

Texas Crime Investigating Committee – Item Inventory

Sam Serio & C. H. Cavness Testimony

Testimony of Sam Serio and Testimony of C. H. Cavness – Part 4, 1951-06

Q And you keep records on the slot machines that you buy?

A Yes, sir.

Q Why is that, because you have to pay a tax on them and there's no other way to get out of it?

A What do you mean pay a tax on them?

Q You pay a tax on your machines, don't you? Slot machines?

A Oh, we pay taxes on everything.

Q You pay a tax, a federal, state and city tax on your slot machines, don't you?

A Yes, we pay taxes.

Q Now, what other expenses are made for gambling paraphernalia that you do not make an entry in your books at the time you make the purchase?

A None that I can remember.

Q Now you can't even remember. Just like to give you a little time if you think there is any chance to remember because, you see, those are something we can't check on your books.

A I don't recall any of them right now.

Q You reckon you might recall some of them between now and Monday? You think there is any chance or you think it's hopeless?

A Be pretty hard to try to recall any.

Q What other kinds of gambling paraphernalia do you have in the Balanese?

A That's all.

Q Name them over, please.

A You just named them.

Q The slots and the roulette wheel and your billiard tables?

A Yes.

Q Is that all you have?

A That's all.

Q Is that all you have?

A That's all.

Q Now, what kind of expense accounts does Mr. Fertitta have that he does not have to put in the books when he spends the money?

A Well ---

Q You are under oath and you are under immunity.

A He buys the dice that comes in COD and pays cash.

Q Yes, sir.

A Charged to expense.

Q What else?

A And the roulette wheel, that's the only two.

Q Only two?

A That I know of.

Q Well, how do you know now if you are not making any record on that are you sure he is not spending it on some more?

A If he is I don't know it.

Q Where does he get this money he spends that no record is kept on?

A Gets it from the business out there.

Q From the business. Well, do you have any way of knowing just how much money he is spending that you don't put down on your books for investigating agencies?

A I don't have no way of telling.

Q You don't have any idea? You have any gross receipts for the Balanese Room at night?

A Yes, we don't have a gross receipts, we have the net.

Q You don't know what came in over night, you don't even keep gross receipts on the Balanese Room for every night that it's open?

A On the dining room, yes, sir.

Q Not on the gambling?

A We keep a net receipt on that.

Q Why don't you keep gross receipts on your gambling room, Mr. Serio?

A Because we can't hardly keep that way, it's in and out.

Q Why can't you?

A Well, win or lose and they then pay out all night, take the net amount at the end of the night.

Q Net amount, is that before your expenses are paid out?

A Yes.

Q Other than your losses?

A If they bought anything like that, might take that off, too, send in the net amount.

Q And they could do that and there wouldn't be anything said about it?

A No.

Q You wouldn't know whether spending five thousand dollars a night on illegal gambling paraphernalia, would you, according to your books, would you?

A No, sir.

A No, sir.

Q But you might know outside your books, Mr. Serio?

A No, sir, I wouldn't either way.

Q You wouldn't either way. Now, how about your Turf Club, what gambling paraphernalia is bought over there you don't keep any records on?

A Same thing.

Q The same thing?

A Yes, sir.

Q You don't keep any records on your roulette wheels over there in the Turf Club?

A That goes all over.

Q Beg your pardon? Sir?

A That same statement goes to all the places.

Q Goes to all the places?

A Save you a lot of time.

Q You don't have any records of your gross receipts in those gambling places, in any place, do you?

A Everything is handled the same way.

Q You don't keep any records for any investigating agency or government or anybody else as to how much money is spent on gambling paraphernalia, do you?

A No, sir.

Q And those are not in those records in there, are there?

A That part of it, no.

Q What part is in there?

A Got your machines in there, got your tables in there.

Q All right, now does Mr. Fertitta withdraw out so much out of the funds each night to meet expenses before he opens up?

A No, sir.

Q Where does he get the money to finance the gambling?

A The bank roll there, you might say, got money there all the time.

Q In the room?

A Yes, sir.

Q He never checked that in on the books?

A The bank roll they have to carry there all the time.

Q Bank roll. Is there any limit on the bank roll?

A No.

Q You don't know how much he has over there in the Balanese Room?

A Oh, yes, I know what he's got.

Q How much does he have today?

A It varies, if he wins today, why, it's more than it is tomorrow if he loses.

Q Does he keep the money he takes in the night before the next day?

A Yes.

Q When does he check into you?

A Oh, every once in a while I have a check-up with him, bring it in.

Q You go out and check up with him?

A No, if he's lucky enough to make some money, why, he brings it in, turn money in every week.

Q Well, do you have any working agreement as secretary-treasurer as to how much money he has?

A No, sir.

Q Now, what about the liquor you buy, is there any record kept on that?

A Yes, sir.

Q Is there anything else you buy that you don't have entries in your books as to the expense of those items?

A Not that I know of.

Q Seems to me that a man as secretary-treasurer and who has a part in the business and keeps the books would know, Mr. Serio. Is that the best answer you can give us, just don't know?

A I just don't.

Q Sir?

A I don't know. I can't recall of any others. I don't know. There might be and might not be.

Q Are there any more financial transactions in Maceo & Company that are not on those books that you have turned over to us today?

A Not that I can recall.

Q Everything else is in there?

A I don't know, I can't say yes or no.

Q Well, what in your mind is there a doubt about, which item?

A As far as I can recall, they are all in there.

Q They are all in there as far as you can recall?

A Yes.

Q Is there any doubt in your mind about whether or not they are all in there?

A I think they are all in there, I don't know.

Q You have represented to this Committee that they are all in there. Now, are you backing out on that or are you standing firm? Because investigation is going to be made as to whether they are or not.

A Like I say, might be something some time that I wouldn't know whether it's in there, I can't tell. I mean, so many items in there.

Q You ever have any agreement with anybody in your concern that we will not put this in the books, we'll keep this outside the books?

A No, sir.

Q You never did have an agreement like that?

A No, sir.

Q You ever have any big winning some night that came in that you said, well, we'll put this on the side and won't have to pay any income tax on it?

A No, sir.

EXAMINATION

BY CHAIRMAN MERIDITH:

Q You testified a while ago about it being your custom to pay the fines for your employees and customers in the event a raid and filing of complaint, is that right?

A Well, we have in the past.

Q There have been in the past instances where you paid as much as \$1718.00 in fines as a result of raids and complaints filed at one time?

A I don't recall it.

Q Been other instances where they run several hundred dollars and other instances where \$5500.00, and so forth, a series of raids where all the people come in and pleaded guilty. Do you ever contest any of those cases?

A I don't recall any of the cases.

Q Usually enter plea of guilty and pay the fine?

A I imagine that's what they have done. I don't know, I never did handle it.

Q Are those fines paid out of the treasury of Maceo & Company partnership?

A I don't know, I never handled those.

Q But they are paid by, whether paid by respective businesses where the raid is?

A I don't recall any of the fines. I don't know how they were paid.

Q Do you recall any fines you have ever paid for customers and/or employees?

A Small hundred dollar fines now and then.

Q Now, in those instances what funds were the fines paid out of?

A Check out of the bank account, charge it to expense.

Q You do charge it to expense?

A Yes.

Q Is that your custom in every instance that you can recall where you have had to pay fines for employees and/or customers, to charge it as business expense?

A That's the only one I recall myself.

Q But it is charged up on the books as business expense?

A Yes, sir.

Q Do you know Jessie Elliott?

A Jessie Elliott, I've heard of the name but I don't know her.

Q Is he an employee of Maceo & Company?

A No, sir. I think it is a woman, isn't it, Jessie?

Q I don't know whether it's a woman or man.

A I've heard of the name but I don't know her.

Q You know Harvey Gibson?

A Who?

Q Harvey Gibson.

A Never heard of that.

Q Is he an employee of Maceo & Company?

A I don't, if I knew the name I might tell you, what place has he got?

Q Jessie Elliott has some connection with the Bali Bali?

A No, sir.

Q Maybe that's 'Balee Balee'.

A 'Belly Belly'.

Q I am informed that Jessie Elliott is the owner and conducts the business of Bali Bali.

A I don't know her.

Q You don't know him or her?

A Well, is he connected with her? If he's connected with her I don't know him. Like I say, we've got five or six hundred

employees, that name may not be familiar to me.

Q Who do you mean, her?

A Jessie Elliott, that's a woman.

Q Is it a woman?

A Yes, Jessie Elliott is a woman, isn't it?

MR. STONE: You asking me? I'll tell you yes.

Q (By Chairman Meridith) What business is Jessie Elliott in?

A You want to tell the business?

MR. STONE: Frankly, I don't know, I've heard of her.

A I've heard of her.

Q (By Chairman Meridith) Have you heard of her being the head of the prostitution racket in Galveston?

A Something like that.

Q Something like that?

A I've heard of that name but I don't know her.

Q I believe you said you do not know Harvey Gibson?

A If he's connected with her I don't know him. I mean, if he is connected in that business.

Q I don't know what his connection is.

A I can't say that he's not an employee because, like I say, got five or six hundred people working for us. He may be a porter there, I don't know.

Q Have you got any connection with Jessie Elliott?

A No, sir.

Q Has Maceo & Company got any connection with Jessie Elliott?

A No, sir.

Q Do you know Lee Morris?

A Who?

Q Lee Morris.

A Never heard that name. How do you spell it?

MR. DIBRELL: I'm just asking, do you know a Louie
Morris?

A I know Louie Morris.

Q (By Chairman Meridith) That's M-o-r-r-i-s?

A Yes, Louis.

Q What is his business?

A He has machines.

Q Has machines of his own?

A Yes.

Q Does he have any connection with Maceo & Company?

A No, sir.

Q You know Joe Garcia?

A Well, there is a Garcia connected with Louis Morris, I don't
know whether his first name is Joe or not but I have heard of
the name Garcia.

Q You know what his business is?

A Well, he's a partner, he and Louis Morris are partners together.

Q Partner of Morris?

A Yes, sir.

Q You know Margaret Russell?

A Margaret Russell, no, I don't know her, I've heard of that name.

Q You ever hear of that name?

A Yes, I've heard of the name.

Q What business is she in?

A Same as Jessie Elliott.

Q Let the record speak for itself. Has Margaret Russell got any connection with Maceo & Company?

A No, sir.

Q Margaret Russell is not an employee of Maceo & Company?

A No, sir.

Q Now, have you completed your list there?

A I have tried to complete it as best I could. I mean, from memory.

Q Well, I think probably we will save that till a little bit later. You are satisfied that you can answer all our questions pertaining to that list of real estate?

A Well, I can answer most of it.

Q Well, in the event you are not satisfied ---

A Can't tell you exactly.

Q In the event you are not satisfied now that you can designate the building or buildings that's located on each piece of real estate that you render for taxation, will you please so advise and inform yourself over the weekend so you will be able to answer that Monday?

A Well, I'll have to ---

MR. DIBRELL: In attempting to do what you asked him

to do he has taken this list and supplied the names of managers and those that are closed and have no managers, there is a blank. He then made the list of the places here and has keyed it on to this block map of the city of Galveston with equivalent numbers. Now, there are a number of these places located in the same building, of course, this being a small block map, for instance, No. 7 is generally the, where is Murdoch's, one, there is a number of places here that carry one, that one applies, where that number shows.

A No. 2 Balanes, 3 San Luis Corporation. You understand?

CHAIRMAN MERIDITH: What I meant to say, I don't think we will try to get into it this afternoon in the interest of time but if you are not satisfied that you can identify each of these pieces of the property from the legal description, why, try to get that in mind over the weekend so you can tell us Monday.

MR. DIBRELL: On this you will find a blank column, over here and he has pencilled in opposite these descriptions his best knowledge. This is the way, got the particular lot and block, could be mistaken.

CHAIRMAN MERIDITH: We want to move on.

MR. DIBRELL: Can he take it over the weekend?

CHAIRMAN MERIDITH: We'll keep this list of managers. You can take that map. What I meant to say was in the interest of time we are going to 'kinda' move on a little bit. Since we have got to have you Monday anyway, then you can complete

your information on that in the meantime. There is another question I wanted to ask -- any other question you think of asking this witness? Any of you Members of the Committee got any other questions? In the interest of time, since we do want you again Monday, Mr. Serio, you will be, you will stand at ease until Monday and keep in your mind about this, you are not discharged from -- recess insofar as your testimony is concerned.

A All right. What time do you want me Monday?

CHAIRMAN MERIDITH: Nine o'clock. Now, let's see, I believe we'll give you gentlemen a little recess, got another witness trying to sandwich in. Thank you, Mr. Serio.

A All right, sir, thank you.

CHAIRMAN MERIDITH: Thank you, Mr. Dibrell and Mr. Stone.

MR. STONE: Are you through with us today?

CHAIRMAN MERIDITH: No, may get back to you and some of the other witnesses. I presume you represent the other witnesses?

MR. STONE: Yes.

CHAIRMAN MERIDITH: Thought we'd give you a little recess while we're talking to the other witness.

(Off-record discussion)

CHAIRMAN MERIDITH: Now, let's see, are all of the

Galveston witnesses here? Mr. Fertitta, Mr. Maceo, Mr. Cox and Mr. Serio, only four?

MR. SERIO: Yes, sir.

CHAIRMAN MERIDITH: Gentlemen, the hour is growing late. I know you want to get back to Galveston. We've got other work we can be doing. It is the decision of the Committee that all of the witnesses be excused with the exception of Mr. Serio who is to be back Monday, until June 25, 1951, here in the Court of Criminal Appeals. And that comes under the privilege that was stated this morning. Mr. Cox can stay with the books. I wanted to make the general announcement, excused until June 25, 1951 as witnesses. Of course, Mr. Serio is to be here Monday in connection with the records and with respect to your designated agent staying with the books that will be a matter for you to work out with our auditor. That date, June 25th, gentlemen, unless you are notified to the contrary, 9:00 o'clock A. M.

REPRESENTATIVE HOUSTON: On this Monday deal, Mr. Chairman, can we make that ten or ten-thirty?

CHAIRMAN MERIDITH: Yes, thank you for calling that to my attention. If you prefer to come up Monday morning, why, we can make your hour ten or ten-thirty.

MR. SERIO: It would help us out.

MR. DIBRELL: We would appreciate it; it's pretty rough.

CHAIRMAN MERIDITH: We can spend our time on something

else. Make it 10:30, that will enable you to come up that morning instead of the night before.

(Off-record discussion)

CHAIRMAN MERIDITH: All right, thank you, gentlemen.

MR. STONE: Thank you very much.

(Reporter's note: The next witness called before the Committee was Felix J. DeMary whose testimony has been transcribed and is in another volume)

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MORNING SESSION

9:00 O'CLOCK A.M.

JUNE 4, 1951

AUSTIN, TEXAS

CHAIRMAN MERIDITH: The Committee will please come to order and the Clerk will call the roll.

(Reporter's note: Clerk called roll with the following Members being present: Carr, Houston, Meridith)

CHAIRMAN MERIDITH: Let the record show that since we recessed until today this is a continuation of last Friday and Saturday's hearing.

I believe, Mr. Dibrell and Mr. Serio, we will ask you all to excuse us for a few moments while we talk to the auditor, please.

MR. DIBRELL: Now, have you got an idea whether it will be as long as ten minutes? If so, we'll get a cup of coffee.

CHAIRMAN MERIDITH: Be 15 or 20 minutes anyway.

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CHAIRMAN MERIDITH: Mr. Cavness, suppose you sit around here where we can all hear each other.

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MR. C. H. CAVNESS testified as follows:

Q (By Chairman Meridith) Mr. Cavness, I hardly know how to start out, suppose I just ask you to give the Committee a brief resume of what your examination audit of the books that have been presented to you touching Maceo interests has shown to be, rather than we ask questions. Suppose you just enlighten us.

A Mr. Meridith, we have prepared a summary that shows the Maceo & Company receipts for illegal activities. We prepared this summary from the, directly from the federal income tax returns that they had filed and then we checked those returns, certain test records against the books, the ledgers, and saw nothing which would mean that there would be any difference between the income tax returns and the books. In other words, it appears, the type of returns appeared to have been prepared according to the actual books. Would you like for me to give you some of the figures that we have in the summary?

Q Yes, sir, I would, Mr. Cavness, please, sir.

A For the year ending September 30, 1950, the total receipts from these illegal activities amounts to \$2,445,351.01. 1949 is \$2,081,967.31.

Q Now, for the purposes of the record, Mr. Cavness, suppose we break that down into the various accounts that you consider to

be accounts showing.

Q Well, there are seven of them, in the order in which we have them listed. Tip books, which we understand to be in the order of a numbers game, lottery. I don't know just the detail of it, but the way it was explained to us it is about like that. 1950, the amount there is \$122,817.10. 1949, it was \$151,333.70. The baseball bookie, betting on baseball games, which this means the profit from it, is the gross profit. 1950 is \$21,995.50. 1949, \$8,200.20. The next item is their machines of various kinds, slot machines, and we were told this morning it includes music boxes also, which in their records is all classified as equipment, under equipment items. 1950 that amounted to \$761,938.73.

Q May I have that figure again, please, sir?

A Seven sixty-one ---

Q that's 1950?

A Yes, sir.

Q Seven hundred sixty-one ---

A Nine thirty-eight and seventy-three. 1949 was \$714,993.10. The item in the records called club rooms which we understand is the gambling, dice and roulette and what-not, that's all hearsay on the part of us as far as we are concerned. The figure for 1950, \$830,586.25. 1949 was \$720,903.51. And each of the years added the largest item in the list of the seven different items, types of service in the records is said to be the sale of liquor by the drink. That may include some sales besides that.

At least that is the way it is classified. 1950, it is \$267,689.62. 1949 it is \$217,134.67. The section of the record devoted to horse, called horse throughout the books, is their bookie business or horse race betting business. For 1950 is \$349,267.94. 1949, \$202,711.49. Then the bingo games, games of that nature. 1950, \$91,055.85. 1949 was \$66,691.00. In all of these instances, on all of these items except the so-called service which is the sale of drinks, figures that appear, figures that I have quoted are the totals of the, that type of activity in each of the establishments, all the different rooms and places that they have. Well, I got a little off there, what I said, the service figures are accumulated that same way, too. What I started to say, too, for all of them except the drinks the figures are the net gross which is a peculiar way to describe something, I think. But what I mean is that on the horse bets, for instance, these figures are the totals of the amounts recorded each day as being the net result for the day. In other words, if the horse records that day showed a profit of one thousand dollars which is about what it would average for 1950 over the year, there is no indication in the records of how much was the volume of the business. It might have been ten thousand or it might have been fifty thousand. This is the net result, or the totals of all the net results. It seems that that method of recording the results is best described by saying net gross. I mean it's the gross they took in less what they paid out in gambling and all the rest of it. Now, those figures, I haven't

calculated the percentage but those figures account for something like three-fourths of the total business of the enterprise.

Q (By Representative Carr) Three-fourths?

A In the neighborhood of three-fourths, yes, sir.

Q (By Chairman Meridith) Let's see, the totals?

A That can be figured which I haven't done that.

Q Those figures, those totals for the two years, Mr. Cavness?

A The total for 1950, \$2,445,351.01. 1949, \$2,081,987.31.

Q Thank you, sir. Now, you say from your examination these figures are about three-fourths of the income?

A Approximately three-fourths of the income of all of the business combined. I'll be glad to give you the exact percentage on that a little later.

Q (By Representative Carr) That's the partnership, you're talking about three-fourths of the income, the partnership?

A Yes, sir. In examining the records we didn't find gambling or illegal operations at least that we could identify at all in the ledgers of any of their eight corporations, nor in the books of the R. Maceo, Trustee account which is also a partnership but apparently owns and operates real estate, which is, some of which is rented to the enterprise or possibly some outsider. That's true of the Gulf Properties, Inc. Well, it's largely true of all of it. The figures that we have been talking about are taken from the income tax returns of the Maceo & Company partnership and the Dickinson Equipment Company partnership of which the Maceo & Company partnership holds a three-fourths' interest.

Q You allowed that three-fourths, you took that into consideration?

A Yes, sir. Yes, the figures that I was calling and more or less combine the figures of the Dickinson Equipment Company and Maceo & Company partnership.

Q (By Chairman Meridith) How many different corporate accounts do they have?

A Eight corporations.

Q Now, you say they all show, practically all of them show that they are breaking even?

A Yes, sir, the net result of all the corporations is practically break even. Some of them show some profit and others show losses. Actually the partnership income just about accounts for the entire results.

Q How do you account for that, Mr. Cavness, or can it be accounted for, is it by reason of the fact they pay out all the corporate earnings in salaries? What seems to be the indication there as to why these corporations are not showing a little more net book profit? What seems to be the big items of expense?

A Apparently, Mr. Chairman, we haven't made very much of an analysis yet of the corporation records. The volume of business is rather small in most of them except the Gulf Properties, Inc. which shows gross receipts for 1950 of \$185,726.37, which is devoted almost entirely to rent paid to it by the various divisions of the Maceo enterprise. Their net profit for the year on that, gross of one hundred eighty-five thousand; the net profit shown as \$8,087.12. Murdoch Bath House comes in, which is a separate corporation, showed net profit, 1950, of \$5900.00.

The Galveston Isle Publishing Company which is wholly owned by the partnership, partnership members, apparently takes care of the printing and most of the advertising and various work of that sort for the Maceo interests, and the net result of the way it is handled is, its income and expenses at the end of the year is balanced out down to nothing. In other words, if they have made a profit it will be contracted back to advertising, we'll say, in the partnership books. If they lose money it will be transferred over to there and charged to advertising.

Q They say on Gulf Properties showed a gross of 185 thousand?

A \$185,726.37.

Q And a net of eight thousand?

A \$8,087.12.

Q And you haven't gotten an analysis of it yet?

A I would say a sizable part of the expense is depreciation set up against the property, taxes and depreciation. I don't believe they pay much salaries out of the corporations, although as I say, we haven't made much of an analysis of that yet.

Q As you do go through with your analysis of not only the partnership but the corporate records, if you will pay particular note, if you will, Mr. Cavness, the amount of salaries they pay.

A We can prepare an operating statement for each one of them and bring in. In analyzing the income tax returns we have taken off some statements which show the ownership of the partnership and a list of expenses listed on the partnership returns as listed on the returns. We haven't yet gotten to the point of

being able to analyze all those expenses, to a very large extent. I might give you a couple of figures here from this list that I think would be of interest right now. That is that for 1950 they paid, their total payrolls were \$1,106,703.74.

Q A million?

A A hundred and six thousand, seven hundred three dollars and seventy-four cents. The year before that it was a couple of hundred, nearly two hundred thousand dollars less. In their expenses are some rather large classifications that we have analyzed to some extent but not completely. There are repairs and supplies account. One of the larger expense accounts of 1950 was \$217,306.39. Depreciation was \$202,000.00 plus. Entertainment expense was 187 thousand plus. And that entertainment expense is made up mostly by their cost of name bands and entertainers which we understand they used. For instance, they have had bands down there that they were paying \$3,000.00 or more per week. Of course, over a year's time at that rate that would account in itself for most of this \$187,000.00.

Q (By Representative Carr) You got anything on that total, on that travel and expense and entertainment?

A We went through the cash book for Maceo & Company and Dickinson Equipment, at least I'll say we scanned the accounts for that entertainment item and also for another account which is called travelling and entertainment, which for 1950, that account amounted to \$25,696.12.

Q Now, that's 25 thousand, what?

A \$25,696.12, classified as travelling and entertainment.

Q In 1950?

A In 1950. For 1949, it was approximately one thousand less than that.

Q (By Chairman Meridith) Have you figures there as to how much taxes they pay, the city, state, county, income, and so forth?

A We haven't broken that down yet, Mr. Meridith. We have the totals of the accounts here, taxes of all kinds paid by the partnership, which is, now the biggest item, the biggest kind of tax in it is the federal tax on coin operated machines.

Q Does that heading, taxes, does that include income taxes?

A No.

Q That taxes, that figure, I wonder what that does include?

A It's federal and state taxes and city taxes on the operation of coin operated machines which is, well, the state rates range from a dollar or so up to fifteen dollars a machine, depending on the type of machine.

Q What I am getting at, does that include any ad valorem taxes?

A Also includes ad valorem taxes paid by the partnership but that is mostly on personal property, I think.

Q That figure is what?

A The total is \$93,626.02, but we haven't yet made a list.

Q That's pretty near all the taxes exclusive of income taxes?

A Yes, sir, the year before it was \$85,168.48. Now, in looking through the travel and expense columns in the cash book and also

some of the other columns yesterday we jotted down a number of items that we came to that we need to have more explanation from them as to what they mean. And I think now possibly is the time to tell you about some of them; in the horse books we find that nearly every month there are checks made that are payable to, well, we haven't seen the checks yet and in the cash book there is the payee's space left blank which means it was either payable to cash or some person that wasn't listed. I think we will find probably those checks all made payable to cash but didn't write that in, might not work out that way. But almost every month there is a check for an amount of more than, or five hundred or more up to \$2500.00 which, as I say, is probably made payable to cash and is charged to travel expense, travelling and entertainment and the amounts run about the same or run the same on kind of a pattern, say for three or four months be the same amount, then it will change and be that three or four months, items of \$1500.00 and \$2500.00, \$750.00, a few of a thousand, one at six hundred and three or four at five hundred, which leads, at least from our standpoint, we think we need some more explanation on what it is for, what it really means. That's in the horse account. Also in the Dickinson Equipment account which is just the coin machine business in Dickinson, we find that same situation exactly except that the amounts aren't as large. They run by months from, well, from four or five hundred dollars up to \$1130.00, is the largest amount that we find in that. \$1130.00 was paid January, February and March, April and May, 1950.

\$930.00 was paid June, July, August and September. Now, that sort of a pattern. Of course, we don't know yet what they mean, but be \$535.00 one month, maybe \$635.00 another month; there's \$905.00, some months, \$755.00. We think that ought to be explained.

CHAIRMAN MERIDITH: Excuse me just a minute, Mr. Cavness. Gentlemen of the Committee I've got a long distance call waiting for me now from Mr. Benckenstein, a lawyer from Beaumont who represents Mr. DeMary. I talked to him once yesterday on the telephone and talked to Mr. DeMary once. They tell me DeMary knows nothing about his own books but relies entirely on this man who is his bookkeeper in Beaumont, what was his name? Russell Dunn. They say that he has had a heart attack. I don't know how recent, but that he did work on the books yesterday, pulling the records that we have requested but that the man could not work last night nor wouldn't work at night on account of his doctor's orders and that they didn't know whether it would be physically possible to get those things here today or not and asked if they could not come Tuesday. I told them that I would not be here Tuesday and I don't know whether the balance of the Committee would care to have a meeting Tuesday for the purpose of receiving those records or not. He said that the bookkeeper did not travel in an automobile. He would have to fly, and that they were doing everything they could to comply with our request to furnish

the records and would furnish them but that it might be quite burdensome to try to get here today. I told them to go ahead and do the best they could and call me today in the hearing so I could tell the rest of the Committee. That call has been waiting quite some little while, waiting to talk to him. Would it be possible for you all to meet and receive these records tomorrow if they say it is almost physically impossible for them to get here today?

REPRESENTATIVE CARR: I'm due out of town myself.

REPRESENTATIVE HOUSTON: Wouldn't it be possible for one of the investigators that is working out of the Attorney General's office for the Committee, since he is familiar with what exactly they want, to go over there and get the man to agree on the 'phone to show the investigator everything he wants to see?

CHAIRMAN MERIDITH: You mean to go to Beaumont?

REPRESENTATIVE HOUSTON: At least telephone bills and things like that.

CHAIRMAN MERIDITH: At Beaumont rather than have it here?

REPRESENTATIVE HOUSTON: I was just suggestion, might save time.

CHAIRMAN MERIDITH: Well, they are already working and accumulating, accumulated considerable of the information that we want.

REPRESENTATIVE HOUSTON: I would like to know what the Attorney General thinks about that. There are some things that he was particularly interested in.

ATTORNEY GENERAL DANIEL: Horace, I would rather not have the responsibility of one of our men going there. Frankly, two or three of our men would like to look over it. I would like to see them myself. Several heads are better than one on that kind of stuff, like for Mr. Cavness to look them over, too. I would rather not take that responsibility. We may make some decision on the thing you all might not agree with it.

CHAIRMAN MERIDITH: Of course, I think they should be brought here for the benefit of the auditor's examination. I want to look at them, I wouldn't know anything about them, I know. I don't know how much the investigators know about some parts of the bookkeeping.

ATTORNEY GENERAL DANIEL: They would know the records for what we are interested in.

CHAIRMAN MERIDITH: I thought I would bring up and discuss it before I talked to him because I know what he's talking about almost.

ATTORNEY GENERAL DANIEL: Will one Member of the Committee be here? (R)

REPRESENTATIVE HOUSTON: I'm staying here.

REPRESENTATIVE CARR: I'll not be, Mr. Chairman, I'll

be out of town.

CHAIRMAN MERIDITH: Well, would you rather have him come tomorrow or put it some other day?

REPRESENTATIVE HOUSTON: It doesn't matter to me, any time.

CHAIRMAN MERIDITH: What shall I tell the man?

REPRESENTATIVE HOUSTON: I'll receive his records and if the Attorney General, some of his men will help me, I'll interrogate him, the man that comes over here, just go on and do it if you want me to.

CHAIRMAN MERIDITH: Well, if you do that, that will be one solution. I would hate for us to have to go to a great deal of inconvenience to accommodate them but to be frank about it, if you got other plans for tomorrow, rather make it some other day, make it another day.

REPRESENTATIVE HOUSTON: It doesn't matter to me; the sooner the better.

CHAIRMAN MERIDITH: That's the way I look at it whether I'm here or not. I think better have them brought in.

REPRESENTATIVE HOUSTON: Just tell him.

REPRESENTATIVE CARR: Let's recess until you get back.

MR. CAVNESS: Mr. Meridith, just a slight suggestion, if I may, just a few more items, just a few more items we want to have clarified, we will have finished what we have to say now.

CHAIRMAN MERIDITH: Yes.

A We found in the records where some checks have been written to

motor companies, automobile companies. One or two we are not sure are automobile dealers but we definitely have, we have six items in amounts which could be the purchase of an automobile but which in the books were charged to expense rather than capitalized as automotive equipment on the books. Of course our thought on that is, may be some explanation, but it's a little unusual to find an automobile bought and charged to advertising, direct to an expense account of advertising or general expenses.

Q (By Representative Houston) Do notations show how far up the federal people have checked them?

A September 30, 1959.

Q Some of these entries you talked about are in 1949?

A Every one of them, Mr. Houston, are since '49. Would you like for me to call the amounts?

Q (By Chairman Meridith) Just so we can see about the size of them. Now, are you talking about those that are not capitalized?

A Yes, sir. Here's one for \$1625.00, in November, 1950, charged to advertising. One for \$1460.00, in March, 1951, charged to advertising. One for \$2375.00 in May, 1950, charged to general expense. One for \$1698.00, charged to advertising in July, 1950. One for \$2386.90, charged to advertising in August, 1950. One for \$2100.00, charged to advertising in September, 1950. That makes the six. Now, of course, may be, but from an auditing standpoint, ask why they charged advertising to expense instead of it being capitalized if bought for business, for the partnership. Of course, not allowed to be charged off in full.

Q These other things, Mr. Cavness, you said you would like to know about, are they matters that you think you could obtain from talking to a man privately in checking the books or are they matters you think the Committee should ask here or in open hearing, typical of some of these things you think we ought to inquire about or what?

A Well, these \$1500.00 travelling expense checks every month and these automobiles charged to advertising and I would say, it's my thought that possibly be better for the Committee to ask them before we even talk to him about it.

Q With respect to legal fees what does your examination show they pay to legal fees?

A We haven't yet made a complete list on that. There's one firm that apparently is being paid something like \$1500.00 a month.

Q (By Representative Carr) Go ahead with any other items you have.

A Those are the principal items we have so far. There is one other item charged to advertising we can't tell from the name in the check register there what kind of an item it is. It is made payable to the Salvato-Falca, KF Dealers, may be Kaiser-Frazer, might be something other than automobile. If that is Kaiser-Frazer that makes seven automobiles instead of six. The other items we have listed are, I think, items we could find the explanation for when we get the rest of the records that have been brought up this morning. There is one question which we want to ask and that is about a place that hasn't been mentioned before that we know of, at least in these hearings, and apparently there is a

place which is called the Roundup.

Q Roundup?

A We found where they had bought equipment, fixtures. They had bought fixtures and items of that nature in October, 1950 as if it might be a new place being opened. We didn't recall that having been mentioned before. I believe that's all that we have particularly that at least that we think may be better for the Committee to ask them about than for us to talk to them about.

REPRESENTATIVE CARR: Gentlemen, you have some questions?

Q (By Attorney General Daniel) One question. You find any source of revenue that is not accounted for in one of the businesses already named other than the Roundup? Have you made any searches through their source of income that is not listed under one of these businesses you have already talked about?

A I don't believe we have, General.

Q I guess you told the Committee about the Dickinson Equipment Company?

A Yes, sir.

Q That's one, the Roundup possibly a second one?

A Which apparently looks like was opened in October, last of October. Of course, these returns come only to September 30, 1950.

Q And all the other income does seem to be for businesses which they have already described?

A I think that's right.

Q (By Representative Carr) You intend to stay here today, be with us through the meeting?

A Yes. (Indicated by nodding his head)

REPRESENTATIVE CARR: The Committee will stand at ease until the Chairman returns.

(Hearing stood at ease)

REPRESENTATIVE CARR: Suppose we stand recessed here until 2:00 O'clock.

WHEREUPON IT BEING 12:05 O'CLOCK P. M. THE HEARING WAS RECESSED TO
2:00 O'CLOCK P. M.

AFTERNOON SESSION

2:00 O'CLOCK P.M.

JUNE 4, 1951

AUSTIN, TEXAS

REPRESENTATIVE CARR: If the Committee and the Members in the room will please come to order we will proceed with the hearing.

Mr. Serio, most of the questions which will be directed to you from here on out, I presume, at least as far as I am concerned, will be concerning an explanation of most of the records that we have gone through very quickly here, so that we might better understand some of these. For instance, what does the letter M mean?

A On this immunity ---

MR. DIBRELL: Well, Mr. Carr, may the heretofore existing arrangement as to claimed immunity be continued?

REPRESENTATIVE CARR: All right.

A M is marble machines, marble tables.

Q (By Representative Carr) M being ---

A V means victrolas and T is the total, marble machine, whatever it is, use the word marble but it is the machine.

Q That's the machine, they pay off; the V means victrola?

A Victrola, music box.

Q No pay-off at all?

A No.

Q Now, the merchant commission of 50 per cent, that is the agreement that you referred to the other day whereby they get 50 and you get 50?

A Yes, sir.

Q And your balance, some show a balance?

A See, we lend them money and they owe us money. This balance is shown on here and whenever they pay, why, I mean, whenever, right here, this balance this man owes twelve eighty-two. Well, he lets us keep his half, give him credit on what he has borrowed from us.

Q I see. Then you take your 50 per cent and his per cent?

A His per cent is credited to his account that he has borrowed the money.

Q I see. Now, the marble machines shown here, this only shows his 50 per cent?

A That's right.

Q And there is nothing on these tickets that would show your 50 per cent other than it is just the same as his?

A It is the same as his. He keeps one slip and we keep the duplicate.

Q I see, and the T stands for totals?

A In case two items, add together, so when he comes in check the right amount.

Q And they get, each business gets 50 per cent of the victrola revenue also?

A Yes, sir.

Q Now, what record would show, for instance, why on the 21st day of February, 1949 that the Surf Drive-in had a balance of \$1282.00?

A They brought that ledger in, I think showed you that ledger.

Q (By Mr. Cavness) A ledger account with the ones showing those balances. I think it would be well to explain maybe why you make the loans.

A Well, that's the Galveston Novelty Company, as I mentioned before, in and out account. This money we receive, put in the bank, withdraw a check when we make a loan but the checks are charged against, check posted in the ledger as money due them. It's just accounts receivable, a ledger where an in and out item, I guess you saw where that balanced out.

Q (By Representative Carr) Now, why would you loan, for instance, the Surf Drive-in money?

A Well, we lend locations money for improvements or whatever they want to do around the place.

Q Do you do that with all of the businesses who have your machines on their premises?

A Most of them that needs it.

Q Is it always for improvements?

A It is supposed to be. I mean it's for whatever they need it for. We don't never question them. Most of the time let them have money like a bank, usually question them and find out what they are going to use it for. If we find out it is a reasonable excuse for it, why, we let them have it, otherwise we wouldn't. We don't lend everybody the money.

Q And the money you loan is credited to what account?

A It is charged to this accounts receivable as against the party. When the credits come in it is credited against that account until it's finally washed out.

Q And what book is that in?

A Loan ledger.

Q Loan ledger. Now, for instance here is a ticket dated February 21st, 1949, to the 44th Street Grill?

A Yes, sir.

Q There is a total there of \$93.00?

A Yes.

Q No balance shown but a credit of \$93.00 shown. Why would that be?

A Sometimes the girl forgets to put the balance on that. The boy

that collects, he knows they owe money, he just brings it in anyway.

Q All right, now what does stake, s-t-a-k-e, mean?

A Well, usually have to put money in the machine to start them off, in the tube, when they put a new machine in there or change the machine or something.

Q That is termed your stake?

A Stake, yes.

Q You eventually get that back out of what?

A That comes out of the first money that goes in the machine.

Q I see. Whatever you put in the machine?

A To fill up the tube.

Q Is that treated as their money?

A No, sir. It is our money. We put in there. We bring it back.

Q You have a standing policy then of loaning an amount of money that you consider safe to any business that allows you to keep the machines in there?

A Well, sometimes it's not safe. We lose quite a bit of it. We have to take a chance.

Q Now, is that part of the proposition you put to these men?

A No, sir.

Q If they will allow the machines you will advance so much money?

A We don't like to lend them the money but after they get in there a while then they figure they can take advantage of the situation, say how about lending me some money, and we just lend it to them to accommodate them and to help them out.

Q All right, now where do you get the money to put into this loan fund?

A We have a loan petty cash. I mean, out of the general ledger that is put in this loan account. I don't know whether you have run across that or not.

Q At what level do you try to keep this loan fund?

A Well, we try to keep it as low as we can. It all depends on how much they want and how much they need.

Q Do you charge these people any interest on the money that you loan?

A No, sir, there are several loans we make, that we don't make ourselves, let them go to the bank, try to break them, you know, break them out of the habit of borrowing from us. They pay interest on that but they don't pay no interest to us on that.

Q What is your security for the money that you loan these people?

A We take mortgages on the furniture or whatever they have around there.

Q Those are written mortgages?

A Yes, sir. Not all of them, just an open note, all depends on how well you know them, just like the bank, if they know you well enough you go in and borrow money and sign the note.

Q Is there any fixed amount of time that you loan this money to these people?

A No, sir.

Q It depends on the individual himself?

A That's right, every case is different.

Q Now, some of these sheets, for instance, here's one, the University of Texas Medical Branch Cafeteria, do you have machines in there?

A I imagine we have a phonograph in there, victrola.

Q Now, why do you keep a ---

A Wait, let me see, I can't remember, I would have to look up the records. Let me see the ticket. Well, it must be a victrola because it is a regular slip because they come in order. They make out a slip for every location whether they go out and rob it that week or not. Sometimes they don't take anything out of the machine.

Q But they keep regular weekly records?

A Yes, sir.

Q And they make a trip to each one of these businesses once a week?

A Once a week.

Q And who is it that makes these trips now?

A Mr. Fabj.

Q He is a partner in the partnership?

A Yes.

Q Now, Mr. Serio, these cards that were in the records that you brought. Will you explain what these cards are?

A That's the same information that comes from this right here. It's just posted here daily, I mean weekly.

Q You take the information off of these cards and put them on these larger cards?

A Yes, sir.

Q This gives you a yearly summary on each business?

A Yes, because they always want to know how much the machines do in a year and we give them a total. It gives an idea what each location is doing and how much we can lend them and so on and so forth.

Q Your books, this loan ledger show up to date how much you have loaned out to these different places?

A Yes, sir.

Q Now, I noticed on several of these cards there is no M or V but there is an S, is that the sake?

A No, that's slots.

Q Slots?

A Where they have slot machines.

Q Is that different from M?

A Slot machines is the one-armed machine.

Q And your others could be any sort of pay-off machines besides slots?

A Any other.

Q Now, polio, what does that mean?

A That's those slip numbers.

Q I see. Now, I don't recall the other day you said anything concerning the Dickinson Equipment Company. Is that the Salvato deal?

A That's that Salvato deal, he's got 25 per cent.

Q 25 per cent and Maceo & Company have 75 per cent?

A He has 25 per cent of all the property we have on the mainland.

Q Now, does he operate outside of the city of Dickinson?

A On the mainland.

Q On the mainland?

A Yes.

Q What town or cities does he serve?

A Well, everything in the county past the causeway.

Q And that equipment company, does it include slots and machines and victrolas?

A Yes, sir.

Q Anything else?

A I don't think, whatever equipment he operates, I don't know, it's slots and whatever he has got out there.

Q Is Mr. Salvato in charge of that?

A Yes, sir.

Q Including the servicing and making these slips?

A No, those come in from the office.

Q Beg pardon?

A We make up the slips in our office, our office.

Q What information does he give you?

A He sends those slips in to me every week.

Q He makes these slips out personally?

A We make them out and send to him.

Q He takes these slips around with him, does he?

A Yes.

Q And gets them signed?

A By the customers.

Q And fills in the blank?

A Yes, sir.

Q Now, the San Luis Corporation that we asked about before. I believe you testified at one time that that was incorporated for the purpose of building a hotel?

A We bought the corporation intact and the original incorporation of that was to build a hotel. That was long before our time.

Q I see.

A See, we have no idea of building a hotel or anything. I want to get that straight, don't want the news to get out we are going to build a hotel.

Q Well, as a matter of fact at the time you purchased that you had a meeting with the Moody interests, did you not?

A No, sir.

Q In which there was a rumored rift, Moody told you fellows he would get along with you as long as you stayed out of the hotel business?

A Well, all kinds of rumors around there but we don't pay no attention to it because we never even thought of building any hotel anywhere. I mean those rumors get out fast just like they do all over the state.

Q Were you approached by any of the Moody interests in that regard when you purchased this location?

A I wasn't approached. I don't know whether anybody else was approached. I don't think so, because we originally bought that to make a deal with them to swap land for the amusement park land that they

owned.

Q Who did you purchase the corporation from?

A Seinsheiner interests. S-e-i-n-s-h-e-i-n-e-r.

Q Now, who is that?

A Where was it, got an insurance company and ---

MR. DIBRELL: You are testifying. If Mr. Carr, if you will let me I think I can tell you.

A He was in the insurance business, few other businesses, I don't know what all he's in.

(By Representative Carr) Is he connected in any way with Maceo & Company?

A No, sir.

Q Is he a competitor of yours?

A No, sir.

Q He has other interests in Galveston?

A That's right, insurance and finance and few other things, I don't know what all he has got.

Q Now, this Moody interest, he has the hotels there, several hotels?

A He has several hotels.

Q And is there any connection between the Moody interests and the Maceo interests?

A None except we lease a piece of land and we do banking business with them.

Q With his banks there?

A Banks and insurance company. We've borrowed money from him.

Q Moody has this American, what is it, Insurance Company?

A American National.

Q American National. You carry your insurance with them?

A No, that is life insurance.

Q Life insurance. You carry with them?

A Well, I have a policy with them, yes.

Q Don't you carry some of the insurance on your properties there, Maceo & Company with that company?

A No, they don't have property insurance, I don't believe.

Q Well, haven't they loaned you some money?

A Yes.

Q For what purpose did that insurance company loan you money?

A Well, we have borrowed money for improvements, additions and things like that.

Q Any improvements on any of the gambling enterprises of Maceo & Company?

A Well, we buy real estate and properties, we make loans for that purpose.

Q But could you tell me what specific loans applied to any one, say, Balanese Room?

A No, I mean, no, I couldn't hardly split that, break that down. I mean, we've been borrowing money, when we originally bought the Crystal Palace Building. We've made other loans, buying property, back and forth.

Q Any book that you brought up here that would show that?

A I think the general ledger shows along with American Life.

Q All right, now I believe these daily collection cards show that the civic clubs, such as the Optimists Club and also the Veterans organizations of Galveston have these machines of yours on their premises?

A Well, they have special parties and picnics and things like that, that you might find a slip in between there scattered around. We furnish machines for one day or, something like that.

Q Don't they have permanent machines in there?

A In their own organizations they might have them.

Q Don't they pay you percentage of the take on those machines?

A Not on their own machines they don't pay us.

Q Do they own their own machines?

A Well, I imagine they do. I don't know. I know they have got machines.

Q Well, aren't they your machines?

A No, not all of them. We might have some in some places, I don't know exactly what places they are.

Q Well, the Optimists Club, for instance?

A Well, no, the Optimists Club must have been some special party there or convention or something, asked to have machines at the party.

Q American Legion?

A American Legion? I don't recall whether we have machines in there, their place or not.

Q And the Veterans of Foreign Wars, VFW?

A I don't know whether we have got anything or not, have we? We

We may have them in there, I can't say.

Q What records would reveal that?

A Well, it's in those records.

Q These cards?

A Yes. We may have, I mean, I can't, because a lot of places, I don't remember, you know, I can't remember all of them.

Q I believe you testified that Mr. Crabb owns the Turf Package Store?

A Yes, sir.

Q And that he is also manager of ---

A Beach Amusement.

Q Beach Amusement Park. Now, we notice that Maceo & Company keeps books for the Turf Package Store. Why is that?

A Because he wanted us to keep them for him.

Q What do you charge him to keep the books?

A We don't charge him anything, it's not enough to bother with, charge him rent for the place and that's all.

Q You don't charge him anything for keeping his books?

A No.

Q Are you acquainted with the law which requires you to keep separate books on liquor stores?

A No, sir.

Q You don't know whether that's the reason you are keeping this?

A No.

Q In other words, is this a legitimate ---

A Legitimate?

Q Separation or a book separation?

A It's a legitimate separation, man uses his own money.

Q Now, was it in 1946 and 1949 that you paid fines, court fines for, resulting from raids on your gambling establishments?

A I don't know. If you found them I guess you did, I don't remember.

Q Well, didn't you testify to that the other day about the years that that occurred?

A No, because I wouldn't recall. I couldn't tell you.

Q Have you ever made any political contribution to the Democratic State Executive Committee?

A We might have.

Q Do you recall?

A I can't remember off hand.

Q Have you ever made any political contribution to the State Republican Executive Committee?

A Well, I can't remember that, if I look at the books, if I find it in the books I can tell you whether I did or not. If there is a check issued we must have, I can't remember now.

Q What about your contributions to individual candidates in Galveston County?

A I don't remember making any.

Q Have you made any contribution to the Democratic National Executive Committee?

A I can't remember.

Q Who owns the billiard tables in the Balanese Room?

A The billiard tables?

Q Yes.

A Well, license taken out in the manager's name, if that's what you mean.

Q In the manager's name?

A Yes, sir.

Q Of the individual, wherever they are taken out in the manager's name?

A Yes, one man takes them out in his name at all places. I think that's the way they have been doing.

Q And they are carried as his property?

A Yes.

Q Do you require the manager to pay for the tables?

A No, sir.

Q You pay for them but they are kept in his name?

A We get the license in his name because we have to have a state license for those tables.

Q Is that the only purpose for keeping in his name?

A Yes, for the state license, federal license, federal license, got to have a federal license.

Q Are they handled on your books otherwise as property of Maceo & Company?

A I'm sure they are.

Q What about the roulette wheels?

A It's on, those are purchased but I don't know whether they are on the books or not. Like I say, that comes in COD and we pay cash for them.

Q How many roulette tables or wheels do you have?

A I don't know how many we have.

Q How many do you have in the Balanese Room?

A I don't recall but one, whether there's more than one or not, I don't know because I never go out there, very seldom I go out there.

Q Do you have at any of the other places around?

A We might have some at the other places.

Q Is there any record which would show this Committee the daily receipts, gross receipts from the Balanese Room, for instance, before any expenses or deductions such as roulette wheels and so forth, dice?

A Well, we get a slip every night from them showing what they take in net, less whatever bills they pay out, if they pay any out there.

Q Then it shows whether they bought a roulette wheel or not?

A Yes, I think it would. I have seen one, but been a long time since we bought one. I don't recall the last time.

Q Do you put on your books then, show anything about ---

A No, just take in that amount.

Q There is nothing on your books then that would actually show what was actually taken in as a, say last Saturday night in the Balanese Room?

A No, sir.

Q And there would be no way for anyone to check on whether or not the figures in the books are correct as to the actual amount taken in in any one club room on any particular night?

A No, you couldn't check that way.

Q Is there any book that you keep or anyone else keeps which would

show that?

A We keep a record each day and then transfer it off there once a month on a record that at the end of the season, why, it goes on the books. Every month we put money in the bank from the club room and I think you will find that money is deposited.

Q For instance, if last Saturday night Mr. Fertitta had pocketed \$5,000.00 before he wrote that slip out to you and you put in the books, be no way to show that, for us to find that, would there?

A Well, I don't think he would.

Q Well, I'm asking you, though, be no way to show it?

A Be pretty bad for us, too.

Q Be no way to prove it, though, would there?

A No, if he was to pocket it there wouldn't be, unless we caught him.

Q And likewise if that was the policy of the Maceo & Company to do that there would be no way to prove that was being done by Maceo & Company, checking on them from the record, would there?

A You could do what?

Q I might make that a little clearer, what I'm trying to discover myself, if there was such a conspiracy in Maceo & Company to avoid investigation, the records are not kept sufficiently that would allow any investigator of your books to determine whether or not all the money actually taken in on any one night was put on the books, be no way of checking there?

A I guess not.

Q Now, all the slot machines in Galveston are owned by what corporation?

A Partnership.

Q The partnership owns them, it owns the books as a partnership?

A Yes, sir.

Q Now, I believe that a note in the amount of \$30,000.00, \$25,000.00 of which was renewed on or about June 12th of last year, this note and loan made by the First National Bank of Galveston. Could you tell us what that loan was made for?

A No, unless it was for some improvements somewhere, needed money to carry on the business. We borrow money all the time to carry on the business.

Q Is there any one book, Mr. Serio, that would show what the loan was for?

A Wherever that, if you look at the ledger, shows we borrowed that money, stays in the bank, spent with the rest of the bills there, no particular purpose of getting it, except when we need money we borrow from the bank and pay it back.

Q Now, do you have any outstanding loans at this time from Galveston Banks?

A Yes, sir.

Q Is there any outstanding besides this loan that I have mentioned?

A I don't believe that, when was that loan made?

Q I don't know when it was made, it was renewed, \$25,000.00 balance renewed on or about June 12, 1950.

A I imagine that's probably been paid, that note.

Q Been paid?

A Yes. (Indicated by nodding his head)

Q Could you tell us what loans are outstanding at this time?

A We made a \$75,000.00 loan this year.

Q What bank, sir?

A Hutchins-Sealy.

Q Hutchins-Sealy?

A Yes.

Q What was that loan made for?

A Just for the general operation of the business.

Q The general operation of the business?

A Yes.

Q You mean with a four million dollar gross receipts last year you had to borrow \$75,000.00 to operate the business?

A Four million dollars, you think we kept all of it?

Q No.

A There's the man there, got the books, can tell you what we have to spend, got the payrolls and a lot of other things.

Q I don't think you are losing money, the reason I am pressing you on this, I am wondering ---

A No, we, but we borrow money from the banks all the time.

Q Is that strictly for operation?

A Yes, sir.

Q Is it for any particular entity of the partnership, such as the Balanese Room or Turf Club?

A No, it's just general.

Q When was that loan made of \$75,000.00?

A In the spring this year, I think. You have the books there. I can find the date, you see the date?

MR. CAVNESS: We don't have the list.

A I'll find it, take me a few minutes.

Q (By Representative Carr) Approximately?

A I don't know, maybe January, February, some time.

Q Who negotiated that loan, Mr. Serio?

A I did.

Q Do you have any outstanding loans with anyone else?

A We have some with insurance companies and other banks.

Q Are those other loans for operating purposes?

A Buying properties and stuff.

Q Now, without spending further time on that, do you have any interest in the Snack Bar in Kemah?

A Snack Bar?

Q Yes, sir.

A We have a snack bar up there, Chilli Bowl, if that's the same one. I don't know whether that's the one, may be some other place named Snack Bar, I don't know.

Q Do you have any interest in any other place named Snack Bar?

A I don't recall any Snack Bar. We don't have a Snack Bar. We have a snack bar in the Chilli Bowl, if that's what you mean.

Q What businesses do you have an interest in in Kemah?

A Just the Chilli Bowl and the Edgewater.

Q Edgewater?

A Yes, that's that place at the end of the road.

Q Have you mentioned that before?

A I don't know whether I have or not.

Q What kind of a place is that?

A It's another club.

Q Edgewater Club?

A Yes.

Q What percent interest do you have in that?

A We have, I think it's 52 and a half, 57, 62 and a half, something like that.

Q Who's in there with you on that?

A Joe Salvato.

Q Joe Salvato?

A Yes.

Q Does he own the remaining interest?

A He has the remaining interest and he has other people interested with him, I don't know, don't know exactly how he splits that.

Q Do you know any of the partners in that?

A Joe Dickson is one.

Q Who?

A Fellow by the name of Joe Dickson and I imagine Joe's brother is in there with him.

Q Joe Dickson, is he interested in any other businesses of Maceo & Company?

A No, sir.

Q Just that one?

A That's the only one he's interested in with us.

Q Now, are the machines in the Edgewater Club owned by the Dickinson Equipment Company?

A Yes, sir.

Q What does the Edgewater Club consist of, club room?

A That's all.

Q Is that all?

A Yes. (Indicated by nodding his head)

Q You have any roulette wheels there?

A Well, I don't know whether they have or not.

Q Any dice tables?

A Have some tables.

Q When did you get your interest in the Edgewater Club?

A When it was opened.

Q When was that?

A Oh, I don't remember the date.

Q Approximately?

A Oh, it might have been about a year ago.

Q About a year ago?

A Yes, sir.

Q And the interest has never changed since that time?

A No, sir.

Q Did you build the place?

A No, sir.

Q Who did you purchase your part from?

A We didn't buy any, we just rented the place from the people who built it.

Q You don't own the property?

A No.

Q Who owns the property?

A Those two fellows.

Q Dickson and Salvato?

A Yes.

Q And Dickson's brother?

A I don't know whether, just who has an interest in the building. I know those two are in there, whether anybody else in there or not I can't tell you because I don't know.

Q Did they operate it before you came in?

A No.

Q They came in with their interest at the same time you came in?

A Yes, sir.

Q Is the Edgewater Club carried on your books?

A No, sir, just a club room out there.

Q Just as a club room?

A That's right. I was looking at the wrong side. I was looking at the expense side, I should have been looking at the receipts side.

Q I don't know whether we went into this before or not, talking about the Chilli Bowl. When did you get your interest in that?

A Built it.

Q When was that?

A Oh, sometime last summer.

Q Do you own the real estate?

A Yes, sir, part of it.

Q Who owns the rest of it?

A Joe Salvato.

Q Joe Salvato?

A Yes, sir.

Q He owns the other portion of the real estate?

A 25 per cent. I think he and his partner, Joe Dickson, but Joe Salvato, his share, I don't know, something they got between them.

Q Now, the Edgewater Club is located in Kemah?

A Yes.

Q Now, is there any other organization or club or business enterprise you have in Kemah?

A No, sir.

Q Do you have an interest in the Roundup Club at Dickinson?

A Yes, we have an interest in that.

Q What is your interest there?

A We own the building.

Q You own the building?

A Yes.

Q Do you operate the Club?

A No, we rent it out.

Q Rent it out?

A Rent out the cafe and the club.

Q Is that on percentage?

A On percentage basis.

Q What is your percentage?

A I don't recall what the per cent is on that.

Q Who is in that interest with you?

A Well, Joe Salvato has got 25 per cent. Everything we got up there he has 25 per cent.

Q And of course the machines there are owned by the Dickinson Equipment Company?

A Yes.

Q And you own the building?

A Yes. (Indicated by nodding his head)

Q Who owns the property?

A Well, that's all of it together.

Q You own the whole thing?

A Yes, that is, 75 per cent of it.

Q And Salvato runs the place?

A No.

Q Who is the manager of that?

A I don't know the people running it.

Q How long have you had the Roundup Club?

A Oh, I guess about six or eight months, I don't know exact.

Q Six or eight months?

A Something like that.

Q And you have a club room and serve liquor by the drink there from the bar?

A Well, I imagine they have, I don't know what kind of a set-up is there, I never been there.

Q Now, what other interests do you have in Dickinson?

A I think that's the only one I got besides the Silver Moon.

Q Just this and the Silver Moon?

A I believe that's all, I'm not positive, I don't recall any other.

Q Is Joe Salvato kin or related to the Maceo's?

A No, sir.

Q Has he been a long-time resident on the mainland?

A Yes, all his life.

Q When did you first become partners with Salvato?

A Oh, he went to work for us, oh, about 15 or 18 years ago, maybe before I came there and later, oh, why, they just sold him a little interest in there and he has held it ever since.

Q You recall what he started out doing?

A No, I don't. Well, he worked for us when I met him.

Q Different jobs?

A Handling the mainland for us.

Q And since that time he has become a partner in the business over on the mainland?

A Just over on the mainland.

Q Now, do you have any interest in the Cipango Club, something to that effect?

A Where is that?

Q Shows an entry on your books to Cipango Club, you ever heard of

that?

A No.

Q You wouldn't know why your books would carry the Cipango Club?

A Cipango -- I never heard of it, I don't know.

Q Now, the Kemah Amusement Company. Do you have an interest in the Kemah Amusement Company?

A No, I think that is the company that this Joe Dickson and Joe Salvato are in together.

Q Then they do not call that the Dickinson Equipment Company?

A No, it's, that's the name of their company that they operate together, some way, I don't know exactly how that is set up, but that's the name of that, Kemah Amusement Company.

Q That is separate from the Dickinson Equipment Company?

A Oh, yes, it's separate.

Q Does the Kemah Amusement Company own any machines?

A No, sir, I don't think they do, not supposed to. They use our machines, that's the reason why I say they don't, I don't think they own any.

Q Now, does the Kemah Amusement Company partnership with you in any other business on the mainland or otherwise?

A I don't know, whatever we have got in there, I don't recall except at Kemah, that's the only place. That's all we have in there. We are not in partners with them. We are in partners with Joe Salvato and he in turn is partners with these other people.

Q I see. That would explain why the Chilli Bowl is paying a commission to Kemah Amusement Company?

A Yes, because they own 25 per cent of that building and they have a percentage of that place and that is the reason why we pay the Kemah Amusement Company.

Q If you were dealing strictly with Joe Dickson and Joe Salvato, would your books show any entry to the Kemah Amusement Company?

A Well, it's made out to the company and I imagine it is a partnership or something and then they carry their own books.

Q You don't recognize, however, that you are in partnership with the Kemah Amusement Company?

A No.

Q Even though you make payments to the Kemah Amusement Company?

A I only make it because he asked me to make the checks out to that so they can keep their records straight.

Q Now, on this rather elusive way which you have of keeping books on your income from bets and gambling, do you have any books that would show the amount of money bet with the, say the Balanese Room at any one night?

A No, sir, wouldn't know.

Q Would you know of your own knowledge whether on your books or not what was bet with the Balanese Room or bet on the horses on Kentucky Derby Day?

A No, I wouldn't know, unless somebody said, well, he handled so much business today or something like that. Then wouldn't know because you just don't remember those things.

Q Would you have any idea how much your betting business on the horses would fluctuate above the normal on such a day as the

Kentucky Derby Day?

A No, sir, I wouldn't.

Q I'm wondering could you bring on June 25th when you appear again a list of the duties of each partner in the business? I don't know whether we requested that before or not, but the 17 partners that you have of Maceo & Company, would you please bring us a list? Just a minute I'll make that a little more complete here. Now, here, I think this will do it, make us a list, please, showing each separate business or department of Maceo & Company partnership, showing the managers, the employees, including the bouncers.

A For your information, we don't have any.

Q Don't have any bouncers?

A No, sir.

Q All right, sir, just all employees then.

A Yes, sir.

Q Showing them and their jobs and salaries. For instance, you might set up, here's what we thought you might set up, a sheet showing the name of the employee, description of his duties, what his salary is and paid by, who pays the salary. You think you can do that by the 25th of June?

A Oh, I guess we could.

Q You have that all right, Mr. Dibrell?

MR. DIBRELL: That will be enough to remind you of the partnership, name, employee's name, duty, description, salary and paid by.

REPRESENTATIVE CARR: Paid by what account.

A Yes.

Q (By Representative Carr) Now, would you please bring us a list -- now, you are required by law, as I understand it, to keep this -- bring us your list showing the serial numbers and description of all slot machines and other gaming devices and quipment?

REPRESENTATIVE HOUSTON: And locations.

REPRESENTATIVE CARR: Waiting for him to catch up.

MR. DIBRELL: Serial number, description and location.

REPRESENTATIVE CARR: Of all slot machines and other gaming devices for Maceo & Company and all other concerns in which interested, which have an interest. For instance ---

MR. DIBRELL: What do you mean, Maceo & Company owns a hundred per cent or whether somebody else?

REPRESENTATIVE CARR: That's right. You are supposed to already have that.

Q (By Representative Carr) Now, would you bring us a list -- now, this may cover something we have already requested -- list and map showing all real estate and buildings of any nature owned by Maceo & Company or any of the departments and what name or corporation in which the property is held with the following statistics: Parcel and number, that would be description, what is on that lot.

MR. DIBRELL: Call that L and B, lot and block.

Physical description, that's what you mean?

REPRESENTATIVE CARR: Well, I suppose that's it.

MR. DIBRELL: That's the second thing, physical description

(Off-record discussion)

REPRESENTATIVE HOUSTON: Did you ever ask who owned the Rio Grande Club in Galveston?

MR. STONE: That's the one we were trying to think of.

Q (By Representative Carr) Do you own an interest in it?

Q (By Representative Houston) That's not your place, is it?

A No, sir.

Q Some Mexican run that?

A I think it's Jessie Lopez, I'm not sure.

Q He's got a pretty big, pretty nice place there?

A Well, I have never been in it, I don't know.

REPRESENTATIVE CARR: Members of the Committee have any questions? Mr. Cavness, I believe you have some questions the Committee would like you to ask him now in order to help you with the investigation of the books, that's my understanding of it.

MR. CAVNESS: Mr. Carr, the things that were mentioned this morning, since then we have found in the records, in the books, we have found the answers to most of it already in the books. And this, I simply hadn't had time, didn't get to it when I was talking to Mr. Serio and Mr. Cox, just this one question I believe is all I have, certainly at this time, and that is that in, in the disbursements from the Chilli Bowl account we have run across six or seven items where there were payments made to, apparently to a motor company, which looks like might be the purchase of an automobile and in the books here it is charged to advertising.

A Yes, we have been buying automobiles about once a month and just raffle it off free just try to stimulate a little business by advertising. However, we stopped that, this is the last one now, cost too much.

Q (By Mr. Cavness) You can understand why we would wonder about an automobile not being set up as automotive equipment?

A It's an advertising scheme over there that we just go out and call people and give tickets and they never pay nothing for them. I mean, just have a drawing once a month.

Q There are seven items like that.

A Well, I don't know how many.

Q That we had noticed as we went through here.

A Something like that.

Q (By Representative Carr) One I overlooked, Mr. Serio, this oil business that you testified to the other day that has the offices in there in the Turf Building?

A Yes, sir.

Q Did you tell us at that time who the partnerships in the oil business were?

A It is a corporation.

Q A corporation?

A Yes. (Indicated by nodding his head)

Q Who the directors are?

A Well, Rose Maceo and Sam Maceo Estate and myself, a fellow by the name of Henry Poretto, and Johnnie and George Mitchel, and Frank Maceo. I think that's all of them.

Q Do the Messrs. Mitchel and Poretto have any interest in Maceo & Company?

A No, sir.

Q Are they in any other business besides the oil business?

A Well, the Mitchel boys are geologists in Houston and I don't know what they do. I mean, they, I guess they check fields or something, I don't know. I mean they don't have no interest with us except that they advise us on our fields and things like that.

Q Nor, Mr. Poretto?

A He manages the oil business for us.

Q He is their manager?

A For the oil company.

Q For the oil company?

A Yes, sir.

Q When was this oil company organized?

A Just recently.

Q This year?

A Just a few days ago. Well, it's been running for, more or less like an individual, you might say, but we incorporated that just a few days ago.

Q How long have you been together on this individual basis?

A No, we just started that.

Q It didn't operate any at all before it was incorporated?

A Well, it operated but I mean it was just in the forming stage, you might say, see. Now, see what we might do so we incorporated

to operate that way.

Q Now, are each one of you who are directors putting into the business your leases, royalties, ownerships?

A Oh, no, no.

Q Do you have any holdings at this time?

A Individually, yes, not the corporation. The corporation doesn't have no holdings or leases.

Q Corporation designed for the drilling of the wells?

A Just the operation of it, that's all.

Q Have you drilled any wells up to this time?

A Well, we have, I mean we haven't drilled it, I mean it's contracted out to be drilled.

Q Contracted to be drilled?

A Yes. We don't drill them.

Q On your property individually?

A Well, on land we lease.

Q On land you have leased individually?

A Yes.

Q What is the capital stock of this corporation?

A I think it's \$5,000.00.

Q And who is the president?

A Rose Maceo.

Q Rose Maceo?

A Yes.

Q Now, do you, the same men who are in this oil corporation, have any other outlets for, together in other types of businesses,

where you are partners or directors besides Maceo & Company?

A I didn't get that.

Q What I'm trying to get is on the, are there any other outlets for this money that you are making from Maceo & Company where you are putting this money that you are making, besides the oil company, corporation, are you together as partners?

A No.

Q Or directors in any other type of business outside of the oil company or Maceo?

A I don't believe so, I don't think we do.

MR. DIBRELL: Don't want to break in but you don't want him to just innocently make a mistake, do you?

REPRESENTATIVE CARR: Oh, no.

MR. DIBRELL: You're not talking about the various other corporations been testified about? You mean ---

REPRESENTATIVE CARR: No.

MR. DIBRELL: You mean other types?

REPRESENTATIVE CARR: Yes.

A I don't know of any other.

Q (By Representative Carr) Are you a partner or a fellow director with Sam Maceo, Rose Maceo -- excuse me -- in any other type of business other than the oil corporation or Maceo & Company and their corporations?

A I don't think so, I don't recall being in any other business.

Q Well, you would know? In other words, I would like to know

whether or not you are teamed with him, any of the Maceo's or Mr. Fertitta or any of the other partnerships in Maceo & Company in any other type of business?

A No, sir, I don't recall any right now, don't remember any of them. Don't have any other business. I don't know of any other business that I could possibly be in with them.

Q What other types of business are you in individually?

A I am in with what they got there, that's all I know.

Q You don't have any interest in any other type of business?

A No, sir.

Q Or property?

A I might have real estate of my own, my home.

Q I'm talking about income revenue producing real estate.

A No, sir.

Q You don't have any other revenue holding, producing holding?

A Oil is the only revenue holding I have.

Q Oil?

A Just the oil.

Q (By Representative Houston) Did the Fertitta boys ever own the

Q Club over in Beaumont?

A Well, yes, they owned that years ago.

Q They own it now?

A No.

Q That Q Club, they got one by the same name in Galveston?

A Yes.

Q You said they weren't interested in that?

A No. (Indicated by shaking his head)

Q (By Representative Carr) Now, would you bring on the 25th the income tax return of the individuals in Maceo & Company, the partnership, the individual income tax return on the 17 men in Maceo & Company?

A I think we brought some returns.

MR. CAVNESS: In the records that came this morning.

A All the partners don't have returns, I mean, they had individual returns and don't even know whether they've got them at home. They just came in the partnership.

MR. CAVNESS: I'm sure the ones seen in the file down there this morning are the ones that are kept in your files?

A Yes, that's the ones I kept in my files. I mean, I don't have the others.

MR. DIBRELL: I forgot to ask, should have mentioned it Saturday, Victor Fertitta told me in the witness room that he was afraid, as a matter of fact he was quite certain he had lost his retained copy of his 1947 and 1948 personal return, in moving to a new house and I told him that I would make that fact known to you and I forgot to do it.

Of course, we can write to the Collector and get a copy.

A People just come in, I mean I don't have a record of their return, I don't know whether they got them.

MR. DIBRELL: Most of them just little short form returns on salary workers.

A That's right.

Q (By Representative Carr) Do you have the income tax returns on those of the old members of the partnership here?

A Yes, we have those. Well, I think we have those they requested, I don't know, they just took it off that list. I told them to go over that list.

Q Now, did you bring us the income tax return on the individual corporations?

A Yes.

REPRESENTATIVE MURPHY: Mr. Chairman, I don't know, I don't care if the witness wants to bring them, it's all right, but I think there are certain boundaries within which we have to stay. I don't know whether this would be required of other types of people or not. If he wants to bring them, it's perfectly all right.

REPRESENTATIVE CARR: That's what I'm asking you.

A These people were just individuals before, I mean the partnership you are asking for?

Q (By Representative Carr) You are perfectly right, I was asking you if you would do that. We would appreciate it. Maybe we already have them.

A Well, you don't have any of those because you didn't ask for them.

Q No, I don't mean the new ones.

A The old ones are all here, I mean whichever ones you asked for,

they're here. I don't know ---

MR. STONE: Subpoenaed here.

Q (By Chairman Meridith) I would like to ask this question. I was absent, you may have already covered it. I believe your testimony has been to the effect that as of October 1, 1950, the partnership moved from eight to 17?

A Yes. (Indicated by nodding his head)

Q Now, from whose interest or shares did those new nine partners purchase their interest?

A Well, the corporation will show the original, you remember the corporation shares, the partners in the corporation, percentage in that. I mean, you have it down here, that was the original partnership.

Q I see.

A And the new partners got what the others had.

Q They are nothing but partnership?

A Just in the partnership, nothing in the corporation.

Q Now, you mean the old partners had the same interest in the partnership?

A As they had in the corporation.

Q As they had in the corporation?

A Yes.

Q Well, now, just as you recall it, whose interests got smaller by reason of the purchases by the new partners of an interest in the business?

A Well, Rose sold five per cent and Sam sold five per cent, Frank

sold seven and a half, Vic C. sold five per cent, Adams sold 10 per cent, and Voigt sold five per cent. I think that's the way it was. I mean, their percentage from the old to the new, you can see the difference there.

Q On your explanation then I see ---

A Yes, you understand?

Q The original partnership interest is the same as your present corporation?

A Corporation interest, and the new partners took over what the old partners don't have.

Q (By Representative Carr) Mr. Serio, in October when this change was made and all these partners were added, what was the motivating force behind that?

A Well, they had been promising these boys that they would cut them in on the business some day and that's been general talk with them for a long time, in the family and they figured, well, the boys should be entitled to something and so they finally came to a point this past October to let them go ahead and buy an interest in it. They have all been key men and operated key jobs. Promised them that and that is the reason why they came in.

REPRESENTATIVE CARR: Any other questions? General Daniel, you have any questions you would like to ask here?

EXAMINATION

BY MR. GRESHAM:

Q I believe you stated that the Chilli Bowl started operating last summer, that you came into the ownership of your partnership last

summer?

A Well, we built that, whenever it is, we built it.

Q You built that building there?

A Yes, sir.

Q Was there another operation there at Kemah known as the Chilli Bowl?

A No, sir.

Q Was there another operation of any kind at Kemah where book-making was carried on by a fellow by the name of Jones?

A Not that I know of.

Q You ever hear of that?

A I never heard of that.

MR. GRESHAM: I believe that's all.

A I don't think there was, I don't know.

Q (By Representative Houston) Where did you find that Cipango Club entry, Mr. Cavness?

MR. CAVNESS: It must have been somebody else found it.

Q Somebody else?

A I never heard of it.

REPRESENTATIVE HOUSTON: There is a private Cipango Club up in Dallas, I just want to take care of my people up there. I want to see, know whether anybody is cutting in on that.

A I don't know.

EXAMINATION

BY REPRESENTATIVE CARR:

Q Mr. Serio, let's go through this rather rapidly, I told you to bring it in but there are a few questions might want to ask in addition. Mr. Anthony Fertitta, what are his duties?

A Well, you might say he works at the Balanese and ---

Q Is he manager of the Balanese?

A Well, sort of a manager around there, maybe goodwill man, I don't know what ---

Q Goodwill man?

A I don't know what you call it.

Q (By Representative Houston) He's the man who meets the public, the public knows Anthony instead of Vic?

A That's right.

Q (By Representative Meridith) He 'kinda' take Sam Maceo's place?

A Yes.

Q Didn't Sam 'kinda' look after the goodwill relations at the Balanese during his lifetime?

A Yes. Anthony has been doing that for the past few years and more or less taking it off of Sam's back. I mean he has taken over, I mean he has been doing that kind of work a number of years since he got out of the Navy.

Q (By Representative Carr) Is he primarily concerned with the Balanese Room?

A Well, I mean, a man owns an interest in everthing, he's liable to be anywhere any time. Any of us can be anywhere at any time. I mean, that's his duties primarily.

Q In the Balanese?

A Yes, sir.

Q Now, where does Vic Fertitta?

A He's at the Balanese, manager of the club room there.

Q Now, is Anthony sort of a general manager over all of them?

A No, he's just, just greets people as they come in the Balanese there, in the dining room. I mean he doesn't ---

Q Vic and Anthony overlap in their duties more or less, Anthony does more of the greeting and goodwill man?

A That's right.

Q While Vic attends to the business angle of it?

A That's right.

Q Now, Frank Fertitta?

A Well, he's one of the bookkeepers, he's in the office with me.

Q In the office with you?

A Yes.

Q Is he sort of an assistant bookkeeper?

A Sort of an assistant to me, helps me out. Just an assistant in the office there.

Q He has no connection with any one of the club rooms?

A No, sir. But all of these people, you know they have a right to go anywhere they want any time they want to.

Q Now, Vincent A. Maceo?

A He manages the Chilli Bowl.

Q Is he the goodwill man as well as the business manager?

A Well ---

Q There?

A Well, he's manager, I mean he don't do no -- meets the people when the people come in, I imagine, some part of the goodwill, too, I mean the manager is out on the floor all the time.

Q Vic Maceo?

A Which one is that?

Q Vic A.

A He is manager of the horses at the Turf.

Q (By Mr. Gresham) Manager of what?

A Horses.

Q (By Representative Carr) Is that all?

A Yes, well, that's his primary duty.

Q Besides the general duties as a partner?

A Yes.

Q Vic C. Maceo?

A He looks after the properties and stuff, you know, he doesn't, you know, need repairs here, there, on real estate; just put him in the real estate department, manager of the real estate department, something, I don't know, not anything in particular.

Q Improvements and the real estate?

A Yes, he looks after the repairs, if need any cleaning up or straightening out, stuff like that. I mean, it's nothing in particular.

Q Frank Maceo?

A Well, he's more or less retired now. I don't know you'd say retired, I mean he's -- might put him manager of the Turf Grill

because he hangs around there all the time. He doesn't do too much now, he's getting 'kinda' old.

Q Who helps him at the Grill, any other partner?

A No, sir, we have a regular manager who runs that but I mean he's around in the Grill all the time, no particular duties, just comes around and sits around but he's in the Grill all the time, that's the reason I mentioned it.

Q Now, Rose Maceo?

A Rose hasn't done nothing in quite a while, he's just the, I don't know what you would say.

Q He doesn't have any specific duties?

A No.

Q He's just over all, more or less?

A Just over all, that's all.

Q (By Chairman Meridith) Right in that connection there, tell us a little about his physical condition, I never did read the medical affidavits.

A Well, he's in pretty bad shape. He has had several strokes. He has lost an eye and his legs ---

Q As a result of one of the strokes?

A Yes.

Q How often does he, does he come to town?

A He comes down a little while and he leaves and the only relief he gets is getting out on the boat once in a while or riding on the beach, riding in the sun. He can't stay still long enough.

Q Is he confined to the bed?

A What's that?

Q Is he confined to the bed part of each day?

A Well, he won't go to bed; if he does he knows he won't get up again. But he walks around with a cane, but he's sitting on a powder keg if you want to know it, his blood is so high that any day he's liable to pop right off.

Q Is he that bad off?

A He doesn't know it but that's the shape he's in.

Q (By Representative Carr) What is his age?

A Sixty, I don't know, sixty-five, sixty-three.

Q (By Chairman Meridith) Rose older than Sam?

A Yes, he's older than Sam.

Q I have heard it said several times that Rose was 'kinda' the brains behind the company and Sam was more or less the goodwill, contact, civic contact and public relations.

A Rose is a much more conservative man than Sam.

Q (By Representative Carr) Now, Sam Maceo Estate, any members of that estate have any particular duties?

A No, sir.

Q Sam T. Maceo, is that different or is that Sam?

A No, that's another one.

Q Is that another one, what are his duties?

A He is manager of the Streamline Club.

Q Now, that's the club house?

A Yes.

Q Not the front part of it?

A Well, it's just one room out there, you know, that's all.

Q But there is a ---

A A building in front. No, not that building, we don't have anything to do with that building.

Q And he is manager of the Streamline Club?

A Yes, sir.

Q And you are the general bookkeeper?

A Auditor, whatever you want to call it.

Q A. J. Adams?

A Well, he's like Frank, he's more or less retired. That's the reason why they got all the young fellows in there, these fellows been in there a long time and they're getting old.

(Off-record remark by Mr. Dibrell)

Q (By Representative Carr) But he is more or less retired?

A He is like Frank.

Q He has no particular duties in any particular place?

A No.

Q O. E. Voigt?

A Same thing. That's some of the original partners. I mean that's the reason why they had to get these young fellows in there.

Q Now, how old is Voigt?

A I guess he's about, between 60 and 65, that's close enough, I don't know. They are all about that.

Q Lorenza Grielllette?

A He's manager of the Silver Moon.

Q Any other duties?

A Just the general, no other duties except ---

Q And Joe T. Maceo?

A He's in the office with me, Frank and Joe, both work with me all the time. Office assistants.

Q He has no duties of any particular---

A No.

Q John Arena?

A He's manager of the Equipment department.

Q Now, that doesn't include the Dickinson Equipment Company or these others that I have asked you about on the mainland?

A No.

Q He's manager of the equipment department of the partnership on the island?

A Yes.

Q Is he the one that goes around and makesthese collections from the machines?

A No, Fabj is the collector.

Q Is that R. S.?

A R. J., I think.

Q It's not T-r-a-b-j?

A No, F-a-b-j.

Q Spell that again.

A F-a-b-j.

Q F-a-b-j?

A I think F-a-b-j.

Q R. S. or what did you say? R. J.?

MR. DIBRELL: R. J.

A I don't remember.

Q (By Representative Carr) Now, his duties are what?

A Collector.

Q On the machines?

A Yes, sir.

Q Equipment, on the island?

A That's right.

Q He doesn't get off the island?

A That's right.

REPRESENTATIVE CARR: Any other questions by anyone?

EXAMINATION

BY CHAIRMAN MERIDITH:

Q Mr. Serio, how many of the individual income taxes do you prepare for the partners?

A Well, we just, the original and eight.

Q The original and eight?

A And after this year I guess be the whole 17.

Q Now, I would like to ask you one question with respect to all of those eight individual income tax returns that you do prepare. Do they show any income from any source outside of the State of Texas for either of those individuals?

A I don't believe they do.

Q No income?

A I don't recall any of them.

Q Out of stocks or bonds or any other source?

A Well, I don't know.

Q That comes from outside the state of Texas?

A Let's see, I don't know of any income. I think Rose has got a little stock there, just a few dollars in oil stock somewhere, I mean, it don't amount to anything, and Sam, I think must have had a little.

Q No other source of income?

A No other source.

Q Other than in Texas?

A No, it's everything from Texas, yes. In fact I don't think they have any income other than just the oil royalties in Texas, I don't know of any, do you?

MR. DIBRELL: Maybe I haven't any business to get in this but ---

A I don't know of any.

MR. DIBRELL: For instance, we found in Sam's box, I think four or five hundred shares of stock, maybe some minor holdings in corporations that may be on the big board in the Stock Exchange, and things like that.

Q (By Chairman Meridith) Your answer would be it's not very consequential?

A No, that's right.

REPRESENTATIVE CARR: Any other questions?

ATTORNEY GENERAL DANIEL: I'd like to ask one question.

REPRESENTATIVE CARR: Go right ahead.

EXAMINATIONBY ATTORNEY GENERAL DANIEL:

Q You know of anyone else inside the state of Texas getting roce horse gambling information by telephone or other means?

A I do not.

Q Have you ever in the last couple of years had to get the information from another source other than from Louisiana?

A I don't know of any other.

Q Who would know if that happened in your organization?

A Well, I don't know, the man that gets the service might know, if we got it from any place else.

Q Who would you guess would be the most familiar with the question if we wanted to ask somebody else?

A It would, one of the boys that's handling that service, they might could tell me, I could find out for you.

Q We have the names of the two men handling the service, I believe you gave them the other day?

A Yes. Unless the lines or something are down, maybe got it from some other place besides Louisiana, I don't know.

Q (By Chairman Meridith) You know this man, Louis Ferrantello?

A No, sir, never heard of him.

Q Subpoenaed as a witness before this Committee?

A No, sir.

Q You know a man by the name of Duck Mallard?

A Who?

Q Duck Mallard, Marlin, Texas.

A Never heard of him. First time I have heard that name, Ferrantello, whatever it is.

Q Duck evidently comes from the Mallard part of it.

REPRESENTATIVE CARR: Any further questions?

CHAIRMAN MERIDITH: If that's all the witnesses and you want to catch an airplane at five o'clock ---

MR. DIBRELL: We can't do it.

CHAIRMAN MERIDITH: Maybe something else Mr. Serio might like to volunteer.

(Off-record discussion)

REPRESENTATIVE CARR: Well, I presume -- you can take over.

CHAIRMAN MERIDITH: No, go ahead.

MR. DIBRELL: One thing, excuse me, go ahead.

REPRESENTATIVE CARR: No, that will come later, go ahead, Mr. Dibrell.

MR. DIBRELL: I understand there might be a possibility there are some of the records other than those that were left loaded on the truck and now that you might be sufficiently through they can be loaded on and go back, if that is so we would like to know what they are.

MR. SERIO: They are waiting out there.

CHAIRMAN MERIDITH: I think we can give you a decision on that within a few minutes.

Now, you understand, Mr. Serio, you will be excused under your indictment until ---

MR. SERIO: What's that?

CHAIRMAN MERIDITH: Did I say indictment?

MR. SERIO: The way you prosecuted I think I was indicted.

CHAIRMAN MERIDITH: Under your subpoena until June 25th.

REPRESENTATIVE CARR: You understand what he was trying to tell you there?

CHAIRMAN MERIDITH: In other words, you are not discharged, just excused.

MR. STONE: Until 9:00 O'clock A. M. on June 25th.

(Off-record discussion)

CHAIRMAN MERIDITH: We'll recess until 10:00 O'clock in the morning.

WHEREUPON IT BEING 4:50 O'CLOCK P. M. THE HEARING WAS RECESSED TO
10:00 O'CLOCK A. M., JUNE 5, 1951

(R)

STATE OF TEXAS
COUNTY OF TRAVIS

I, Agnes E. Miller, Reporter, State Board of Control, hereby certify that the foregoing 349 pages constitute a true transcription of my stenotype notes taken of the testimony of the witness, Sam Serio (given on June 1, 2 and 4, 1951) and the testimony of the State Auditor, C. H. Cavness (given on June 4, 1951) in the Closed Hearing of the House Special Crime Investigating Committee held in Austin, Texas on June 1, 2, 4 and 5, 1951.

Witness my hand on this the 24th day of June, 1951.

