent auditors, with a view to developing detailed recommendations to be implemented in the areas of accounting and internal auditing.

8. The internal financial reporting system of the Company should be reviewed to determine whether the controller or other appropriate financial officer at each operating unit should have direct responsibility to, and report to, the Chief Financial Officer of the Company. The Audit Committee and the Chief Financial Officer should consider the advisability of hiring one or more assistant controllers with responsibility for direct supervision, including regular on-site visits, over the work of the operating unit controllers and other appropriate financial officers.

9. The Company should create the new position of Vice President and General Counsel, to be filled by an individual with broad experience as corporate counsel.

10. The Company's policy on unlawful or improper payments and practices should be restated and modified as set forth in Exhibit 5, and should be circulated to all management personnel of the Company and its subsidiaries (see Exhibit 6). In addition, the Audit Committee should circulate a letter (Exhibit 7), focusing specifically on accounting matters, to officers of the Company and its subsidiaries and to all operating unit controllers.

20010091641

I.

ORDERED, ADJUDGED AND DECREED that McDermott, its officers, agents, servants, employees, successors, assigns, attorneys, affiliates and subsidiaries, and those persons in active concert or participation with them, and each of them are hereby permanently restrained and enjoined from, directly or indirectly, in connection with the purchase and sale of the securities of McDermott, its affiliates, subsidiaries or successors, or any other company, by use of any means or instrumentalities of interstate commerce, or of the mails, employing any device, scheme or artifice to defraud, making any untrue statement of material fact or omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, or engaging in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person concerning, among other things,

a. the making or causing to be made false and fictitious entries, material in nature, amount or effect, in the books and records of McDermott, its affiliates, subsidiaries or successors, or any other company, or establishing, maintaining, or causing to be maintained or established, any secret or unrecorded fund of corporate monies or other assets, or making or causing to be made any payments or disbursements therefrom.

b. the using, or aiding and abetting the use of, corporate funds of McDermott, its affiliates, subsidiaries, or successors, or of any other company, for unlawful political contributions or other unlawful purposes.

c. the making of any agreement, commitment or understanding by McDermott, or any of its affiliates or subsidiaries, to make, or the making or aiding and abetting the making of, any payment of corporate funds of McDermott or other asset of value in the nature of a commercial bribe, directly or indirectly to, or for the benefit of, any officer, employee or agent of any customer of McDermott or any entity of which McDermott is a customer, for the purpose of, or which may have the effect of, inducing the purchase or sale of goods, services or supplies.

II.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that McDermott, its officers, agents, servants, employees, attorneys, successors, assigns, affiliates and subsidiaries, and those persons in active concert or participation with them, and each of them, are hereby permanently restrained and enjoined from, directly or indirectly: violating Section 13(a) of the Exchange Act and Rules 17 CFR 240.12b-20 and 17 CFR 240.13a-1, by filing, or causing to be filed, materially false and misleading annual and other periodic reports on behalf of McDermott, its affiliates or subsidiaries, or any other company, and from violating Section 14(a) of the Exchange Act and Rules 17 CFR 240.14a-3 and 240.14a-9 by using the mails and means and instrumentalities of interstate commerce to file or cause to be filed with the plaintiff, Commission, definitive copies of proxy statements for annual meetings or to solicit proxies from shareholders of McDermott, its affiliates or subsidiaries, or any other company, where the respective periodic reports or proxy statements are materially false and misleading in that they omit to state or misstate material facts concerning, among other things:

a. the statement as bona fide expenses of McDermott or any of its affiliates or subsidiaries, or any other company of, any disbursement which, in fact, is used for unlawful political contributions or other unlawful purposes.

b. the nature and extent of any expenditure of corporate funds for unlawful political contributions or other unlawful purposes.

c. the nature and extent of which any director, officer or employee of McDermott or any of its affiliates or subsidiaries, or any other company, has caused corporate funds to be used for unlawful political contributions or other unlawful purposes and to identify such director, officer or employee;

d. false or fictitious entries, if any, in the books and records of McDermott, its affiliates or subsidiaries, or any other company, or any secret or unrecorded fund of corporate monies or other assets established or maintained, or any payments or disbursements made therefrom;

e. the extent to which any director, officer, or employee of McDermott, or any of its affiliates or subsidiaries, or any other company, has made or caused to be made any false or fictitious entries in the books and records of McDermott, its affiliates or subsidiaries, or any other company, or has established, has maintained or caused to be maintained any secret or unrecorded fund of corporate monies or other assets, or has made or caused to be made any payments or disbursements therefrom, and to identify such director, officer or employee.

III.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that McDermott, its officers, servants, employees, successors, assigns, attorneys affiliates and subsidiaries, and those persons in active concert or participation with them, and each of them, are permanently restrained and enjoined from making, or causing to be made, false or fictitious entries, material in nature, amount or effect, in the books and records of McDermott or any of its affiliates or subsidiaries, or establishing or maintaining, or aiding and abetting the establishment or maintenance of, any fund of corporate monies or other assets which is not fully and accurately accounted for on said books and records, or making, or aiding and abetting the making of, any payments, disbursements or transfers therefrom.

IV.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that McDermott shall correct and file with the Plaintiff Commission any appropriate amendments to its annual and other periodic reports currently on file with the Plaintiff Commission, from 1962 to date, with respect to those matters referred to in Paragraphs I and II above, as set forth in the attached Consent and Undertaking of J. Ray McDermott & Co., Inc. In this connection, the Report on Form 8-K, referred to in the attached Consent and Undertaking, may be deemed, at the discretion of the Commission, to be appropriate amendments to said periodic reports.

V.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that J. Ray McDermott & Co., Inc., as if still a party to this action, shall respond to requests for discovery by the plaintiff Commission in accordance with the provisions of the Federal Rules of Civil Procedure.

VI.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the annexed Consent and Undertaking of J. Ray McDermott & Co., Inc. be, and the same hereby is, incorporated herein with the same force and effect as if fully set forth herein.

VII.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Defendant McDermott shall fully comply with its undertakings as set forth in the attached Consent and Undertaking of J. Ray McDermott & Co., Inc.

VIII.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that if the terms of the annexed Consent concerning the Report therein described, or any other matters relating thereto, are not complied with to the full satisfaction of the Plaintiff Commission, the Commission may apply to this Court for an order requiring additional information in the said Report.

IX.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that this Court retain jurisdiction of this matter for all purposes.


UNITED STATES DISTRICT JUDGE

DATED: 10-6-76

UNITED STATES DISTRICT COURT
FOR THE
DISTRICT OF COLUMBIA

SECURITIES AND EXCHANGE COMMISSION	:	
	:	
Plaintiff,	:	CIVIL ACTION NO. 76-1854
	:	
v.	:	CONSENT AND UNDER-
	:	TAKING OF J. RAY
J. RAY McDERMOTT & CO., INC., et al.	:	McDERMOTT & CO., INC.
CHARLES L. GRAVES	:	
R. NELSON CREWS	:	
ROBERT K. RICHIE	:	
HOSEA W. BAILEY	:	
JAMES E. CUNNINGHAM	:	
CHARLES L. DAVIS	:	
SCHACHT V. McCOLLUM	:	
	:	
Defendants.	:	

FILED
OCT 6 - 1976
JAMES F. DAVEY, Clerk

(1) Defendant J. Ray McDermott & Co., Inc. ("McDermott") admits the jurisdiction of this Court over the subject matter of this action and further admits to the service upon it of a Summons and Complaint for Permanent Injunction and Ancillary Relief ("Complaint") of the Plaintiff Securities and Exchange Commission ("Commission").

(2) McDermott, without admitting or denying any of the allegations in the Complaint, except as to jurisdiction, hereby consents to the entry of a Final Judgment of Permanent Injunction in the form annexed hereto.

(3) This Consent and Undertaking of McDermott ("Consent and Undertaking") to the entry of a Final Judgment of Permanent Injunction, in the form annexed hereto, is entered, without trial, argument or adjudication of any issue of fact or law, McDermott having waived the entry of findings of fact and conclusions of law. Moreover, neither this Consent and Undertaking, nor the Final Judgment of Permanent Injunction annexed hereto, will constitute or be deemed an admission with respect to any such issue.

(4) McDermott waives any right it may have to appeal from the Final Judgment of Permanent Injunction in the form annexed hereto.

(5) McDermott enters into this Consent and Undertaking voluntarily, and no promise or threat of any kind whatsoever has been made by the Commission, or any member, officer, agent or representative thereof, to induce McDermott to enter into this Consent and Undertaking.

(6) McDermott agrees that the Final Judgment of Permanent Injunction in the form annexed hereto may be presented by the Commission to the Court for signature and entry without further notice.

(7) The Audit Committee of McDermott's Board of Directors has determined, and the Board of Directors has approved and ratified such determination, to investigate and report to the full Board of Directors on the matters alleged in the Commission's Complaint and with respect to all other relevant and similar matters as may have been revealed in the course of the Committee's investigation. The Audit Committee consists of members of the McDermott Board of Directors not presently or formerly members of management. The Audit Committee has retained a law firm satisfactory to the Commission to act as Special Counsel to the Audit Committee. The Audit Committee or its Special Counsel will engage, at McDermott's expense, such professional assistance as it deems necessary in order to conduct its investigation.

(8) McDermott undertakes that the Audit Committee shall, conclude its investigation with respect to those matters referred to above within 120 days of the entry of the Final

gment of Permanent Injunction herein, or within such further time as is consented to by the Commission

(9) McDermott undertakes that the Audit Committee shall conduct an extensive investigation encompassing all of the matters referred to in the Commission's Complaint and including such other relevant matters as may be revealed in the course of such investigation, and McDermott shall use its best efforts to ensure that its officers, directors, employees and agents cooperate fully with the Audit Committee.

(10) The Audit Committee shall prepare and submit a written Report ("Report"), containing its findings and recommendations, to McDermott's full Board of Directors, within thirty (30) days after the completion of its investigation, or within such further time as is consented to by the Commission. Thereafter, McDermott's Board of Directors, acting only through those members determined by the Audit Committee not to have been involved in the transactions and activities set forth in the Commission's Complaint, shall independently review the Report and take such action as it determines necessary and proper to implement the findings and recommendations of the Report.

(11) Within thirty (30) days after the Report has been submitted to McDermott's Board of Directors, as provided in paragraph (10), supra, or within such further time as is consented to by the Commission, the Report shall be filed with this Court, as part of the record in this action, and with the Commission, as an exhibit to a Current Report on Form 8-K for the month in which said Report is so filed, provided, however, that McDermott shall have the opportunity, in advance of the aforesaid filings of the Report, with reasonable notice to and opportunity for objection by the Commission, to apply to

this Court for a protective order concerning the public release of any portions of the Report which McDermott may deem harmful to the interests of the corporation or its shareholders and which are not material in nature, amount or effect. McDermott shall also mail an explanatory statement to its stockholders which shall contain all material information from those parts of the Report as so filed concerning the matters set forth in paragraphs I and II of the Final Judgment of Permanent Injunction. McDermott shall file with the Commission any appropriate amendments to this annual reports on Form 10-K for the fiscal years 1962 through 1976; in this connection, the Report on Form 8-K may, at the Commissions discretion, be deemed to constitute amendments to such annual reports.

(12) McDermott further undertakes that its Board of Directors, or an appointed committee thereof, shall hereafter review, on a continuing basis, the Final Judgment of Permanent Injunction entered herein, as well as this Consent and Undertaking, to assure that McDermott continues to fully comply with the terms of said Final Judgment of Permanent Injunction and this Consent and Undertaking.

(13) McDermott undertakes that McDermott, its officers, directors, employees and agents will cooperate fully with the Audit Committee and its Special Counsel and furnish any information, documents and materials that either may reasonably request in connection with their investigation.

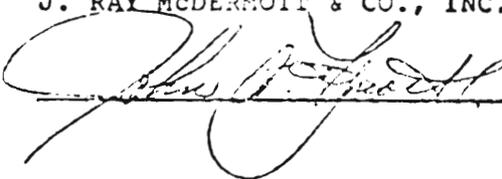
(14) McDermott further undertakes that McDermott, its officers, directors, employees and agents will cooperate fully with the Commission and furnish any information, documents and materials

that the Commission may reasonably request and provide to the Commission access to all materials with respect to the matters investigated by the Audit Committee; provided, however, that with respect to any such information, documents and materials as to which a privilege is asserted, the Commission may have access to such information, documents and materials upon a determination and order of this Court that any such access does not constitute a waiver of such privilege and that any such information, documents and materials shall not be disclosed unless a further order of this Court is issued. McDermott further agrees that this Court shall retain jurisdiction over this action including jurisdiction to issue further orders with respect to the matters described in the Consent and Undertaking as may, to the Court herein, appear necessary and proper.

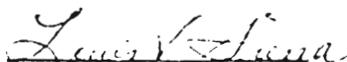
(15) McDermott further consents and agrees that this Consent and Undertaking shall be incorporated by reference in the Final Judgment of Permanent Injunction, in the form annexed hereto, to be entered by the Court in this action.

J. RAY McDERMOTT & CO., INC.

BY:



ATTEST:



(11)

DAVIS POLK & WARDWELL

1 CHASE MANHATTAN PLAZA
NEW YORK, N.Y. 10005

TELEPHONE 212 HANOVER 2-3400

TELEX ITT 421341

WU 126834

CABLE STETSON NEW YORK

December , 1976

COUNSEL
GEORGE A. BROWNELL
LEIGHTON H. COLEMAN
RALPH M. CARSON
PORTER R. CHANDLER
CHARLES M. SPOFFORD
EDWARD R. WARDWELL
MORTON FEAREY
GEORGE W. PALMER

9 WEST 57TH STREET
NEW YORK, N. Y. 10019
TELEPHONE 212 HANOVER 2 3400
TELEX ITT 421341
WU 26834
CABLE STETSON NEW YORK

4, PLACE DE LA CONCORDE
75008 PARIS
TELEPHONE 265 14 01
TELEX 290485
CABLE STETSON PARIS

11 CORTHALL AVENUE
LONDON EC2R 7LU
TELEPHONE 01-638 9115
TELEX 888238
CABLE STETSON LONDON

NELSON ADAMS
WRENCE E. WALSH
HAZARD GILLESPIE
NORWELL Y. ROGERS
WIGGART WHIPPLE
ETER O. A. SOLBERT
ALLACE S. JONES
V. D. A. LINDSAY
LLIAM D. TUCKER, JR.
RAYSON COLEMAN
ETER A. BATOR
HN P. CARROLL, JR.
LLIAM A. KAYNOR
ENRY L. KING
HARD B. SMITH
WIN DEANE LEONARD
UCE W. NICHOLS
AMUEL F. PRYOR III
WARD S. REID
L. D. C. POTTER, JR.
HN L. BROKAW
IMES F. OCLAN
HARD E. NOLAN
HN A. CORRY
HARD D. SPIZZIRRI
LAN A. A. FLYNN
HARLES S. HOPPIN, LONDON
ELIJAH COHEN
OLAND S. LINK
RBERY M. LOBL, PARIS
HN C. MCATEE, JR.
NATHAN M. CLARK
R. STOPHER CROWLEY
D. A. KESS
IMES W. B. BENKARD
D. A. E. HARLEY
N. E. F. KOLB
ONALDSON C. PILLSBURY, PARIS
Y. M. LLER STRUVE
SEPH CHUBB
IMES WOODMAN LLOYD
RILEY H. MCGUIRE
TERRENCE CASE
HANC S. MORISON
HANK S. MOSELEY
FFREY SMALL

Dear Mr.

In connection with the report being prepared by the Audit Committee of the Board of Directors of J. Ray McDermott & Co., Inc. please state in a letter to the Committee the details of any knowledge or information you may have as to the following matters, all of which are subjects of the Audit Committee's investigation:

1. The use of corporate funds for contributions, to reimburse contributions, gifts, entertainment or other expenses related to domestic or foreign political activity;
2. Direct or indirect payments or gifts to domestic or foreign government officials or employees from corporate funds;
3. The establishment or maintenance of any secret or unrecorded fund of corporate monies or other assets, and if so, the purposes for which such fund was used;
4. Any false or fictitious entries made in the books or records of J. Ray McDermott & Co., Inc., its affiliates or subsidiaries; and

5. Any other items related to or of a similar nature to the foregoing.

Your response to the foregoing should encompass the period March 31, 1971 through the date of your reply, and should be in the form attached hereto. If you have previously given testimony before the Securities and Exchange Commission or sworn to an affidavit submitted to the Internal Revenue Service or discussed the matter with representatives of Davis Polk & Wardwell, special counsel to the Audit Committee, you need not repeat any such statements or details. However, please provide the details, including any documentation, of any transaction or event not mentioned in such testimony, affidavit or interview. In addition, in connection with any transaction or event which you have mentioned in your testimony, affidavit or interview, please provide any additional information or documentation available to you which you may not have previously supplied.

Please send your reply directly to Davis Polk & Wardwell, Counsel to the Audit Committee, One Chase Manhattan Plaza, New York, New York 10005, attention: Bartlett H. McGuire, Esq. A self-addressed stamped envelope is enclosed for your convenience. Your reply is requested by January 10, 1977.

If you wish to discuss more fully any aspect of the investigation or your response, please telephone the undersigned or Dennis S. Hersch collect at (212) 422-3400, or John Lynott at (504) 587-5231.

Very truly yours,

Bartlett H. McGuire

Form of Employee Response

Davis Polk & Wardwell
Counsel to the Audit Committee
of J. Ray McDermott & Co., Inc.
One Chase Manhattan Plaza
New York, New York 10005

Dear Sirs:

I have carefully read your letter of December
, 1976 relating to the Audit Committee's investigation.
I have reviewed my files with respect to the subjects of
the investigation (as set out in your letter). Except as
set forth below or in my testimony, affidavit or interview
with Davis Polk & Wardwell, I am unaware of transactions
or events (or details or information with respect thereto)
which come within the scope of the investigation.

COMMENTS:

(please attach additional pages if necessary)

Very truly yours,

Dated:

(name - please print)

(signature)

7 0 3 1 7 9 1 6 6 1

PAYMENTS TO ROGER W. WILSON

	<u>Date</u>	<u>Amount U.S. \$</u>	<u>Received by</u>	<u>Description of Payment</u>	<u>Account Charged</u>
1.	6/14/62	\$ 30,000.00	R. W. Wilson	Sales promotion	General & Administrative— Sales promotion
2.	3/29/63	30,000.00	R. W. Wilson	Sales promotion expense—expenses incurred by a director	General & Administrative— Promotional Engineering
3.	1/30/64	30,000.00	R. W. Wilson	Expenses—professional services rendered Nigeria	General & Administrative— Promotional Engineering
4.	9/ 9/64	30,000.00	R. W. Wilson	Professional services rendered Nigeria	*
5.	5/ 3/65	10,000.00	R. W. Wilson	Expense account dated 5/3/65— expenses in Middle East	General & Administrative— Promotional Engineering
6.	5/16/66	20,000.00	R. W. Wilson	Expenses dated 5/14/66— expenses in Middle East	General & Administrative— Promotional Engineering
7.	8/ 1/68	20,000.00	R. W. Wilson	Director's expense	General & Administrative— Employee expense
8.	9/16/71	30,000.00	R. W. Wilson	Sales promotion	General & Administrative— Sales promotion
9.	9/25/70	20,000.00	R. W. Wilson	Sales promotion	General & Administrative— Sales promotion
10.	11/ 4/70	30,000.00	R. W. Wilson	Sales promotion	General & Administrative— Sales promotion
11.	12/ 7/71	50,000.00	R. W. Wilson	Sales promotion	General & Administrative— Sales promotion
		<u>\$300,000.00</u>			

* Not available.

7 0 7 9 0 3 2 6 5 2

PAYMENTS TO SCHACHT V. McCOLLUM

	<u>Date</u>	<u>Amount U.S. \$</u>	<u>Received by</u>	<u>Description of Payment</u>	<u>Account Charged</u>
1.	12/17/71	\$ 33,500.00	S. V. McCollum	Sales Promotion	General & Administrative— Sales promotion
2.	9/24/72	184,000.00	S. V. McCollum	Promotional Engineering— New Orleans Office	General & Administrative— Promotional Engineering
3.	3/14/73	160,640.00	S. V. McCollum	Promotional Engineering	General & Administrative— Promotional Engineering
4.	9/26/73	98,800.00	S. V. McCollum	*	General & Administrative— Fees and Services
5.	8/21/74	31,675.00	S. V. McCollum	Travel & Entertainment of R. N. Crews	General & Administrative— Fees and Services
		<u>\$508,615.00</u>			

* Not available.

J. RAY McDERMOTT & CO., INC.  ENGINEERS AND GENERAL CONTRACTORS

1010 COMMON STREET P. O. BOX 60035, NEW ORLEANS, LOUISIANA 70160

Statement of Policy Prohibiting Improper
Payments and Accounting Practices

The Board of Directors of J. Ray McDermott & Co., Inc. has adopted the following policies to govern the conduct of all officers and employees of McDermott and its subsidiaries (collectively referred to as the "Company") in the United States and all nations of the world in which the Company does business.

1. Compliance with Law

All officers and employees of the Company are required to comply with local, state and federal laws, as well as the laws of foreign nations, in their conduct of Company business.

2. Improper or Questionable Payments to Customers or Suppliers

A. The payment of Company funds to any officer, employee or representative of any customer or supplier in order to obtain any benefit is strictly prohibited. The Company's services and products are to be sold only on the basis of their quality, price and other legitimate attributes of the marketplace. The giving of seasonal gifts or gifts of promotional items to an officer, employee or representative of any customer or supplier is permissible if the gift is not substantial in value. In May of each year, each profit

Center head shall furnish to the Audit Committee of the Board of Directors a list of all such gifts, and the values thereof, which were made during the preceding fiscal year.

B. The use of Company funds for payments to any government official or government entity for any purpose whatsoever (except in satisfaction of lawful obligations, for reasonable public benefit contributions or for seasonal gifts insubstantial in value) is prohibited. It is, however, recognized that in some areas of the world outside the United States such payments may be required, by custom or practice, to expedite or obtain governmental action to which the Company is entitled under applicable law. In exceptional circumstances, such payments may be made but only if all of the following conditions are met:

1. The action sought is one to which the Company is legally entitled, but which without such payment might nevertheless be refused or inordinately delayed;
2. The payment is insubstantial in amount or has been approved by the General Counsel or his designee;
3. The transaction is accurately described in the Company's books; and
4. No other alternative to the making of such payment appears feasible.

In May of each year each profit center head shall furnish to the Audit Committee of the Board of Directors a statement of all such transactions during the preceding fiscal year.

C. The prohibitions against improper payments described in this Section apply to indirect disbursements of Company funds or property by any employee, agent or third person as well as direct disbursements of such funds or property.

3. Political Contributions

(a) Domestic Contributions

No officer or employee shall make a direct or indirect contribution of Company funds for the purpose of supporting any candidate for federal, state or local office or any political party in the United States. No loan, advance or gift of Company services, facilities or anything of value shall be made to support such candidates or political parties. This prohibition encompasses such practices as the purchase of tickets to political dinners or fund-raising events with Company funds, and the furnishing of transportation or other Company facilities to candidates or political parties.

The above prohibitions do not cover lawful voluntary contributions made by Company employees into a Company fund in compliance with applicable federal election and corrupt practices laws, or lawful contributions of Company funds to state or local candidates or parties made pursuant to applicable state election or corrupt practices laws.

Every proposal for a contribution of or from funds maintained by the Company shall be forwarded to the Company's General Counsel for his review of the legality of the contribution under relevant federal or state statutes.

In addition, no such contribution shall be made without the approval of those lawfully designated to administer such fund or approve such contribution under any applicable federal or state statute. A statement of all such contributions shall be furnished by the General Counsel to the Audit Committee of the Board of Directors in May of each year.

(b) Foreign Contributions

No officer or employee shall make a direct or indirect contribution of Company funds for the purpose of supporting any candidate for office or political party in any foreign jurisdiction in which such contribution is prohibited by law. In those foreign jurisdictions in which political contributions are lawful, a proposed contribution may be made only after the proposal is forwarded to the Company's General Counsel or his designee for review of the legality of the contribution under foreign law. A statement of all such contributions shall be furnished by the General Counsel to the Audit Committee of the Board of Directors in May of each year.

4. Acts of Hospitality

Acts of hospitality towards any employee or representative of any customer or supplier or government official shall be of such scale or nature as to avoid any impropriety or the appearance of any impropriety in connection therewith.

5. Accounting Records

The records and books of account of the Company must accurately reflect each transaction recorded therein. No false or deliberately inaccurate entries shall be made in the Company's books and records for any reason. No payment shall be made with the intention or understanding that all or any part of such payment is to be used for any purpose other than that described by the documents supporting the payment. No undisclosed or unrecorded funds or assets shall be established for any purpose.

6. Implementation of This Policy

(a) Each profit center head shall communicate the policies set forth in this statement to the employees under his supervision and shall have overall responsibility for such employees' compliance with such policies.

(b) Any employee who has any question concerning the interpretation of the policies set forth in this statement, or as to whether any proposed course of conduct complies with these policies, shall present such question to any appropriate higher level of corporate authority for decision. Any question concerning the legality of any proposed action under any domestic or foreign law should be referred to the Company's General Counsel or his designee for consideration.

J. RAY McDERMOTT & CO., INC.



ENGINEERS AND GENERAL CONTRACTORS

1010 COMMON STREET P O BOX 60035, NEW ORLEANS, LOUISIANA 70160

C. L. GRAVES

*Chairman of the Board**President**Chief Executive Officer*

I am sure you know that the problem of illegal political contributions, bribes and other questionable payments and practices by many American corporations has received considerable attention from government agencies as well as a great deal of publicity in the press. In an effort to determine the existence of any such questionable practices by or on behalf of McDermott, the Audit Committee of the Company's Board of Directors, with the unanimous approval of the full Board of Directors, has recently completed a comprehensive seven-month review of the Company's practices and procedures. The Report of the Audit Committee's investigation has revealed that in certain instances officers and employees of the Company have engaged in questionable or improper conduct both domestically and overseas.

The practices described in the Audit Committee's Report have led the Board of Directors, at the recommendation of the Audit Committee, to modify and clarify a number of the Company's procedures and policies, all with a view to ensuring that such practices will not occur in the future. Moreover, the Company and a number of its officers have made legal commitments to the Securities and Exchange Commission to refrain from certain

illegal or questionable practices in the future. Violations of these commitments could result in serious sanctions being imposed against the Company and any individuals involved in the violations.

The Board of Directors of the Company has recently reaffirmed its commitment that the business practices of this Company will be conducted according to the highest professional, ethical, legal and moral standards. These standards, which apply to every employee of this Company wherever situated, are embodied in a Statement of Policy adopted by the Board of Directors on March 22, 1977. A copy of the Statement is enclosed. It is your duty to read and abide by this Statement and to be certain that all employees for whom you have management responsibility have read the Statement and understand and comply with its directives.

The fundamental policy reflected in the Statement requires the strict adherence to all applicable laws wherever the Company operates. But our policy goes further than this. Even where the law is permissive, we expect the Company's business to be conducted with a sense of commitment to morality and honesty. Laws, customs and mores vary from country to country in which we do business, and the Statement recognizes such differences. However, the Company's commitment to strict compliance with the standards

expressed must remain in effect everywhere we operate.

It is my belief that most of the employees of this Company have always conducted themselves in accordance with the standards outlined in the enclosed Statement. To those who have deviated from these standards, even in the good-faith belief that such deviation may provide benefits to the Company, the Statement should serve as notice that illegal or unethical conduct will not be tolerated, and will result in appropriate disciplinary action which may include dismissal. By disseminating the Statement throughout the Company, we seek to remove any doubts as to our Company's commitment to maintaining this standard.

Very truly yours,

Charles L. Graves

J. RAY McDERMOTT & CO., INC.



ENGINEERS AND GENERAL CONTRACTORS

1010 COMMON STREET P. O. BOX 60035, NEW ORLEANS, LOUISIANA 70160

As you may know, the Audit Committee of the Board of Directors has recently completed a comprehensive investigation of Company practices relating to political contributions, commercial bribery, payments to government officials and improper accounting practices. The Audit Committee's findings revealed that on a number of occasions, proper accounting procedures and controls were not observed, particularly in connection with the funding of questionable or improper payments.

I must emphasize that it is the policy of this Company that all accounting practices conform to generally accepted accounting principles as well as all applicable laws and regulations. The Board of Directors has specifically addressed itself to the question of integrity of accounting records in the Company's recently adopted Statement of Policy:

"Accounting Records. The records and books of account of the Company must accurately reflect each transaction recorded therein. No false or deliberately inaccurate entries shall be made in the Company's books and records for any reason. No payment shall be made with the intention or understanding that all or any part of such payment is to be used for any purpose other than that described by the documents supporting the payment. No undisclosed or unrecorded funds or assets shall be established for any purpose."

The Statement also prohibits illegal or improper conduct of all kinds, including the payment of bribes to customers or

government officials, illegal political contributions or the giving of lavish gifts. It is expected that you will read the Statement carefully and will remain fully familiar with its terms.

As part of the settlement of a lawsuit initiated by the Securities and Exchange Commission, the Company and certain of its officers consented to the entry of a Final Judgment enjoining the Company and all its personnel, subsidiaries and affiliates from, among other things, violating the securities laws relating to:

(a) making materially false and misleading entries on the Company's books and records, and

(b) maintaining or establishing any secret fund of corporate monies or other assets or making any disbursements therefrom.

Violation of the terms of the injunction could result in serious sanctions being imposed upon the Company and upon any individuals involved in the violations.

I wish to impress upon you that it is your responsibility to be knowledgeable of the business conducted in your location and to insure, to the very best

of your ability, that it is in strict compliance with the Company's Statement of Policy and the terms of the Final Judgment. Specifically, it is part of your management and control function to be certain that the prohibitions against illegal or improper business conduct are strictly adhered to at your location. The accounting records at your location must accurately record and describe all Company transactions. No deviations from these principles will be tolerated. Any employee who in the conduct of Company business is found to have deviated from these principles will be subject to appropriate disciplinary action, which may include dismissal.

Sincerely,

John A. Morgan
Chairman of the Audit Committee



FEDERAL ELECTION COMMISSION

1325 K STREET N.W.
WASHINGTON, D.C. 20463

THIS IS THE BEGINNING OF MUR # 254

Date Filmed 1/12/79 Camera No. --- 2

Cameraman GPC