

May 15, 1974 Hearing

- A A. Kapleau - April 4, 1973 Transcript
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- C C. Florida Connection - Extra copies
- D D. Gambino Memorandum
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(official company policy in Bell Tel. Co file)

April 4, 1973 Hearing  
Harry E. Kapleau

Page 165

Connected with Kluger - consulting and dairy accounting. Kapleau and Kluger was a partnership.

Page 166

Central Dairy Products - corporation - milk brokerage business.  
Sold milk to Cumberland Farms - same for Dairymen's League.

Page 166

Kapleau and Kluger dissolved 10 to 12 years ago.

Page 167

Central Dairy - changed corporate name after Kapleau partnership dissolved and Kapleau out of Central Dairy Products, Inc. Changed name to Central Enterprises.

Page 167

Kapleau Milk Products - says another corporation we owned.

Page 168

Capital Milk Products - corporation. Kapleau operated while engaged in dairy products brokerage. Has been dissolved somewhere between 1968 to 1970. Was sole owner of Capital.

Page 169

Owns EWK, Inc. Inactive for several years - not dissolved. Delaware corporation - milk brokerage corporation.

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Page 170

Capital Milk Products did sell or broker milk. Among customers was a firm called Maggio Company.

Regarding relationship with Peter Maggio - sold milk to Maggio Company 8 to 10 years ago. No association with them. They are licensees, they have milk dealers licenses under the Board and that's the only extent that I have any kind of association.

Page 171

Kapleau said he knew reputation of Peter Maggio to be tied in with some of the Mafia people.

Was aware of reputation of Maggio people, according to newspaper stories, when he was doing business with them.

Page 173

Maggio cited. We assessed a penalty. Saw him at dairy show in Atlantic City.

Pages 173 and 174

Admitted telephone calls with Maggio re complaining about some of the regulations, feeling they should be changed and in connection with the citation that was drawn against him, and, incidentally, paid a penalty.

Page 174

Knew Angelo Bruno related to Maggio.

Page 175

Believes he met Bruno at their plant (Maggio's) 15 to 18 years ago.

April 4, 1973

Harry E. Kapleau ( p 165-193 )  
Recalled

Taking the stand again, Kapleau was questioned concerning the milk brokerage business and other businesses in which he was engaged before being appointed to the Milk Marketing Board in 1972. Kapleau stated that one of his customers was Peter Maggio-whom he understood to be the brother-in-law of Angelo Bruno, the reputed Cosa Nostra boss in Philadelphia. Kapleau admitted meeting Angelo Bruno in a Maggio plant several years ago, but denied that he or a member of his family ever held stock in any of the Maggio dairy enterprises.

Committee Counsel Downey Rice read a section of the Pennsylvania Crime Commission's 1970 report on organized crime which identifies Maggio as a leader of the Angelo Bruno family in Philadelphia and also as the operator of Michael's Dairies, one of the Philadelphia's largest dairies.

Kapleau testified that he has seen Peter Maggio on two different occasions since being named Chairman of the Milk Marketing Board and that he received a call early this year from Maggio in which Maggio asked for an extension of time to pay a \$3,000 fine levied by the Board against his dairy for granting illegal discounts and giving rebates. Kapleau also stated that he had at least one prior telephone conversation with Maggio in which the milk dealer complained about Board regulations; however, Kapleau said the conversations were part of his official duties between the Board and a dealer and there was absolutely no connection between the Kapleau-Maggio conversations and the wiretapping.

The hearing was adjourned at 5:19 pm.



Kapleau File - 7  
April 10, 1973

4-9-73

In the current interview, Kluger conceded that he had innumerable meetings with the Maggios and probably knew more about their business than they do. He had been called upon by the Internal Revenue Service several times for testimony about their business.

He had heard of Salvatore Marino, but felt that he had no participation in the Maggio business. He had met Angelo Bruno on several occasions and, in fact, particularly recalled Kapleau being in Bruno's company at a New Year's Eve party a number of years ago when Kapleau and Kluger and their wives were guests of the Maggios. Angelo Bruno was also a guest at the party.

After the dissolution of the partnership around 1961, Kluger said he did not see much of Kapleau for 4-5 years and professed not to know much about what he was doing. ( This despite the fact that he was present at the 1965 hearing when Kapleau testified about Capitol Dairy Products. )

After Kapleau was appointed Chairman of the Milk Marketing Board by Governor Shapp, Kluger had been in touch with Kapleau to advance the cause of the Maggios, who, in Kluger's opinion, had been hit with too hard a fine by the Milk Marketing Board for some violations.

Kluger pointed out that all of the milk dealers were guilty and that the largest and most active, Abbott, had been assessed a fine of \$5,000. Abbott did about ten times as much business as Milk Maid, the Maggio company, but Milk Maid was assessed a fine of \$3,000. Ergo, Kluger argued that the penalty for Milk Maid was too severe. He was certain that Peter Maggio had also telephoned and talked to Kapleau to try to get him to reduce that fine. It did not appear that anyone had paid any of the fines and that the matter is still pending.

Possibly the most important development in the interview was that Kluger divulged that Kapleau had appointed him Chairman of a committee to review accounting procedures for milk operators, termed a "Uniform System of Accounts Committee." This despite Kluger's concession that he had been closely affiliated with the Maggio brothers for some twenty years, continued to serve, and knew that they had been identified as members of the Cosa Nostra family of Angelo Bruno.

MEMORANDUM

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James R. Malley  
April 24, 1973

File: KAPLEAU

On April 19, 1973, when KLUGER was interviewed in his office in Philadelphia, he was questioned concerning his knowledge of any scheme which KAPLEAU had given to Maggio, such as the one that was allegedly made by Kapleau to Martin Century Dairy.

Kluger reported that no such scheme was ever given to Maggio by Kapleau to the best of his knowledge. He stated that had such a scheme been given to Maggio, he is certain that he would have been asked to evaluate it and that he was never asked to do so.

S. POL. interim

Page 3 of HARRY E. KAPLEAU report dated January 14, 1972:

~~SECRET~~ - NOT Ours

Mr. Kluger stated that the partnership was dissolved in 1961 or 1962 in an amicable manner. The reason for severing the partnership was that Mr. Kluger did not like deals that Mr. Kapleau was making that bordered on criminal acts. He further stated that he did not approve the manner in which Mr. Kapleau handled company money. Specifically in making numerous deposits in several out of state (Penna.) banks.

Mr. Kluger stated that Mr. Kapleau's method of dealing was to buy surplus milk from producers at a price slightly above the manufacturers rate and then to sell it for liquid milk at slightly under the regulation price and pocketing the difference.

Mr. Kluger said that some time ago, the Maggio Co. of Phila. asked him, because he did their accounting, to evaluate and advise them concerning a "scheme" that was offered to them by Mr. Kapleau. This he did and advised Maggio that they could make money but the "scheme" was strictly illegal. He stated that Maggio refused to do business with Mr. Kapleau as a result of his advice.

Mr. Kluger further stated that during the past years, Mr. Kapleau has been doing brokerage work for the Cumberland Farms Co. based in New Jersey and operated by JAMES AND GEORGE HASEOTIS who originally came from New England. He further feels that Cumberland farms may be behind his appointment to the Penna. Milk Board. His reasoning is that Cumberland is already set up and organized as a cut price company and would "make a bundle" if retail prices were not controlled.

Mr. Kluger also said that Mr. Kapleau has a money making "scheme" which was accepted by Martin Century Farms and when the "scheme" backfired, it cost Martin Century \$80,000.00.

Mr. Kluger wants his remarks kept confidential and would not testify to them. He also said that, in his opinion, Mr. Kapleau is not qualified to be a member of the Milk Board and does not have the ability to do the job.

Testimony elicited that Kapleau and Kluger started to serve the Maggio Brothers when the Maggios went into the milk business through a company called Milk Maid Dairy Products, Inc. Kluger denied any knowledge of the Maggios until a contact was made with Kapleau and Kluger to take the Maggio account. According to Kluger, he was not aware of how the Maggios obtained their name, but assumed it was through someone at their former place of employment ( Market Administrator's Office ).

*Kluger  
did  
testimony  
4-26-73*

Kluger testified that the Kapleau-Kluger partnership was not asked to aid in the formation of Milk Maid Dairy Products, Inc., but was asked to give an opinion on the stock issue in connection with the formation of the corporation. According to Kluger, two classes of stock were authorized for the corporation (common and preferred). The common stock was issued to the Maggio Brothers, and the preferred stock was sold to customers of the company. The stock was sold for \$5.00 a share, with Maggio Brothers agreeing to pay a dividend of 6% on the stock, with the understanding that about 300% or 400% would be paid, which it was.

This percentage was paid on the preferred stock in lieu of under-the-table discounts, which is a common thing in the milk industry according to Kluger. This was done for a number of years until the Milk Marketing Board took the company into court and got an injunction to prevent the company from so doing. The company did not fight the injunction and, in fact, was glad to see the injunction issued due to the high cost of the dividends.

Kapleau and Kluger did not participate financially or invest in the stocks of the Maggio company.

Kluger expressed the opinion that the Maggio Brothers ( Mario, Peter and Serafino ) acted in consort very well together. He stated that Peter Maggio's wife is the sister of Angelo Bruno, a well known figure in the Mafia family, however, Angelo Bruno did not participate financially in any of the business enterprises of the Maggio Brothers.

According to Kluger, Milk Maid Dairy Products, Inc. was not the major enterprise of the Maggios at the time of his association with them. The major enterprise was, and still is, the parent company, M. Maggio Company, which specializes in cheese.

Initially, Kluger was not involved in preparing any personal tax returns for the Maggios, with his activities being confined to Milk Maid Dairy Products, Inc. In mid-1950, Kapleau and Kluger were offered the M. Maggio Company account. From that time on, Kluger prepared the individual tax returns and corporate tax returns. Although this was done under the firm name of Kapleau and Kluger, it was considered to be the account of Kluger, however, payment for the service was made to the partnership, with Kapleau sharing the fees. It was Kluger's recollection that Kapleau may have shared in the work when necessary.

Testimony revealed that Michael's Dairies was formed by the Maggios in 1959 for the purpose of buying and processing bottle fluid milk. Kluger stated that the new company was formed since the major supplier of milk, Nelson, had been taken over by Abbott Dairies and it was anticipated that the supply to the Maggios would be cut off.

The Kapleau, Kluger and Company rendered the usual accounting advice and assistance in preparing estimates of equipment costs that would be required in setting up the records for the formation of a company, however, Kluger stated that his firm's role was confined to professional advice and services and there was no participation or interest in the new Maggio company.

On December 30, 1963, Kapleau, Kluger and Company formed a new company, Central Dairy Products Sales, with the principal stockholders being Kapleau, Kluger, and a third party by the name of Yocum. The purpose of the new company was the milk brokerage business, and it became the major supplier of milk for Michael's Dairies.

Because of their different interests, Kluger testified that he and Kapleau agreed to dissolve their partnership in the accounting firm and other entities. Among these was Central Dairy Products which was dissolved in 1961, with Kluger acquiring Kapleau's interest for the sum of something between \$10,000 and \$15,000. The name of the company was changed in 1969 to 1970 to Central Enterprises and operated by Kluger since the partnership dissolution.



Another Kapleau-Kluger entity, Carroll Dairy Company, based in the State of Maryland, was acquired by Kapleau for approximately \$15,000 or \$20,000. Kluger testified that he had just been informed by Kapleau that this company was dissolved in 1963, 1964 or 1965.

According to Kluger, Carroll Dairy Company was formed to accommodate their business interests outside the State of Pennsylvania. Kluger could not recall if Central Dairy Products or the Carroll Dairy Company supplied milk to Michael's Dairies, but assumed that Central Dairy Products would handle the supply since Central was a Pennsylvania corporation.

The Greensboro Ice Cream Company, Greensboro, Maryland, was incorporated in 1959 or 1960 in the State of Maryland. The principal stockholders were Kapleau, Kluger, George Heuer and Joseph Reagan. According to Kluger, George Heuer was an attorney and had handled the legal matters in the formation of the company. In addition, Heuer was said to be retired now, but formerly was a bottler and milk broker who had a plant in Norristown called "Open Farms." Joe Reagan at that time was a salesman for a dairy equipment company - either Magina Brothers or Cherry Borel (phonetic) - and became known to Heuer through that association.

Kluger and Kapleau invested \$7,500 each in the new company, with Heuer and Reagan not making any cash investment. Additionally, Central Dairy Products went on surety with the Provident Trademan's Bank for a note to Greensboro Ice Cream Company in the amount of \$8,500. It was stated by Kluger that he lost his investment in this business venture, however, the loan from the bank was repaid long before the dissolution of the company.

Capital Dairy Products Company, a Delaware corporation based in Henderson, Maryland, was a Kapleau-owned entity. The company was formed in 1960, or possibly 1961, and its principal function was the milk brokerage business. It was Kluger's recollection that possibly some of the customers served by this company could have been Martin Century and Cumberland Farms.

The Kapleau-Kluger partnership had previously ceased supplying milk to the Maggios and, at the time of the partnership dissolution, were only performing accounting services for the Maggios.

The name of Central Dairy Products Sales, acquired by Kluger at the time of the partnership dissolution, was changed to Central Enterprises in 1965. Its principal customer was Michael's Dairies.

According to Kluger, he had approached the Maggios with a plan for supplying milk to Michael's Dairies. The money required for the purchase of the necessary equipment, such as trucks, trailers, etc. was secured through a bank loan. In addition, Kluger received a loan from the Maggios which was secured by collateral in the form of approximately fifty shares of Central Dairy Products Sales stock owned by Kluger. These stock certificates carried a blank endorsement and, theoretically, the Maggios were in control of Central Enterprises for a period of 90 days, at which time the loan was repaid. Kluger was not certain as to whether or not he had paid any interest on the loan to the Maggios, but believed that he had.

Kluger is presently supplying milk to Michael's Dairies. Other than the loan which he had received and repaid, Kluger denied that the Maggios had any interest in his company. It was Kluger's assumption that the loan granted him was through Michael's Dairies, although it could have come from either of the other two Maggio-owned companies.

It was Kluger's recollection that he may have met Angelo Bruno at a New Year's Eve party given by the Maggios in 1953 or thereabouts, which was attended by Kluger, Kapleau, and their wives. During the past twenty years, Kluger admitted that he may have seen Bruno on one or two occasions when he was at the business location of the Maggios.

It was brought out that Angelo Bruno is a brother-in-law of Peter Maggio and that an individual in California, by the name of Marino, had formerly been married to another sister of the Maggios.

Early in 1972, at the time that Harry Kapleau became Chairman of the Milk Marketing Board, Milk Maid Dairies, a Maggio-owned company, was cited and fined by the Milk Marketing Board for certain violations. Complaints against the citations were lodged by Kluger and Peter Maggio with Harry Kapleau by way of telephone calls to Harrisburg. Kluger stated that the fine to date has not been paid and that the action of the Board will be appealed.

According to Kluger, Marvin Weintraub, a former attorney for the Milk Marketing Board, was an officer in Central Enterprises in 1964 and 1965, after he left State employment. Weintraub had presented some schemes to Kluger to increase the business of Central, however, none of the ideas materialized and he did not receive a salary or any other income from the company.

The articles of incorporation of Central Dairies Products Sales, dated December 28, 1953, indicated that Kapleau and Kluger each subscribed to twenty shares of stock, with F. Ralph Yocum subscribing to ten shares. Shortly thereafter, Mr. Yocum passed away and his estate did not pick up the subscription, but neither did the corporation exercise its right to demand that the estate pick it up. Questioning revealed that Kapleau and Kluger each picked up one share of the Yocum subscription.

Prior to the issuance of the certificate for the corporation, at a Board meeting held on February 23, 1954, the members discussed the subscriber's liability of Mr. Yocum, who acted as an incorporator of Central Dairies Products Sales and who subscribed but had not as yet paid for two shares of capital stock at \$10.00 a share. The original subscriptions had been twenty to Kapleau, twenty to Kluger, and ten to Yocum, but later were changed to twenty-four to Kapleau, twenty-four to Kluger, and two to Yocum. The Board accepted these offers.

In 1972, Kapleau contacted Kluger concerning the formation of a committee to establish accounting procedures for the milk industry. Kluger was named Chairman of the Uniform System of Accounts Committee, which consists of the following membership:

Vern Lindenmuth	Comptroller Abbott's Dairies - Philadelphia
John Martin	Comptroller Otto Milk Company - Pittsburgh
Thomas Enterline	Comptroller Green's Dairy - York
Boyd Searer	Royal Dairy - Lewistown
Robert Eckersley	CPA - Scranton
John Fox	Auditor - Milk Marketing Board

According to Kluger, the Committee is still in existence and a tentative report on its recommendations is presently being drafted.

Other companies who retain Kluger for accounting services or related advice include Menzie Dairy Company, Pittsburgh; Fikes Dairy, Pittsburgh; Deitrich Dairies, Reading; Wawa Dairies, Philadelphia; and Loston Dairies in Chesapeake City, Maryland.

Cross examination by Committee members indicated that Kapleau and Peter Maggio have had no business association since 1953, except present conversations concerning the regulations of the milk industry. Kluger stated that he handles all of the accounting work for other Maggio enterprises in addition to the companies stated in this report and that the Federal Internal Revenue Service has checked the records of the companies annually. In addition, the Fraud Division of IRS is presently investigating the Maggio enterprises and has done so in the past, with no conviction or arrest.