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DATE: 11-14-2017

DE 29-1432

In preliminary discussion with FRENCH, he advised that he has received copies of some progress reports and other data from Internal Revenue Service (IRS) concerning intensive investigation by IRS of the finances of Subjects TRISCARO and BARTONE, including their interest in the "Naiman-Niagara" matter. Information received by FRENCH indicates that IRS has conducted investigation in Ohio, Florida, Canada and Central America concerning some of the transactions related to this case and IRS has obtained copies of certain cancelled checks, bank statements, and other documents of interest. FRENCH has indicated that he will arrange for pertinent material from IRS to be made available for review in connection with the investigation in this case.

FRENCH has copies of transcripts of testimony before the Federal Grand Jury at Detroit by PAUL P. YODER, JR., on March 20, 1962, and by HERBERT L. GROSBURG on July 12, 1962, concerning this matter. YODER's testimony has been reviewed, but is not being summarized herein, because many of his answers were indefinite and were qualified by remarks that he wanted to refer to his files (working papers and audit reports of Plante & Moran, CPA's, Detroit) before giving a definite answer. These files have been subpoenaed by the Federal Grand Jury, Detroit; it is contemplated that YODER will be interviewed in conjunction with a review of these files; and any pertinent information furnished by him will then be reported.

III, PC
 Following is a summary of information furnished by HERBERT L. GROSBURG when he testified before the Federal Grand Jury on July 12, 1962:

In 1958 or 1959, at the time of a meeting of the Teamsters Central States Pension Fund in Chicago, GROSBURG was in his room at "The Shoreline Hotel", Chicago, and received a telephone call from JAMES R. HOFFA, who also was in Chicago. HOFFA said that two people were coming over to GROSBURG's room, that GROSBURG knew one of the persons, and that GROSBURG was to call Public Bank and arrange a loan for these people. Shortly thereafter, LOUIS "BABE" TRISCARO and ALVIN NAIMAN arrived at GROSBURG's room, bringing with them a financial statement for Niagara Crushed Stone, Ltd. The financial statement, consisting of a balance sheet and possibly a profit

- E -

Cover Page

DE 29-1432

and loss statement also, was the one which had been presented to the Central States Pension Fund for the purpose of obtaining a loan. NAIMAN and TRISCARO told GROSBERG that NAIMAN had not been successful in getting a loan from the Central States Pension Fund because the fund was not permitted to lend to a foreign corporation. GROSBERG concluded from the financial statement that the firm was a "going" concern, but was not "too profitable". After looking at the statement and while NAIMAN and TRISCARO were in his room, GROSBERG made a long distance, person-to-person call to ROBERT E. MC CARTHY at the Public Bank, Detroit. GROSBERG told MC CARTHY that NAIMAN was going to contact MC CARTHY regarding a loan, and that GROSBERG was calling MC CARTHY through HOFFA's request. NAIMAN subsequently went to Public Bank, but GROSBERG did not know if TRISCARO went to the bank. GROSBERG was later told by MC CARTHY (and possibly by JOSEPH VERHELLE, President of Public Bank) that the loan was granted by Public Bank.

On more than one occasion while GROSBERG was in the International Office of the International Brotherhood of Teamsters, in Washington, D.C., VERHELLE and MC CARTHY called HOFFA and discussed this loan and others. It was GROSBERG's recollection that HOFFA's remarks in recommending that the above mentioned loan be made by Public Bank for NAIMAN were to the effect that "If you could possibly grant the loan, I would like you to grant the loan."

On August 14, 1962, FRENCH advised that on March 16, 1962, WALTER J. SHERIDAN of the Department of Justice received information that at the time of the above-mentioned meeting in GROSBERG's hotel room, GROSBERG already knew TRISCARO and was introduced to NAIMAN by TRISCARO. Following GROSBERG's call to MC CARTHY at Public Bank, VERHELLE subsequently called GROSBERG, wanting more information concerning the loan. VERHELLE indicated to GROSBERG at the time that he did not want to make the loan. After that, VERHELLE called GEORGE FITZGERALD, an attorney for the Teamsters, and wanted FITZGERALD to help him out of the situation but FITZGERALD indicated that he was unable to do so. According to FRENCH, the above information concerning GROSBERG should be treated in a confidential manner.

- F -
Cover Page

DATE: 11-14-2017

DE 29-1432

FRENCH advised that he was going to Miami, Florida, on August 15, 1962, in connection with a hearing in Federal Court concerning possible revocation of Subject BARTONE's probation. FRENCH advised that he expected to bring additional pertinent information from the Department upon his return to Detroit during the week of August 20, 1962.

- G* -
Cover Page

FD-204 (Rev. 9-23-58)

UNITED STATES DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION

Copy to: Dept. Attorney WILLIAM FRENCH, c/o USA, Detroit

Report of: SA VERNON G. WALTERS (A)
Date: August 23, 1962

Office: Detroit, Michigan

File Number: 29-1432

Bureau: 29-31889

Title: JAMES RIDDLE HOFFA; DOMINICK EDWARD BARTONE;
LOUIS "BABE" TRISCARO; JACK PRESSER; HERMAN PRESSER;
ALVIN A. NAIMAN; ELIOT JANEWAY; JOSEPH F. VERHELLE;
ROBERT E. MC CARTHY, JR.

Character: FEDERAL RESERVE ACT; INTERSTATE TRANSPORTATION OF STOLEN
PROPERTY; MAIL FRAUD; FRAUD BY WIRE; CONSPIRACY

Synopsis:

Criminal Division requested investigation regarding alleged irregularities and possible conspiracy in connection with loans totaling \$730,000 from Public Bank, Detroit, to The Alvin Naiman Corp., Niagara Crushed Stone (Humberstone) Ltd. (NCS), and Vendorama of Ohio, Inc. [FDIC Examiner concluded there were misapplications and deceptive entries in connection with these loans, since they were made to (or for the benefit of) firms which were reportedly insolvent and devoid of earnings, collateral was of questionable value, and loan proceeds were improperly diverted. Loans were made by Public Bank after ALVIN A. NAIMAN had unsuccessfully attempted to obtain loan from Teamsters Central States Pension Fund, to relieve financial problems arising from transactions of Akros Dynamics Corp. and/or operation of NCS. JAMES RIDDLE HOFFA and LOUIS "BABE" TRISCARO, Teamsters officials, reportedly were interested in NAIMAN's obtaining financing. ROBERT E. MC CARTHY, JR., Assistant Vice President, and JOSEPH F. VERHELLE, President, Public Bank, were contacted concerning loans, allegedly at suggestion of HOFFA. DOMINICK EDWARD BARTONE, previously involved in surplus aircraft deal of Akros Dynamics Corp., acquired interest in NCS with funds from Servicios Internacionales, S.A., of Panama (owned by BARTONE) and became general manager of NCS about same time as first loan made by Public Bank in 1959. NCS was placed in bankruptcy in Ontario, Canada, in 1961. Public Bank received notes totaling \$800,000 from successor company, Port Colborne Quarries Ltd., but full payment considered doubtful by FDIC examiner. VERHELLE resigned as President of Public Bank in 1962, under pressure. Background information set out regarding companies and individuals allegedly involved in this matter.

- P -

ALL INFORMATION CONTAINED
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16-74025-1 GPO

DATE: 11-14-2017

DE 29-1432
VGW:kam - 1

This investigation is predicated upon a letter dated July 31, 1962, to the Director, FBI, from HERBERT J. MILLER, JR.; Assistant Attorney General, Criminal Division, which enclosed certain results of examination of Public Bank, Detroit, Michigan, by the Federal Deposit Insurance Corporation (FDIC) together with allegations of specific violations and irregularities. The letter indicated that because of the possibility of a conspiracy, it was requested that the FBI investigate this matter. WILLIAM P. FRENCH and J. PAUL ALLRED were named as Criminal Division Attorneys who are familiar with this matter.

On August 6, 1962, a preliminary discussion was held at Detroit with Mr. FRENCH and THOMAS E. LINDSEY, FDIC Examiner; and arrangements were made to begin reviewing material in Mr. FRENCH's office at Detroit. Mr. FRENCH indicated that the alleged irregularities to be considered in this case pertain to a series of loans made by Public Bank in 1959 and 1960, which are described in detail in a letter dated May 3, 1962, from THOMAS E. LINDSEY to the United States Attorney at Detroit. Mr. FRENCH requested that the flow of funds from these loans be traced as far as possible and that information be developed as to a possible conspiracy involving the Subjects in this case.

The following is a summary of facts and conclusions in the letter dated May 3, 1962, from FDIC Examiner LINDSEY:

The Public Bank, Detroit, Michigan, (PB) is a state bank insured under the provisions of the Federal Deposit Insurance Act. PB is not a member of the Federal Reserve System. PB was chartered December 18, 1957; was authorized to commence business December 19, 1957; has FDIC Certificate Number 17848; and was insured March 24, 1958.

While LINDSEY was participating in an examination of PB as of the close of business December 26, 1961, certain apparent irregularities were disclosed for which President JOSEPH F. VERHELLE, Assistant Vice-President ROBERT E. McCARTHY, JR. and possibly other persons were believed to be responsible. Apparent irregularities in the nature of misapplications of funds, false and deceptive entries and statements,

DE 29-1432
VGW:kam - 2

aiding and abetting, etc., were specifically commented on in connection with the below-mentioned loans made at the Michigan-Shelby Office of PB.

1. Unsecured loan to Vendorama of Ohio, Inc. - \$50,000

On October 3, 1960, PB extended a \$50,000 credit to Vendorama of Ohio, Inc. (VOI) as evidenced by an unsecured note number 7701 of VOI for \$50,000, dated October 3, 1960, due November 2, 1960, executed by H.A. PRESSER, President, and JACKE PRESSER, Secretary-Treasurer. This loan was approved by PB President VERHELLE and was fully renewed by VERHELLE on November 4, 1960, due December 2, 1960; and renewed again on March 10, 1961, loan numbers 8184 and 10074, respectively, the last note being due on demand. The loan was finally paid by \$30,000 on July 24, 1961 and \$20,000 plus accrued interest of \$441.66 on July 27, 1961.

Although VOI was shown to have been owned by H.A. and JACKE PRESSER, they reportedly were nominees of WILLIAM PRESSER, to whom they are related and who allegedly is the real owner. WILLIAM PRESSER is reported to be Chairman, Ohio Conference of Teamsters; President, Joint Council Number 41 of International Brotherhood of Teamsters, Cleveland; and a trustee of the International Brotherhood of Teamsters Pension Fund.

The source of the above-mentioned \$30,000 payment was a demand loan number 12322 by PB to Dojay of Ohio, Inc., for \$50,000 dated July 21, 1960, executed by ELLIOT JANEWAY and personally endorsed by him. This loan was approved by President VERHELLE and only \$1,500 had been paid on this loan at the time of the FDIC examination. The above \$30,000 payment on the VOI loan was effected by a debit memorandum charge against the checking account in PB of Dojay of Ohio, Inc. This charge was executed by ROBERT A. DORST, Assistant Cashier-Note Teller, Michigan-Shelby Office of PB. The \$20,000 principal payment and interest

DATE: 11-14-2017

DE 29-1432

VGW:kam - 3

payment of \$441.66 were represented by a check for the total of these amounts, maker presently unknown, the check being drawn on or cleared through the Manufacturers National Bank, Detroit.

VOI reportedly was engaged in vending machine operations in Cleveland, Ohio, and vicinity. During the May 8, 1961, FDIC examination of PB, the Examiner in Charge, WILLIAM D. ALLEN, reportedly was falsely informed by President VERHELLE that the business of VOI was that of extending credit to Niagara Crushed Stone (Humberstone) Limited of Port Colborne, Ontario, Canada.

On August 26, 1961, there was filed a report of dissolution and sale of VOI to Industrial Vending Company, GEORGE GOLDEN, President, 7505 Carnegie, Cleveland.

The proceeds of the \$50,000 loan by PB to VOI were disbursed on October 3, 1960, as follows:

\$2,862.77

Applied as partial payment on note number 3556 of The Alvin Naiman, Corporation, Cleveland, Ohio (ANC) to PB

\$2,862.77

Applied as partial payment on note number 3557 of Niagara Crushed Stone (Humberstone) Limited (NCS) to PB

\$26,540.21

Credited to cash collateral account in PB for the benefit of NCS

\$12,008.69

Wire transfer by PB through Imperial Bank of Canada, Windsor, Ontario, to Toronto-Dominion Bank, Crowland, Ontario, for account of NCS

DATE: 11-14-2017

DE 29-1432
VGW:kam - 4

\$5,725.56

Converted to PB Cashiers
Check Number 1-22403, payable
to Bantam Industries, Inc.,
Boston, Massachusetts,
representing two payments of
\$2,862.78 each on loans to
NCS and ANC by PB, Loans
5370 and 5369, sold to
Bantam Industries, Inc., by
PB

All disbursement entries in connection with the above VOI loan transactions were effected on the books of PB by means of intra bank debits and credits only, originated by various bank personnel. The proceeds of this loan did not flow through an account for VOI, but instead were distributed as indicated directly from the loan and were entirely used to aid the finances of ANC and NCS.

On file in PB is an unaudited financial statement dated December 31, 1960, of ANC in support of its own direct loans from PB. This statement was prepared by the Detroit CPA firm of Plante and Moran and reflects net insolvency in the amount of \$934,100. The statement indicates ANC cash was overdrawn \$1,300. Another financial statement of ANC dated September 30, 1960, contained in PB file, showed net insolvency of \$662,600 and cash overdrawn \$20,900. This statement which also was prepared by Plante and Moran, shows ANC had a net loss of \$265,600 during the preceding seven months. A financial statement of ANC dated December 31, 1959, contained in PB file, reflects net insolvency of \$506,200. Also contained in PB credit files is a financial statement dated September 30, 1960, of NCS in support of its direct loans from PB. This statement reflects net insolvency of \$63,200 and indicates that NCS had an additional operating loss during the statement period of approximately \$50,000. A bank overdraft of \$42,000 was indicated. A financial statement of NCS dated November 30, 1959, showed net insolvency of \$338,100 and net operating loss of NCS for an eleven month period in the amount of \$293,344.

DATE: 11-14-2017

DE 29-1432
VGW:kam - 5

The only support in PB files for the \$50,000 loan to VOI was a VOI financial statement dated January 31, 1961, which showed a deficit of \$37,300, a net worth of \$15,700, and an operating loss for the month of January, 1961, of \$4,900. (VOI tax returns for 1958 to 1961 showed repeated losses and insolvency.)

As shown by the foregoing, PB through its President, JOSEPH F. VERHELLE, advanced \$50,000 of PB funds in the name of VOI, an insolvent firm devoid of earnings. These funds were diverted by PB and used for the benefit of two other firms, ANC and NCS, also insolvent and devoid of earnings at the time. This advance would therefore appear to be a misapplication of PB funds in violation of Title 18, United States Code, Section 656. Furthermore, the deceptions employed by PB management in the negotiation of the above VOI loan and the diversion and use of the proceeds thereof would appear to be a violation of Title 18, United States Code, Section 1005.

2. Unsecured loan to The Alvin
Naiman Corporation - \$50,000

On October 16, 1959, PB extended a \$50,000 credit to ANC as evidenced by an unsecured note number 3480 of ANC for \$50,000, dated October 16, 1959, due on demand, executed by DOMINICK E. BARTONE, Vice-President and Treasurer. This loan was approved by PB President VERHELLE and Assistant Vice-President ROBERT E. McCARTHY, JR. The proceeds of the note were fully converted into PB cashier's check number 1-9699, dated October 16, 1959, for \$50,000. The cashier's check is payable to ANC and is signed by ROBERT A. DORST, Assistant Cashier-Note Teller. This cashier's check is endorsed ANC by DOMINICK E. BARTONE, Vice-President, and is additionally endorsed Niagara Crushed Stone (Humberstone) Limited by F. D'AMICO and was negotiated through the Toronto-Dominion Bank, Crowland, Ontario.

The proceeds of this loan were used to facilitate the purchase by ANC of NCS and was the first in a series of advances made by PB to finance the purchase and ostensibly the operation of NCS and of ANC. This loan was fully eliminated October 24, 1959, from the

DE 29-1432
VGW:kam - 6

proceeds of an additional loan by PB to ANC for \$240,000. The \$50,000 loan plus interest of \$60.06 was immediately deducted from the \$240,000 loan and the remainder, \$189,931.94, was credited to the ANC checking account in PB.

The only support on file in PB for the above \$50,000 loan to ANC is a financial statement of ANC dated December 31, 1960, which shows the firm was then insolvent to the extent of \$934,053 and its cash was overdrawn \$1,300. Other financial statements of ANC contained in PB files showed that during the period of 1958 to 1960, there was a progressively increasing condition of insolvency and operating losses.

The foregoing indicates that advances were made by PB through President VERHELLE and Assistant Vice-President McCARTHY in the sum of \$50,000 to ANC which was hopelessly insolvent and devoid of earnings. These advances, therefore, appear to constitute a misapplication of PB funds in violation of Title 18, United States Code, Section 656. PB also failed to have the above note signed by two of the borrower firm's officers although the borrowing resolution in connection with this line of credit required the signatures of two such officers on all note obligations.

3. Unsecured loan to The Alvin
Naiman Corporation - \$240,000

On October 24, 1959, PB granted a loan of \$240,000 to ANC. The note was executed by ALVIN NAIMAN, President, and DOMINICK E. BARTONE, Vice-President. The loan was entered upon the bank's books October 24, 1959, and was approved by the PB Board of Directors on October 23, 1959. It was also approved by President VERHELLE; and Assistant Vice-President McCARTHY assisted in the negotiation and closing of this loan. As indicated in number 2 above, a previous loan of ANC was paid from the proceeds of this loan and the remainder was credited to the checking account of ANC.

DE 29-1432
VGW:kam - 7

This loan was secured by alleged first and second liens on real estate and quarry of NCS at Port Colborne, Ontario; by alleged first and second liens on equipment of NCS; by alleged first and second liens on certain machinery of ANC; by alleged blanket assignment of accounts receivable of both ANC and NCS; by alleged assignments of inventory of each company; by pledges of stock of each company; by various unsupported cross guaranties of ALVIN A. NAIMAN, MARIE NAIMAN, DOMINICK E. BARTONE, ANC and NCS; and by subordination agreements regarding debts due ALVIN NAIMAN, SERVICIOS INTERNACIONALES, Panama, and ANC. All of this collateral was pledged to secure not only the subject loan, but also a \$240,000 loan to NCS discussed under number 5 below, and subsequent advances.

There were indications that a large portion, if not all proceeds of subject loan were diverted to the direct use and benefit of NCS, SERVICIOS INTERNACIONALES, an interest of DOMINICK E. BARTONE, and to BARTONE personally. These diversions were accomplished through conflicting cross accounting entries which made a complete and accurate determination in this regard impractical at the time of examination.

On January 4, 1961, a receiving order was issued to effect a state of bankruptcy as to NCS, and it was actually placed in bankruptcy in July, 1961. Subsequently, a new corporation was formed, Port Colborne Quarries Limited of Port Colborne, Ontario.

PB filed a claim against the bankrupt estate which claim included its loans to ANC and NCS, then having balances approximating \$246,962.03, plus other items. In settlement of its claim amounting to \$837,506.16, in total, PB received notes totaling \$800,000 of Port Colborne Quarries Limited. Ultimate liquidation to be expected from these latter notes is in serious doubt.

In view of the previously mentioned insolvency and consistent lack of earnings of ANC, the questionable value of the security pledged to subject loan, the apparent improper diversion of loan proceeds to

purposes other than those represented by the bank's records, the continued bad management of ANC, and the continuing doubtful prospects of recovery by PB of the full amount of its advances, subject loan appears to constitute a misapplication of funds under Title 18, United States Code, Section 656.

4. Secured loan to Niagara Crushed Stone
(Humberstone) Limited - \$240,000

On October 24, 1959, PB granted a loan to NCS for \$240,000. The note was executed by ALVIN NAIMAN, President, and DOMINICK E. BARTONE, Vice-President. This credit was approved by PB's Board of Directors on October 23, 1959, and was entered upon the bank's books on October 24, 1959. The loan was approved by President VERHELLE; and Assistant Vice-President McCARTHY assisted in the negotiation and closing of the loan. The entire proceeds were credited immediately to the NCS checking account in PB. The loan was also secured by the same collateral allegedly pledged to the ANC's \$240,000 loan discussed under number 3 above. In addition to the information previously set forth concerning the insolvency and operational losses of NCS, financial statements prepared by JAMES M. DUNWOODY and Company, chartered accountants, Toronto, Ontario, showed the following information as of the dates indicated:

| <u>Date</u> | <u>Net Loss</u> | <u>Insolvency</u> |
|-------------|-----------------|-------------------|
| 12/31/58 | \$138,000 | \$ 43,200 |
| 6/30/59 | \$123,800 | \$167,000 |
| 12/31/59 | \$404,900 | \$448,100 |
| 6/30/60 | \$137,400 | \$585,600 |

From the foregoing, it appears that NCS was an operating failure and insolvent considerably prior to the granting of subject loan by PB and that these conditions worsened subsequent to the granting of the loan.

As pointed out under number 3 above, PB filed a claim for its loans to both ANC and NCS against the bankrupt estate of NCS. In settlement of its claim, PB received notes aggregating \$800,000 of Port Colborne Quarries Limited. Ultimate payment of these notes depends entirely upon the future operating success of Port Colborne Quarries Limited and is in doubt due to the firm's showing to date, its undercapitalized position and the operating failure of its predecessor.

In view of all the above circumstances, subject loan appears to constitute a misapplication of funds under Title 18, United States Code, Section 656.

5. Secured loans to: Niagara Crushed Stone (Humberstone) Limited - \$75,000; and
to: The Alvin Naiman Corporation - \$75,000

On April 7, 1960, PB granted loans to the above named firms for \$75,000 each, being numbers 5369 and 5370, respectively. The loans were payable in monthly installments and participated fully in the same security pledged to the loans of these firms described under number 3 and number 4 above. The loans were approved by President VERHELLE and the proceeds were immediately credited to the respective borrower firms' checking accounts in PB. At the same time, both loans were fully sold, without recourse, under a participation arrangement to Bantam Industries, Inc., Boston, Massachusetts. These participated loans were included in the PB claim against the bankrupt estate of NCS as set out in number 3 and number 4 above.

Apparently for his services in this matter, the attorney for Bantam Industries, JOEL A. KOZOL, received a fee of \$1,500 as evidenced by check in that amount dated April 4, 1960, payable to JOEL A. KOZOL, drawn on the ANC checking account at PB and executed by DOMINICK E. BARTONE, Vice-President. As consideration for participating in subject loans, Bantam Industries, Inc., required payment thereto of a fee of \$30,000. This payment was charged on April 7, 1960, to the ANC checking account in PB as evidenced by ANC check dated April 4, 1960, for \$30,000, executed by DOMINICK E.

VGW:BJM - 6
DE 29-1432

office. He said that he did not know what GROSS was doing there. He recalls something being mentioned about TRISCARO being in difficulty in Florida. He said that BARTONE made many trips to Miami during this period and ran up a \$12,000 bill with Eastern Airlines. He said that BARTONE brought in an attorney named GONOONE from Toledo to represent the Company. He said that he believes that the Company still owes GONOONE about \$5,000.

NAIMAN said that the Companies were still in need of money and in approximately April, 1960, BARTONE told NAIMAN that they were going to obtain another \$150,000 from the Public Bank of Detroit. He said that he and BARTONE went to the Public Bank and met with VERHELLE in his office. Also present was an attorney named KOZEL representing a lending organization called Bantum Industries, Boston, Massachusetts. NAIMAN recalls signing a check in the amount of \$30,000 which he understood was interest on the loan. He also signed a check for \$1,500 to KOZEL. He said that the net proceeds of the loan therefore were less than \$120,000. NAIMAN said that the proceeds of the loan were split between the Alvin Naiman Corporation and the Niagara Crushed Stone Corporation. He said that the total indebtedness to the Public Bank was being paid back at \$5,000 a month. He believes that they paid back a total of approximately \$100,000.

NAIMAN said that in approximately July, 1960, his son became extremely upset because the Corporations were in dire financial straits. His son got into an argument with BARTONE and when BARTONE started berating his son, NAIMAN slapped BARTONE. He said that BARTONE thereupon left but returned the next day to apologize. NAIMAN said that he told BARTONE that he wanted to get rid of the business and give BARTONE power of attorney for this matter. He said that the next thing he knew the Corporations were in bankruptcy.

NAIMAN said that he then decided to see what he could do to remedy the situation and went to Canada to talk with Mr. McGRIFFIN of the Canada Steamship Company which had taken over the Niagara Crushed Stone Company. He learned from McGRIFFIN that his Company had assumed \$700,000 in debts to the Public Bank of Detroit. NAIMAN said that he could not understand how the indebtedness could still be that high when they had paid off \$100,000 and had only borrowed a total of \$630,000. NAIMAN said that in addition he learned that BARTONE had assigned \$240,000 in good accounts receivable to the Bank.