



HOUSE OF REPRESENTATIVES
COMMONWEALTH OF PENNSYLVANIA

MEMO

October 6, 1976

SUBJECT: Public Hearing

TO: CONSUMER PROTECTION COMMITTEE MEMBERS

FROM: Hon. C. L. Schmitt, Chairman
Consumer Protection Committee

A handwritten signature in dark ink, appearing to be "C. L. Schmitt", written over the typed name of the sender.

Please be advised that there will be two days of public hearings conducted by the committees on Consumer Protection and Business and Commerce on October 18 & 19, 1976 at the Allegheny County Courthouse, Gold Room, Grant & Forbes Streets, Pittsburgh, PA from 9:30 a.m. to 4:30 p.m. to investigate the travel industry per House Resolution 199.

I enclose copies of summaries produced by our staff of the latest applicable statutory and regulatory provisions relating to conduct of the business of tour organizing and promoting. As you can see, this is a fairly complex situation, and I hope you will be able to digest this material before our hearings in order to understand what several of our witnesses are talking about. Additionally, I intend to read these materials and such others that we may have available later into the record of our proceedings.

CLS/neo

Enclosures

REPRESENTATIVE AMOS HUTCHINSON'S REMARKS FOR OCTOBER 18 AND 19, 1976 PUBLIC HEARINGS ON THE TRAVEL AGENCY INDUSTRY.

YOU HAVE HEARD WHAT C. L. SCHMITT HAD TO SAY ABOUT THE REASONS FOR THIS INVESTIGATION, AND I WOULD ADD ONLY THAT THE REASON WE ARE HAVING THESE HEARINGS AND THE REASON I CALLED FOR AN INVESTIGATION WAS THAT IN TRYING TO DEVELOP A PIECE OF LEGISLATION TO DEAL WITH THE PROBLEMS MY CONSTITUENTS HAD REPORTED TO ME, I LEARNED IN SHORT ORDER THAT THIS WHOLE TRAVEL INDUSTRY WAS SO COMPLICATED AND THERE ARE SO MANY THOUSANDS OF PEOPLE INVOLVED, THAT WE JUST PLAIN NEED A LOT MORE FACTS ABOUT WHAT THE PROBLEMS ARE BEFORE WE TRY TO COME UP WITH AN ANSWER.

I WANT TO THANK C. L. SCHMITT AND REID BENNETT FOR THEIR SUPPORT AND WORK IN THIS INVESTIGATION, AND FINALLY, MOSTLY, I WANT TO SAY I BELIEVE WE ALL OWE A DEBT TO THOSE PEOPLE THAT I HAPPEN TO REPRESENT WHO CARED ENOUGH TO DEMAND ACTION. WE HEAR A LOT TODAY ABOUT BIG GOVERNMENT RUNNING AND HIDING FROM THE PEOPLE, BUT I THINK THAT THIS IS PROOF THAT IT DOESN'T HAVE TO BE THAT WAY. I DON'T CONGRATULATE MYSELF FOR DOING WHAT ANY ELECTED REPRESENTATIVE IS PAID TO DO, BUT I DO COMMEND MY OWN CONSTITUENTS FOR BRINGING IT TO LIGHT AND I HOPE THE DAY IS AROUND THE CORNER WHEN EVERYONE OF US IN THE GENERAL ASSEMBLY CAN BE THAT FORTUNATE. REGARD THIS AS A CASE WHERE CITIZENS HAVE TAKEN THE INITIATIVE TO CORRECT A PROBLEM AFFECTING THEIR ECONOMIC INTEREST. I EARNESTLY HOPE WE WILL SEE MORE OF THIS TYPE OF CITIZEN ACTION IN THE FUTURE, TO HELP CREATE A BETTER COMMONWEALTH FOR US ALL.

REPRESENTATIVE C. L. SCHMITT'S OPENING REMARKS FOR OCTOBER 18 AND 19,
1976 PUBLIC HEARINGS ON THE TRAVEL AGENCY INDUSTRY.

GOOD MORNING LADIES, GENTLEMEN, ETC. WE ARE ASSEMBLED THIS MORNING BECAUSE REPRESENTATIVE AMOS HUTCHINSON OF GREENSBURG RECEIVED IN THE LAST YEAR NUMEROUS COMPLAINTS FROM HIS CONSTITUENTS ABOUT PROBLEMS THEY HAVE HAD WITH SEVERAL TRAVEL AGENCIES. ALTHOUGH THE TRAVEL AGENCIES IN QUESTION WERE NOT NUMEROUS AND THE COMPLAINTS WERE BY NO MEANS AGAINST ANY ONE AGENT EXCLUSIVELY, THEY ALL HAD ONE THING IN COMMON. IN EVERY CASE PEOPLE HAD IN GOOD FAITH PAID IN ADVANCE, IN FULL, FOR TRIPS THEY WERE NEVER ALLOWED TO TAKE, AND MOST OF THEM ARE STILL WAITING TO GET THEIR MONEY BACK AFTER MANY MONTHS.

ACCORDINGLY, MR. HUTCHINSON SUBMITTED FOR OUR CONSIDERATION HOUSE RESOLUTION 299, WHICH WE IN THE HOUSE OF REPRESENTATIVES PASSED ON MARCH 24, 1976. THE RESOLUTION DIRECTS AND EMPWOERS THE COMMITTEES ON CONSUMER PROTECTION AND BUSINESS AND COMMERCE TO CONDUCT A STUDY AND INVESTIGATE THE QUESTIONS AND CONCERNS OF THE PUBLIC RELATING TO THE TRAVEL AGENCY BUSINESS, AND THAT IS JUST WHAT WE HAVE DONE. ALSO, HR 299 AUTHORIZES EACH COMMITTEE TO HOLD HEARINGS, TAKE TESTIMONY, AND MAKE ITS INVESTIGATION AT SUCH PLACES AS IT DEEMS NECESSARY WITHIN THIS COMMONWEALTH, AND THAT WE WILL DO TODAY AND TOMORROW. FINALLY, EACH COMMITTEE MUST REPORT ITS FINDINGS TO THE HOUSE OF REPRESENTATIVES AS SOON AS POSSIBLE, AND THIS WE PROMISE TO DO.

THE WITNESSES YOU WILL HEAR IN THESE TWO DAYS ARE ALL PUBLIC-SPIRITED INDIVIDUALS WHO HAVE COME FORWARD TO SHARE THEIR EXPERIENCES WITH US AND WITH YOU. THEY ARE ALL TO BE THANKED AND COMMENDED. IT WAS UNNECESSARY FOR US TO USE THE POWER OF SUBPOENA WHICH WAS GIVEN TO US UNDER OUR HOUSE RESOLUTION, AND WE HOPE THAT IT WILL BE UNNECESSARY DURING THE REMAINDER OF OUR INVESTIGATION.

OVER _____

AS TO WHY WE HAVE INVITED THESE PARTICULAR PEOPLE TO BE HERE TODAY, THE REASON IS VERY SIMPLE. EACH AND EVERY ONE HAVE, AS CONSUMERS, PUBLIC SERVANTS, OR FOR NO OTHER REASON THAN CIVIC RESPONSIBILITY ARE DEEPLY AND PERSONALLY INVOLVED IN SOME ASPECT OF THE SITUATION THAT REPRESENTATIVE HUTCHINSON'S CONSTITUENTS ENCOUNTERED. EACH ONE CAN TESTIFY FROM FIRSTHAND EXPERIENCE, FACTUALLY AND COMPLETELY AS TO SOME ASPECT OF AT LEAST ONE SIGNIFICANT PROBLEM THAT HAS ARISEN IN PENNSYLVANIA DURING THE LAST FIVE YEARS. EACH IS COMMITTED IN HIS OR HER OWN WAY TO RESOLVING PAST DIFFICULTIES AND WORKING TO MINIMIZE OR WIPE OUT THE POSSIBILITY OF THEIR RECURRENCE.

THOSE NAMES YOU SEE ON OUR AGENDA, ONLY BECAUSE OF LIMITATIONS ON THE AMOUNT OF TIME WE CAN SPEND, ARE REPRESENTATIVE OF MANY MORE PEOPLE WHO CAME FORWARD DURING THE LAST FEW MONTHS TO OFFER THEIR OPINIONS, SHARE THEIR EXPERTISE AND ADVISE US. AS TO THOSE PEOPLE WHO COULD NOT BE SCHEDULED, YOU WILL NOTE THAT WE HAVE ALLOWED TIME AT THE BEGINNING AND END OF EACH DAY'S SCHEDULE FOR THOSE WHO WISH TO STEP FORWARD AND ASSIST US WITH THEIR TESTIMONY. I SAY TODAY AS I HAVE SAID TO ALL OF THESE KIND INDIVIDUALS THAT WE HAVE BEEN AND WE REMAIN EAGER FOR ANY INFORMATION, ANY GUIDANCE, AND ANY OTHER HELP THAT CITIZENS OF PENNSYLVANIA WISH TO OFFER, AND I CAN ASSURE YOU AS I ASSURED THEM THAT WE WILL CONTINUE TO KEEP OUR FILES OPEN FOR COMMENTS UNTIL THE DAY WE SUBMIT OUR REPORT. FOR TODAY AND TOMORROW, HOWEVER, I DEEPLY BELIEVE THAT WE WILL ALL BE MADE AWARE OF A CROSS SECTION OF EXPERIENCE AND OPINION WHICH REPRESENTS THE HIGHLY TECHNICAL AND DIFFICULT TASK FACED NOT ONLY BY THOSE WHO WOULD SELL TRAVEL SERVICES TO PENNSYLVANIANS BUT ALSO THOSE OF US WHO WOULD JUST LIKE TO GET AWAY FROM IT ALL FOR A LITTLE WHILE.

A G E N D A

PUBLIC HEARING

HR 199 Session of 1976: Investigation of questions
and concerns of the public relating to the travel agency business

CONSUMER PROTECTION COMMITTEE
BUSINESS AND COMMERCE COMMITTEE

Allegheny County Courthouse
Gold Room
Grant & Forbes Streets
Pittsburgh, PA

Monday, October 18, 1976

10:00 - 11:00 a.m.	Concerned Consumers
11:00 a.m. - 12:30 p.m.	Regis J. Konley, President Leisure International Vacations Corp. Pittsburgh, PA
12:30 - 2:00 p.m.	LUNCH
2:00 - 3:30 p.m.	Ms. Beverly Gordon Bureau of Operating Rights Paul Bessel, Esquire Senior Enforcement Attorney Bureau of Enforcement Civil Aeronautics Board Washington, DC
3:30 - 4:30 p.m.	Jerome M. Meyers, Esquire Meyers & Keyser Monroeville, PA
4:30 - 5:30 p.m. (approx.)	Reserved for testimony from members of the General Public

*Rec. the filings
RE: CHARTER
APPROVAL*

*Rep.
Consumers
Wilmerding I.H. Club.
See Sue Cratton
convicted*

Tuesday, October 19, 1976

10:00 - 11:00 a.m.	Concerned Consumers
11:00 - 12:30 p.m.	Rodney E. Gould, Esquire Asst. Regional Director Michael Waxman, Esquire Staff Attorney Federal Trade Commission Boston, MA
12:30 - 2:00 p.m.	LUNCH
2:00 - 3:30 p.m.	Ms. Patricia Kennedy Associate Director Aviation Consumer Action Group Washington, DC
3:30 - 5:30 p.m. (approx.)	Reserved for testimony from the General Public

~~Pat~~

Those, in addition to the above scheduled witnesses, wishing to offer testimony are advised that each committee member shall have the power to administer oaths and affirmations to witnesses and that all witnesses may be accompanied by legal counsel.

EXHIBITS FOR TRAVEL AGENCY PUBLIC HEARINGS OCTOBER 18, 19, 1976
(Regis Konley file)

1. Regal Travel Corporation, Article of Incorporation
2. 1972 - Regal Travel Corporation publication on 707 travel
3. March 19, 1973 - Horny Toad, Inc. article of incorporation
4. August 8, 1973 - letter from Thomas Schuchert, esq. for Regal Travel Corporation to Donna L. Deaner (Jean Fox's predecessor)
5. August 23, 1973 - CAB order to Cease and Desist against Regal Travel Corporation and Regis J. Konley, individual
6. July 1974 - Leisure International Vacations Corporation and Leisure Leisure travel brochure
7. April 18, 1975 - CAB order against Aeronautics International Travel and certain individuals
- 8a. October 1975 - Brochure of Engineers Buyers Club and LIVC
- 8b. Brochure Automotive Services Council of Pennsylvania, October 1975.
9. October 1975 - Brochure of Universal Sun Associates, Ltd.
10. Cancelled check from John H. Immel to Market Square Travel, October 8, 1975
11. Affidavit of Susan McConnell of Jean Fox's office, October 30, 1975
12. Cancelled checks of John H. Immell to Market Square Travel, October 31, 1975
13. October 31, 1975 - Letter from T. Christopher Browne, Legal Division, Bureau of Enforcement, CAB to Jerrold Scoutte, Counsel, LIVC
14. November 3, 1975 - Letter from Susan N. McConnell, Bureau of Consumer Affairs of Jean Fox's Office to Paul W. Wallig, CAB
- 15a. Complaint CAB vs LIVC and Konley and Kontowicz
- 15b. November 7, 1975 - Consent order CAB vs. Leisure International Vacations Corporation, Regis J. Konley and Robert Kontowicz, agents
16. November 12, 1975 - Letter from Susan N. McConnell to Regis Konley of Leisure International Travel
17. Depository agreement, November 28, 1975, between LIVC, Allegheny Airlines, Inc. and Pittsburgh National Bank
18. December 3, 1975 - Application of Allegheny Airlines, Inc. before the CAB for emergency waiver
19. December 10, 1975 - Contract between LIVC with Allegheny Airlines
20. December 1975 - Contract between LIVC and tour participants
21. December 1975 - LIVC prospectus for flights to Bahamas
22. Surety Bond of International Fidelity Insurance Company covering LIVC, December 22, 1975

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EXISTING

23. December 22, 1975 - Cancelled check of Mrs. Henry A. Gasperin written to LIVC
24. December 23, 1975 - Receipt of money order by William Lowther to Leisure International
25. December 1975 - Brochure of LIVC and PPG Employees Recreation Association for the Bahamas
26. December 23, 1975 - Letter from James Devall, Counsel for LIVC to Harold Parrott, Chief Supplementary Services Division of CAB, Bureau of Operating Rights, CAB
27. December 30, 1975 - Letter to Harold S. Parrott, Chief, Supplementary Services Division, Bureau of Operating Rights, CAB from John R. Long, Counsel for Allegheny Airlines, Inc.
28. Form letter sent by LIVC explaining the CAB cancellation of participants - January 1976.
29. January 1976 - Form letter sent by LIVC to various governmental officials
30. January 1, 1976 - Mailgram to Senator Schweiker from LIVC
31. January 1, 1976 - Mailgram to President Gerald Ford, White House from LIVC
32. January 2, 1976 - Cancelled check to LIVC written by Mrs. Henry A. Gasperin
33. January 5, 1976 - Telegram from International Fidelity Insurance Company to James Devall, Counsel for LIVC
- 34a. January 2, 1976 - Petition for review of staff action by LIVC and Allegheny Airlines, Inc. before the CAB
- 34b. January 6, 1976 - Supplement to petition for review of staff action by LIVC and Allegheny Airlines, Inc. before the CAB
35. January 7, 1976 - Letter to James L. Devall, Counsel for LIVC from Bruce Cunningham, Director, Bureau of Operating Rights, CAB
36. January 8, 1976 - Letter from James C. Schultz, General Counsel, White House to Dudley Chapman, Associate Counsel of the White House
37. January 8, 1976 - Letter to James L. Devall, LIVC from Edwin Z. Holland, Counsel, CAB
38. January 16, 1976 - ^{Court} memorandum and order CAB vs LIVC, Konley and Kontowicz
39. January 29, 1976 - Fictitious Name Registration of LIVC
- 40a. February 3, 1976 - Letter from Thomas J. Demski, counsel to International Fidelity Insurance Company to CAB
- 40b. February 9, 1976 - CAB acknowledgment of receipt of notice of surety bond termination by International Fidelity Insurance Company covering Leisure International Vacations Corporation
- 41a. July 8, 1976 - Consent Decree by CAB vs LIVC, Regis Konley and Kontowicz
- 41b. List of persons' refunds owed to participants by LIVC in connection with Consent Decree
42. August 2, 1976 - Letter accompanying refund by LIVC to Mr. Gasperin
43. September 6, 1976 - Letter from Konley to Ann Strishock of Jean Fox's office
44. September 24, 1976 - Letter from Jean Fox to Andrew Bresco
45. Travel Weekly issues - Articles on Konley, January 19, 29 and July 30, 1976

CAST OF CHARACTERS

Regis Joseph Konley - 1499 Daleland Avenue, Pittsburgh, PA 15220

Ronald R. Huston - Konley's partner in REGAL TRAVEL. Also owner of National Printing Co.

Robert Wayne Kontowitz - Robert is Konley's brother. He is currently residing with friends at 317 E. Hunting Creek Road, Canonsburg, PA 15317. Robert was Secretary-Treasurer of LEISURE INTERNATIONAL VACATIONS CORPORATION.

Jack Klause - allegedly purchased REGAL TRAVEL from Konley and Huston.

Richard P. Wilkes - was stockholder in HORNY TOAD INC. and Vice-President of LEISURE INTERNATIONAL VACATIONS CORPORATION. He is President of UNITED BUYERS SERVICE. Address is 109 Chalet Drive, Pittsburgh, PA 15221

Robert Romito - stockholder in HORNY TOAD INC.

Ronald Ropozza - Konley's current employer at TOP VALUE ENTERPRISES.

COMPANIES INVOLVED

REGAL TRAVEL INC. - Mr. Konley's first effort in the travel business.

LEASE AIR INC. - Konley was President of this company whose purpose was air transportation. LEASE AIR INC. owned a Boeing 707.

AERONAUTS INTERNATIONAL TRAVEL CLUB INC. - Organization based in Cleveland operating as a travel club.

AERONAUTS INTERNATIONAL TRAVEL CLUB EAST INC. - Were located at 625 Stanwix St. and acted as the area agent for AERONAUTS.

WORLD WIDE TRAVEL ASSOCIATED - Owner of a Boeing 707, were to operate flights for AERONAUTS.

HORNY TOAD INC. - A restaurant business set up by Konley that never materialized.

LEISURE INTERNATIONAL VACATIONS CORPORATION - A division of HORNY TOAD whose purpose was a travel agency.

UNITED BUYERS SERVICE - Mr. Wilke's company. It is a buying club. Konley and Wilkes made a trade of stock. Konley received a piece of UBS and Wilkes a portion of HORNY TOAD. Konley reports he sold his share of UBS.

LEISURE LEISURE INC. - Originally this company was set up to sell recreational vehicles. It later became the travel club for the members of UBS.

TRAVEL CONSOLIDATORS - This travel club was developed to absorb other groups not members of UBS.

LEISURE TRAVEL INCENTIVES - A company set up to sell incentive programs. The awards would be trips.

LEISURE TOURS - Provided the tours to LEISURE INCENTIVES.

UNIVERSAL SUN ASSOCIATED LTD. - There is no written record of this organization, however, they advertised in conjunction with LIVC on the most recent Bahama trip.

HANSA TRAVEL - It is believed HANSA is the name Klause gave REGAL following his purchase from Huston and Konley.

MARKET SQUARE TRAVEL - Is owned by Louis Grippo, however, it is rumored that Konley has some hidden interest in the agency.

TOP VALUE ENTERPRISES or INCENTIVES - Mr. Konley's current employer. It is an Ohio based firm with a local office in Allegheny Center. They sell incentive programs.

REGIS KONLEY

Regal Travel from August, 1971 through May, 1973 the Allegheny County Bureau of Consumer Protection did receive ten complaints dealing with cancellation of a Bahama flight, allegedly due to the airplane's mechanical failure; poor service and unprofessional manner in which trips were conducted; misrepresentation by the sales personnel as to the content of the trip; consumers were told no fee cancellation would be applied if they cancelled in a specified period of time (however, upon cancellation a fee was charged). The demise of REGAL is a mystery.

In a phone conversation with

Sue Patrick, Bureau member in July of 1974, Konley stated REGAL was purchased by the Cleveland group AERONAUTS. He later learned that AERONAUTS had not settled some of the debts.

In Konley's deposition to the federal court for the western district of Pennsylvania, he said REGAL was sold to Jack Klause. Mr. Klause then continued in operation until 1975. If Konley did sell REGAL to Klause, Klause changed the name to HANSA TRAVEL.

Konley also said in his deposition that he attempted to establish a business relationship with AERONAUTS, but by December of 1972 he realized that this did not work; he further asserted that he had no business dealings or employment relationship with AERONAUTS; this appears to be a murky borderline area; it is known that Konley's brother Robert worked for AERONAUTS as their agent AERONAUTS EAST under the name of Robert Wayne, and wherever you find Robert you find Regis and vice versa.

While President of REGAL, Konley also was President of LEASE AIR INC. which wanted a Boeing 707. Konley claimed that Huston wanted out of the travel business so they sold REGAL to Klause in March of 1973.

Konley did sign a Cease and Desist Order with the CAB in August of 1973.

From July of 1973 through January of 1974 while AERONAUTS EAST was operating under management of Robert Wayne, the Bureau received nine complaints. These complaints dealt with trips being cancelled. The cancellation fee being withheld. AERONAUTS signed a Cease and Desist Order with CAB in April of 1975. Shortly before that AERONAUTS EAST closed its doors. Following disappearance of REGAL, Konley developed HORNY TOAD INC. Konley felt that HORNY TOAD would be a strange name for a travel agency so he did business under LIVC. Later Konley and Wilkes made the trade of stock.

Konley set up LEISURE LEISURE to sell recreational equipment to UNITED BUYERS SERVICE but ultimately they sold the trips for LIVC. Eventually, LIVC bought out LEISURE LEISURE.

Konley set up TRAVEL CONSOLIDATOURS in order to service traveling groups outside of UBS members. He expanded the concept by developing LEISURE TRAVEL INCENTIVES. HORNY TOAD, LIVC, LEISURE LEISURE, TRAVEL CONSOLIDATOURS, LEISURE TRAVEL

INCENTIVES and LEISURE TOURS all occupied space at 306 Magee Building in Pittsburgh. In May of 1974 they moved to 325 Grandview with UBS. UBS had five liens filed against them for unpaid taxes on both the federal and state level.

The Allegheny County Bureau received one complaint against TRAVEL CONSOLIDATOURS. The complaint alleged the tips and gratuities were collected by TRAVEL CONSOLIDATOURS as part of the package price; however, the money was never returned over to the appropriate people.

UNIVERSAL SUN ASSOCIATES LTD. since October of 1975 made the Bureau become aware of trips being offered to the Bahamas by LIVC and UNIVERSAL SUN ASSOCIATES LTD.

No possible carriers had contracted with UNIVERSAL or LIVC based on a telephone check by Ann Strishock, Bureau member. For the trips through November neither the Freeport or the Castaways had signed contracts with Konley; Castaways did sign with LIVC from November through April; in regard to affinity requirements, Konley really made no attempt to check whether the participants belonged to the group sponsoring the affinity charter.; Castaways did say that will provide the air transportation but upon investigation, the plane that was to be used was in Florida and hadn't been flown for over two years and the CAB sent investigators.

Meeting in Pittsburgh with Jean Fox - September 30, 1976

James Deigan was a rip-off victim of Konley's senior citizens trip to Bahamas in regard to ship, no reservations were ever made

Was suspected Konley failed to give the money to the ship steward

People ended up with a cottage

This was around October of 1975

Often times when there are large companies involved recreattional groups will arrange for large group travel, for example, U. S. Steel Corporation - John Kablik, Andrew Carnegie club or association.

Lily J. Shehab
129 Unity Way
Greensburg, PA 15601
837-3749 home
837-3800 office X258

ITE arranged an affinity to the Bahamas through Regis Konley, LIVC supposed to be for four days. Departure date - November 8, 1975. Three hours before the flight some of the passengers were bumped and others were permitted to fly on another airline. Her friend, Elizabeth Kallie was from Greensburg and also on the same flight. Entire amount she paid was \$149. She never got her money back even though she called Konley. She will send us papers through Amos Hutchinson. Konley gave her friend the excuse they couldn't fly to the Bahamas.

Background Furnished by Corporation Bureau, Department of State

REGAL TRAVEL CORPORATION - Filing of Articles of Incorporation, February 13, 1969

Aggregate number of shares - 1,000 shares of common stock at par value.

First directors and incorporators - Regis Konley and Ronald Huston both of Pittsburgh

Class of Shares - Konley got 700 shares of common stock
Huston got 300 shares

(Exhibit 1)

Publication by Regal Travel describing advantages of 707

(Exhibit 2)

Sets forth relationship to various companies: (1) Aeronauts International maintains certification to operate aircraft; (2) Aeronauts International East subsidiary of Aeronauts International and in effect would be an agent for Aeronauts International - non-profit organization; (3) Worldwide Travel Associates owner of aircraft and will lease the aircraft exclusively to Aeronauts International and Aeronauts International East; (4) Regal Travel has exclusive rights to prepare and sell all land tours to Aeronauts International and International East and their members.

According to Regal's own information, over 100 trips were scheduled for 1972 to the Bahamas. In addition, there was a total of 25 trips (total of trips to Las Vegas, London, Spain and Hawaii). This brings a total for 72 of over 125 and Regal did brag that all planned trips were sold.

HORNY TOAD INC. - Articles of Incorporation filed March 21, 1973

(Exhibit 3)

100 shares at \$1.00 par value

Incorporators - Konley and Robert Kontowicz

Number and Class of Shares - one a piece

August 8, 1973 letter from Thomas Schuchert, Counsel for Regal Travel to Donna Deaner in regard to complaint filed against Mr. Bicanich. (Exhibit 4)

He told her that the company was insolvent and was unlikely that any of its creditors would get paid including the claim of Bicanich for the \$100. He also said that Konley and that Regal Travel might retained the \$100 to cover expenses in any event aside from insolvency.

August 23, 1973 - 82373 CAB order to a cease and desist - Order No. 73-8-110 (Exhibit 5)

Regal Travel Corporation and Regis Konley - From October, 1971 to March, 1972

and
Regal held itself out to the general public through telephone solicitation, through personal contact by sales representatives and advertising

reported that they were willing to furnish for hire air transportation from Pittsburgh to the Bahamas, Regis Konley held out the availability of air transportation in conjunction with the package of hotel and other accommodations, Regis subsequently entered into a contract with clubs, companies and organizations in the Pittsburgh area to provide charter air transportation. The chartering organizations had no committment from any direct air carrier, but looked only to Regis to provide the air transportation. Regis, however, at the time of contract had no firm committment with any direct air carrier, nor was he the agent of any carrier, and he was ordered to cease acting as an indirect carrier without CAB approval.

July 17, 1974 (Exhibit 6)

Sue and Jim Patrick and Kathy Kiely attended a promotional meeting at the 2001 Club at 9:00 p.m. Approximately 50 persons attended and were hustling the August trip to the Carribean by LIVC through the club Leisure Leisure of 325 Grandville Ave., Pittsburgh, PA discounts up to 50%.

Enforcement Proceedings (Exhibit 7)

Enforcement proceedings by CAB against Aeronauts International Travel Club and Mason N. Ingalis III, Andrew W. Kozak, Jr. and John F. Terry. This CAB Board opinion was delivered April 18, 1975.

The administrative law judge had found Aeronauts was engaging in air transportation without authorization from the CAB. The individual challenged the administrative law judge's determination that the cease desist order should not run against them as individuals. The CAB upheld the administrative judge stating that an order may properly run against individuals if the record established that they were the moving parties in the "transactions." The CAB opinion pointed out that the individuals did "participate" in a common court of contract which constituted the furnishing of 'air transportation without the required certificate.' They made heavy personal investments in the club's jet and participated in establishing a corporation of which they were officers to own the jet which was then leased to the club.

Believing they controlled the club would be the only way to get maximum utilization of the plane and that the lease wouldn't be worth anything without control of the club. The individuals played an increasingly influential role in the management of the club's affairs in the latter part of 1972.

Indeed, the FAA's Relations Office was concerned in November of 1972 under the parent decree of managerial influence and control being imposed on Aeronauts by persons who could not be identified as Aeronauts officers of record. The records showed that the Aeronauts were in fact a profit motivated business venture which was managed and controlled by the three individuals. In other words, "attracting customers" was the very heart of the Aeronauts violation.

LIVC - October, 1975 Engineers Buyers Plan (Exhibit 8A)

Advertising trips to Freeport

Meeting in Greensburg, September 29, 1976 with Rep. Hutchinson's Constituents

(Exhibit 8B, 10, 12)

John Immel, 829 Green St., Greensburg, PA 15601 - Hm. 836-3678 - Off. 834-6864

This was an affinity put together by Konley sponsored by the Automotive Service Council of Pa. He made part payment of \$200 by October 8, 1975, by October 31 he made full payment of \$458. Arranged by Market Square Travel, Inc.

Lewis Grippo, Esq. was connected with this. Phoned 1:30 a.m. day of trip, said trip would be cancelled. No hotel reservations were made. He even called the hotel in Las Vegas to check this. Through Hutchinson's intervention, the State Bureau of Consumer Protection, Pittsburgh office has finally managed to convince Market Square to return all of the money. The \$658 was finally refunded by
30 PA
December, but only through the intervention of the Bureau of Consumer Protection and Amos Hutchinson. Immel made no check of the L.A. hotel.

Advertising tour to the Bahamas for October through December.

Affidavit of Susan McConnell, October 30, 1975 (Exhibit 11)

As part of the investigation of Regis Konley - She paid a deposit of \$75 down payment for a Bahama trip on November 15-18, 1975. She paid the deposit on October 24. Total price - \$182 for a four day trip. Type of affinity trip with Mercy Hospital but Konley didn't check to closely on this one.

Regis Konley File - CAB Filing No. OT-75-454

October 31, 1975, Letter from CAB Enforcement to Jerrald Scout, Jr., Esq., Counsel for Leisure International Vacations Corp. (LIVC) (Exhibit 13)

This was in regard to an action contemplated by the CAB and the issuance of a temporary restraining order with respect to certain violations of CAB regulations. In an attempt to avoid a suit, LIVC supposedly agreed:

(1) that they would not use or seek to use an uncertified aircraft (not certified by FAA); (2) that they would use their best efforts to accommodate previously booked passengers at no increase in price on charter and on regularly scheduled flights; (3) establishment of an escrow account for all monies collected and in the future, collection from passengers as well as an additional \$10,000 to be supplied by Regis Konley; they have agreed to a complete account of all future deposits and withdrawals to the CAB; (4) LIVC would enter into a stipulation of facts and a consent order.

LIVC would attempt to convert their operations at the earliest practical date into OTCs.

Document - November 3, 1975 - Letter from Sue McConnell to Paul Wallig, CAB (Exhibit 14)

In this letter she explains to Mr. Wallig that Jean Fox requested her to call LIVC in Pittsburgh to request that the \$75 deposit be returned since her was going to cancel the reservations for November 15.

When she was initially told that he was not sure if she could get a refund, Sue then informed her that she had been part of a CAB investigation and then the women then connected her with Konley. Konley informed Sue that since she had not complied with the 30 day cancellation requirement, he could not refund the \$75. He then informed her that it would be necessary that someone from the CAB contact Konley to discuss any refunds.

Civil Action No. 75-1434 - U.S. of A & CAB vs. LIVC, Regis Konley & Robert Konowicz

November 7, 75 - Consent order which prohibits Regis Konley and LIVC from engaging in air transportation as a direct air carrier or an indirect air carrier without appropriate authority from the CAB in requiring an escrow account (according to the filing of facts in connection with a trip to the Bahamas, the LIVC solicited without any certification from the CAB). Konley and LIVC must establish an escrow account with \$10,000 of their own assets. (Exhibit 15A,B)

Formal Complaint that led to the consent decree of November 7, 1975 - Federal District Court (Exhibit 15A)

Charging LIVC and Konley with acting as an indirect carrier without CAB approval and also operation of an aircraft without being certified by the FAA.

Schedule of Liabilities on the flights on January 21 and 24) Exhibit 15B)

Mr. & Mrs. Robert Blazier - Amount owed to them - \$374

February 3-7

Mr. & Mrs. William Lawther - \$434 }
Mr. & Mrs. Henry Gasperin - \$434 } (Amos Hutchinson's constituents)
Mr. & Mrs. Ben Salvio - \$478 }
Mr. & Mrs. Stephen Polivka - \$374 }
Mrs. Benvenuti - (groups of 6) - \$1,376 } January 24-27

Liabilities - Salaries, Wages, Commissions and Expenses:

Konley, Regis - Salary	\$ 15,000.00
Konley, Regis - Commissions	2,670.00
Konley, Regis - Expenses American Express	1,203.04
Kontowicz, Robert - Salary	9,000.00
Kontowicz, Robert - Commissions	<u>4,030.00</u>
	<u>\$31,903.04</u>

Document - Letter to Konley from Sue McConnell - November 12, 1975 - Written Notice of Cancellation

(Exhibit 16)

Executed December 22, 1975 Effective - September 15, 1975

Depository Agreement, November 28, 1975 - Pittsburgh National Bank, LIVC & Allegheny (Exhibit 17)

December 3, 1975 application of Allegheny Airlines for an emergency waiver (Exhibit 18)

(Docket No. 28568) This application was for a waiver of Section 207.7a of the CAB regulations. These relate to results of frequency and also routes not authorized by CAB charter trips.

(No air carrier can begin off route trips (off the CAB approved route) between any pair of points; (a) in excess of a total of eight flights in the same direction during any period of four consecutive calendar weeks; (b) in the same direction on the same day of two or more consecutive calendar weeks; (c) in excess of a total of three flights in the same direction during any period of two consecutive calendar weeks unless such period is followed by a

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break of at least one calendar week during which no flights were operating in such market or between such points; (d) which are so arranged as to result in the observance of breaks required in (c), at regularly recurring intervals; or (e) which are so arranged to result in any uniform pattern or normal consistency of operations). Allegheny in order to serve LIVC's air transportation needs which request a waiver of Section 207.7a, Allegheny contended that a unique situation existed which justified a waiver.

Freeport Charters were organized originally as affinity charters and were scheduled to begin November 1, 1975. LIVC entered into an informal agreement with the CAB on October 31, 1975, Leisure consented to perform the Freeport Charter with a properly certified aircraft and agreed to the conversion to OTC. As a result of these developments, Allegheny was contracted by Leisure to determine whether it could operate the affinity charters to Freeport on less than 48 hours notice and with the encouragement of the CAB Bureau of Enforcement, Allegheny agreed to do so, thereby, avoiding substantial inconvenience to the participants which would have resulted in cancellation of the charter. Allegheny said that it intended to join Leisure as soon as possible in requesting a waiver of OTC's regulations so as to permit conversion of the remaining Freeport Charter to OTCs; regardless of whether these flights were operating as affinities or OTCs, relief from the off-route limitations of Section 207.7a should still be granted by the CAB. Allegheny maintained that the Freeport Charters for which waiver of Section 207.7a is sought, was organized long before Allegheny became involved.

December 10, 1975 - Contract Between Allegheny and LIVC (Exhibit 19)

For each cancellation by the operators, \$200 Or 10% of the actual charter price whichever is greater if the cancellation less the 31 days before the flight date. A flight will be automatically cancelled if less than the entire capacity is sold at least 31 days prior to scheduled departure. There are eight charter trips listed: 12/27/75 - 12/30/75; 12/30/75 - 1/3/76; 1/3/76 - 1/6/76; 1/6/76 - 1/10/76; 1/10/76 - 1/13/76; 1/13/76 - 1/17/76; 1/17/76 - 1/20/76; 1/17/76 - 1/24/76.

Copy of prospectus by LIVC for the Bahama trip includes among other things round trip jet transportation by Allegheny Airlines.

December of 1975

(Exhibit 20)

The contract between participants and LIVC. Participants must cancel no later than 30 days prior to departure to qualify for a full refund except for \$20 per person service charge. The cancellation must be received 18-30 days prior to departure and be assessed a cancellation fee of 30% of the total tour cost.

If a participant cancels after 18 days prior to departure, cancellation fee is 25% of the total tour cost. There will be full refund if the tour is cancelled. In the event of itinerary change, participants will be notified with five days. However, the surety is released from the liability if the claim is not filed 60 days after the tour is completed. ^{Refund deadline is 60 days} if service and accommodations cannot be supplied due to causes beyond the control of LIVC, it will use its best efforts to supply comparable services and accommodations. There is also a disclaimer for any damage or loss of property due to the act of negligence of any hotel or other person rendering service and accommodations. LIVC is not responsible for loss or damage to tour members baggage.

OTC surety bond between LIVC and International Fidelity Insurance Company (Exhibit 22)

Henry Gasperin (Exhibit 23,25,32,42)
326 Alexander Avenue
Greensburg, PA 15601
837-0960

This Bahama tour to Freeport was arranged by LIVC for four or five days. The flight was supposed to leave February 3, 1976. The total tour price for t two was \$434 including insurance. He wanted to know why the flight was grounded. He believes they were not certified. This was an affinity tour arranged by Pittsburgh Plate Glass. He stopped payment of insurance check for \$25. He sent us cancelled checks made out to LIVC. LIVC never said specifically that the trip was cancelled. He received \$106.11 because of limited funds of Konley, he couldn't give the entire refund back.

December 22, 1975 sent \$150 to LIVC. January 2, 1976 sent \$284 to LIVC.

William Lowther (Exhibit 24,25)
710 Kennedy Way
Youngswood, PA 15697
925-2016

He was also supposed to leave on February flight to Bahamas sponsored by PPG. To be for 8 days. He read that CAB was getting after LIVC. He had already paid, too late to stop. He assumed PPG had approved LIVC because sponsored by them. He was supposed to go to the Castaways in the Bahamas. PPG didn't know very much. He didn't think were any kickbacks. Money order for \$434 sent to LIVC 12/23/75.

Mr. Paul Cindric
President of PPG Recreation Board
PPG phone at Greensburg
837-2500

Very angry at Konley. Sorry couldn't touch Konley individually because of the corporate share.

PPG's name was on the brochure. (Exhibit 25)

December 23, 1975 - OTC Filing by Allegheny and LIVC (Exhibit 26)

Letter from LIVC Counsel to Harold Parott, Chief Supplementary Services Division, Bureau of Operating Rights, CAB

In connection with LIVC's application for waiver of OTC regulations. The letter explained the background under which operation of these flights is made subject to a consent order. These flights are from a period of Nov. 75 - April, 76. LIVC then undertook the conversion of the initial series to an OTC program. LIVC has obtained the necessary bond and escrow agreement. Specifically, LIVC requested the following sections to be waived (in relation to the eight flights on the prospectus): 378a.25a because solicitation occurred without approval of the OTC prospectus and the flights scheduled on December 27 and 30, 1975 and January 3 and 6, 1976 would be operated without the 15 day review period.

378a.25(b) - Waiver is necessary for receipt of the passenger lists for the flight on December 27 and 30, 1975 and January 3, 1976 less than 15 days prior to the date of departure. (LIVC filed the passenger list for those three flights on December 23, 1975)

Letter 12/30/75 Allegheny to Parott - Allegheny joined in LIVC's request for waiver of OTC's regulations. (Exhibit 27)

Two Letters both of which blame the CAB for the cancellation of the prospectus asking the assistance of the passengers on these scheduled flights (Exhibit 28,29)

(Exhibit 3136)
Telegram, January 1, 1976 - Sent to President for LIVC asking him to intervene to prevent hardship. LIVC criticized "arbitrary" decisions made by the CAB. On January 5, Doudley Chapman, Associate Counsel to the President asked Jim Schultz, Executive Counsel to the President for a suggested reply to the telegram. On January 8, Schultz wrote to Chapman and sent a copy of the boards decision on January 8, 1976 upholding the staff action in decliming to grant waivers. Schultz said that the Board's action apparently rested on its unwillingness to countenance the tour operator's blatant disregard for CAB requirements and a consent order of the federal court. This letter seemed to be sympathetic to CAB.

January 5, 1976 Telegram to James Devall from Counsel for LIVC International Fidelity Insurance Company (Exhibit 33)

Evidence that International Fidelity Insurance Company had authorized a \$110,000 limit for LIVC - OTC bond effective September 15, 1975

(Exhibit 34A)
Emergency Petition for Review of Staff Action filed by LIVC, January 2, 1976

Urges the Board to take prompt favorable action of the waiver on OTC regulations. The next flight was scheduled to depart the day after this petition, January 3 six flights were scheduled during the next two weeks and then counsel for LIVC warned of the unfortunate consequences if these trips were cancelled suddently. The counsel for LIVC maintained that he was first informed by the staff of the Bureau of Operating Rights of the cancellation of the program in the late afternoon of 12/31/75. LIVC counsel maintained that the OTC programs were set up pursuant to the consent order and that contracts were entered into by Allegheny while the requisite of escrow and bond were obtained, applicable to eight flights during the period 12/27/75 through 1/17/76. During the period of 12/23 - 12/31 passenger lists for the first six flights were filed with the Bureau of Operating Rights at the request of the Bureau. LIVC obtained consent of its surety company to make the OTC bond effective 9/15/75 so as to cover the initial offering to the public. The flights already fully booked scheduled for 12/27 and 12/30 were operated. LIVC pointed out that this program has been operating with the knowledge of the board staff for over two months and pursuant to the November 7 consent decree, the program has been supervised by the District Court and escrow has been created and an account has been made both to the Bureau of Enforcement and the Office of the U.S. Attorney. He

emphasized that the conversion to OTC was made at the specific recommendation of the Bureau of Enforcement to protect the hundreds of people already booked on this flight and to enable the tour operator to complete the program pursuant to OTC regulations.

Supplementary to Petition for Review of Staff Action - was received by CAB, January 6, 1976 (Exhibit **34B**)

Prompt action was needed because there were flights scheduled for Saturday, January 10 and nine charter flights scheduled during the next three weeks. The Bureau of Operating Rights had further advised LIVC that while flights scheduled for January 3 and 6 were being authorized on "hardship grounds" the waiver with respect to the remaining four flights were being denied.

January 7, 1976 - Letter from Bruce Cunningham, Director, Bureau of Operating Rights to Mr. Devall, Counsel for LIVC (Exhibit **35**)

In this letter Cunningham refers to the conversation on 12/31/75 when CAB orally notified LIVC of the denial of the OTC regulations. In reaching this conclusion, it was evident that the tour operator had organized, promoted and sold those tours with a total disregard for the CAB regulations. More specifically, no charter contracts were in effect during solicitation and so no participant entered into the required contract. The tour operator and participants' monies were not protected by the required surety and escrow. CAB also noted that LIVC in the consent order agreed not to engage in some selling or soliciting without CAB approval in the future. Nevertheless, LIVC disregarded the court order for almost two months after the consent order by continuing to promote itself without necessary CAB authority; the applicant then appeared at the CAB office about one working day before the first flight, a type of 11-hour application; in effect, an accomplished fact. In light of these facts, CAB was unable to find that the situation represented special or unusual circumstances which warrant the granting of the requested waiver.

On consideration of January 2, 1976 petition for reversal of staff action CAB decided to reverse in part the previous action and to grant all request waivers of a 207.7a and 378a.25 (a), (1) and (b) to permit the operation of January 3 and January 6 flights. CAB orally advised LIVC counsel of this on January 2; was taken only because of the hardship which would occur to those

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persons who had made plans to participate in these two flights. CAB pointed out that this waiver does not insulate the LIVC and Allegheny from any enforcement action which may result from any violation of the CAB regulations which have occurred in connection with these flights. (Since the dates for operation of the December flights have already passed, CAB dismissed Allegheny's and LIVC's requests for waivers to operator those flights that departed in 1975).

CAB then said that would defer action on flights scheduled to depart after January 6, 1976.

(Exhibit 37)

January 8, 1976 - Letter to Counsel of LIVC from Edwin Z. Holland, Secretary of CAB

They upheld staff action of 12/31/75 as it relates to the remaining flights in this program. The CAB said that it was a difficult choice. They had to balance the hardship suffered by the participants against the harm that would be done by approval of such blatant disregard of CAB requirements.

Memo and order entered on January 16 by Judge Miller (Exhibit 38)

U.S. OF A and CAB v. Leisure International Vacation Corp., Regis J. Konley and Robert Kontowicz, Docket No. 75-1434

The matter came before the court on an order to show why LIVC should not be held in contempt for violation of the November 7, 1975 order. The court found that LIVC violated this order by acting as an unauthorized air carrier in violation of CAB regulations and that it establish and maintain a depository account required by the order of November 7, 1975. Although the court found there was no unlawful misappropriation of receipts, the bookkeeping methods used by LIVC were very sloppy and unprofessional and were extremely difficult to identify. He didn't specifically mention any CAB regulations in regard to accounting. Although such violations constitute contempt of court no useful purpose would be served by ordering LIVC to purge the contempt by the executing a depository agreement and paying all funds into the account created under such agreement because the tour cannot lawfully be completed in any event; furthermore, there was no misappropriation. Therefore, the court ordered LIVC to purge themselves of contempt by making such modifications and clarifications of their accounts to accurately reflect the regularity of their business transactions, and to require that certain steps be taken to begin the refunding of monies to identifiable participants.

LEISURE INTERNATIONAL VACATIONS CORPORATION

Incorporation - March 21, 1973

Name of Applicant Corporation - HORNY TOAD INC.

Filed - January 26, 1976

(Exhibit 39)

(Exhibit 40, A, B)

February 3, 1976 - Counsel for the surety notified LIVC Counsel that the surety bond was being terminated in accordance with its terms and notice was sent to the CAB. This notice of the Board's termination was received by the CAB, February 5, 1976.

(Exhibit 41A, B)

Consent Decree - July 8, 1976 - The consent decree refers to the decree of March 4 adjudging LIVC liable to tour participants scheduled to depart on the Bahamas tours which could not be lawfully completed; plaintiff, CAB joined the surety as a third party defendant. LIVC ordered: LIVC was liable to refund to participants scheduled to depart on its Bahama tour which could not be lawfully completed. (Jan. 10, 13, 17, 21, 24, 27 & 31; Feb. 3, 10, 14, 17, 21, 24, & 28; Mar. 2, 6, 9)

Advance deposit amounted to \$124,491.59; payments received by Leisure as travel insurance premiums amounted to \$293.65. The surety was ordered to pay \$42,854.28 or approximately 1/3 of the total.

\$42,854.28 + \$293.65 = \$124,785.24

\$ 124,491.59

and prorata refunds were ordered out of the treasury of Leisure for tour participants not covered by the surety bond.

Letter from Konley as President of LIVC to Ann Strishock in Jean Fox's office - September 6, 1976 (Exhibit 43)

Konley alleged his records showed that deposits for the January Bahama trips were made to Larry Wesson, and in compliance with the federal district court order of January 21, 1976 refunded on a pro-rata basis was made to Larry Wesson for distribution to all tour participants who made any deposit to him; a check was mailed to Mr. Wesson on August 16, 1976; he concluded by saying that those requesting refund should contact Mr. Wesson.

(Exhibit 44)
Letter from Jean Fox to Andrew Bresko of Youngstown, Ohio - September 24, 1976

Jean Fox said that she is not sure what date the pro-rata refunds were mailed. However, the first complaint that she received was by phone on August 12, 1976. Shortly after, she received a call from Emil Hrusovsky from Youngstown regarding his daughter's deposit; she had not received a refund.

It was then that Jean became aware of Wesson's connection. Ms. Hrusovsky and her friends had paid Wesson a deposit but their names did not appear on the refund list. She contacted LIVC's attorney and received that letter from Konley. (9/6/76)

Jean received numerous phone calls from people who had paid Mr. Wesson. It became evident that the numbers were not accurate. She advised the callers of Konley's reply; apparently someone located Mr. Wesson and he phoned Jean the week before the September 24 letter.

Wesson claims he placed various reservations and made the appropriate payments to LIVC, he says he has proof of this; he further alleges that LIVC did not make complete disclosure.

Jean concludes her letter by saying that in view of the fact that CAB could not prove misappropriation of funds by Konley, she advised Wesson to contact Mark Winston, Attorney in the CAB Enforcement Bureau, to see whether the matter deserved further investigation.