



# ***Exploding The Phone***

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Bibliographic Cover Sheet

Title           **FBI File 87-HQ-125130: David C. Henny, FBW, IOC**

Date            1973-02-21

Abstract       Investigation into David C. Henny and the South Whidbey Island Telephone Company.

Keywords      David C. Henny; Whidbey Island Telephone Company

Notes          Corresponding field office file was 87-139996

Source         FBI via FOIA

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U.S. Department of Justice

Federal Bureau of Investigation

Washington, D.C. 20535

August 20, 2009

Subject: HENNY, DAVID C.

FOIPA No. 1129957- 000

The enclosed documents were reviewed under the Freedom of Information/Privacy Acts (FOIPA), Title 5, United States Code, Section 552/552a. Deletions have been made to protect information which is exempt from disclosure, with the appropriate exemptions noted on the page next to the excision. In addition, a deleted page information sheet was inserted in the file to indicate where pages were withheld entirely. The exemptions used to withhold information are marked below and explained on the enclosed Form OPCA-16a:

**Section 552**

**Section 552a**

☐ (b)(1)

☐ (b)(7)(A)

☐ (d)(5)

☐ (b)(2)

☐ (b)(7)(B)

☐ (j)(2)

☒ (b)(3) Federal Rules of Criminal  
Procedure, Rule 6(e)

☒ (b)(7)(C)

☐ (k)(1)

☒ (b)(7)(D)

☐ (k)(2)

☐ (b)(7)(E)

☐ (k)(3)

☐ (b)(7)(F)

☐ (k)(4)

☐ (b)(4)

☐ (b)(8)

☐ (k)(5)

☐ (b)(5)

☐ (b)(9)

☐ (k)(6)

☒ (b)(6)

☐ (k)(7)

157 **page(s)** were reviewed and 155 **page(s)** are being released.

☐ Document(s) were located which originated with, or contained information concerning other Government agency(ies) [OGA]. This information has been:

- ☐ referred to the OGA for review and direct response to you.
- ☐ referred to the OGA for consultation. The FBI will correspond with you regarding this information when the consultation is finished.

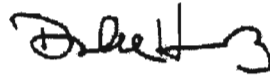
☒ You have the right to appeal any denials in this release. Appeals should be directed in writing to the Director, Office of Information Policy, U.S. Department of Justice, 1425 New York Ave., NW, Suite 11050, Washington, D.C. 20530-0001. Your appeal must be received by OIP within sixty (60) days from the date of this letter in order to be considered timely. The envelope and the letter should be clearly marked "Freedom of Information Appeal." Please cite the FOIPA Request Number assigned to your request so that it may be easily identified.

☐ The enclosed material is from the main investigative file(s) in which the subject(s) of your request was the focus of the investigation. Our search located additional references, in files relating to other individuals, or matters, which may or may not be about your subject(s). Our experience has shown, when ident, references usually contain information similar to the information processed in the main file(s). Because of our significant backlog, we have given priority to processing only the main investigative file(s).

If you want the references, you must submit a separate request for them in writing, and they will be reviewed at a later date, as time and resources permit.

☒ See additional information which follows.

Sincerely yours,

A handwritten signature in black ink, appearing to read "D. Hardy", with a stylized flourish at the end.

David M. Hardy  
Section Chief  
Record/Information  
Dissemination Section  
Records Management Division

Enclosure(s) 2

Enclosed are documents from file number HQ 87-125130.

## EXPLANATION OF EXEMPTIONS

### SUBSECTIONS OF TITLE 5, UNITED STATES CODE, SECTION 552

- (b)(1) (A) specifically authorized under criteria established by an Executive order to be kept secret in the interest of national defense or foreign policy and (B) are in fact properly classified to such Executive order;
- (b)(2) related solely to the internal personnel rules and practices of an agency;
- (b)(3) specifically exempted from disclosure by statute (other than section 552b of this title), provided that such statute(A) requires that the matters be withheld from the public in such a manner as to leave no discretion on issue, or (B) establishes particular criteria for withholding or refers to particular types of matters to be withheld;
- (b)(4) trade secrets and commercial or financial information obtained from a person and privileged or confidential;
- (b)(5) inter-agency or intra-agency memorandums or letters which would not be available by law to a party other than an agency in litigation with the agency;
- (b)(6) personnel and medical files and similar files the disclosure of which would constitute a clearly unwarranted invasion of personal privacy;
- (b)(7) records or information compiled for law enforcement purposes, but only to the extent that the production of such law enforcement records or information ( A ) could be reasonably be expected to interfere with enforcement proceedings, ( B ) would deprive a person of a right to a fair trial or an impartial adjudication, ( C ) could be reasonably expected to constitute an unwarranted invasion of personal privacy, ( D ) could reasonably be expected to disclose the identity of confidential source, including a State, local, or foreign agency or authority or any private institution which furnished information on a confidential basis, and, in the case of record or information compiled by a criminal law enforcement authority in the course of a criminal investigation, or by an agency conducting a lawful national security intelligence investigation, information furnished by a confidential source, ( E ) would disclose techniques and procedures for law enforcement investigations or prosecutions, or would disclose guidelines for law enforcement investigations or prosecutions if such disclosure could reasonably be expected to risk circumvention of the law, or ( F ) could reasonably be expected to endanger the life or physical safety of any individual;
- (b)(8) contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions; or
- (b)(9) geological and geophysical information and data, including maps, concerning wells.

### SUBSECTIONS OF TITLE 5, UNITED STATES CODE, SECTION 552a

- (d)(5) information compiled in reasonable anticipation of a civil action proceeding;
- (j)(2) material reporting investigative efforts pertaining to the enforcement of criminal law including efforts to prevent, control, or reduce crime or apprehend criminals;
- (k)(1) information which is currently and properly classified pursuant to an Executive order in the interest of the national defense or foreign policy, for example, information involving intelligence sources or methods;
- (k)(2) investigatory material compiled for law enforcement purposes, other than criminal, which did not result in loss of a right, benefit or privilege under Federal programs, or which would identify a source who furnished information pursuant to a promise that his/her identity would be held in confidence;
- (k)(3) material maintained in connection with providing protective services to the President of the United States or any other individual pursuant to the authority of Title 18, United States Code, Section 3056;
- (k)(4) required by statute to be maintained and used solely as statistical records;
- (k)(5) investigatory material compiled solely for the purpose of determining suitability, eligibility, or qualifications for Federal civilian employment or for access to classified information, the disclosure of which would reveal the identity of the person who furnished information pursuant to a promise that his/her identity would be held in confidence;
- (k)(6) testing or examination material used to determine individual qualifications for appointment or promotion in Federal Government service the release of which would compromise the testing or examination process;
- (k)(7) material used to determine potential for promotion in the armed services, the disclosure of which would reveal the identity of the person who furnished the material pursuant to a promise that his/her identity would be held in confidence.

FEDERAL BUREAU OF INVESTIGATION  
FOIPA  
DELETED PAGE INFORMATION SHEET

Serial Description ~ COVER SHEET

Total Deleted Page(s) ~ 2  
Page 93 ~ Duplicate  
Page 145 ~ b6, b7C

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X Deleted Page(s) X  
X No Duplication Fee X  
X for this Page X  
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## FEDERAL BUREAU OF INVESTIGATION

REPORTING OFFICE <b>SEATTLE</b>	OFFICE OF ORIGIN <b>SEATTLE</b>	DATE <b>2/21/73</b>	INVESTIGATIVE PERIOD <b>11/27/72 - 12/14/73</b>
TITLE OF CASE  <b>DAVID C. HENNY</b>		REPORT MADE BY  [REDACTED]	TYPED BY  <b>bfr</b>
		CHARACTER OF CASE  <b>FBW; TOC</b>	

REFERENCE: Seattle nitel to New Haven, dated 12/7/72.  
New Haven nitel to Seattle, dated 12/11/72.

- P -

LEADS:SEATTLE

AT EVERETT, WASHINGTON Maintain contact with AUSA  
BRUCE D. CARTER and determine his prosecutive opinion.

ACCOMPLISHMENTS CLAIMED					<input checked="" type="checkbox"/> NONE	ACQUIT- TALS	CASE HAS BEEN:		
CONVIC.	FUG.	FINES	SAVINGS	RECOVERIES	PENDING OVER ONE YEAR		<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO	PENDING PROSECUTION OVER SIX MONTHS	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
APPROVED: [Signature]					SPECIAL AGENT IN CHARGE		DO NOT WRITE IN SPACES BELOW		
COPIES MADE:					N		87-125130		MCT-40
② - Bureau 1 - USA, Seattle 2 - Seattle (87-13996)							FEB 26 1973		REC-54
									EX-103
Dissemination Record of Attached Report					Notations				
Agency					SIX DATA PROC				
Request Recd.									
Date Fwd.									
How Fwd.					57 MAR 14 1973				
By									

UNITED STATES DEPARTMENT OF JUSTICE  
FEDERAL BUREAU OF INVESTIGATION

Copy to: 1 - USA, Seattle

Report of: [REDACTED]

Date:

2/21/73

Office: Seattle, Washington

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Field Office File #: 87-13996

Bureau File #:

Title: DAVID C. HENNY

Character: FRAUD BY WIRE;  
INTERCEPTION OF COMMUNICATIONS

Synopsis: DAVID C. HENNY is owner of the Hat Island Telephone Company and the South Whidbey Island Telephone Company. Several past and present employees were interviewed and stated company policy allows them to make five long-distance calls a week at the expense of the company. The calls are ticketed for three minutes regardless of the duration. In the past local Time of Day calls were placed through to Seattle or Oregon and the call was billed to the company. Long-distance calls from various locations in the United States are placed by HENNY's friends and relatives through the Whidbey switchboard without being ticketed. HENNY possibly monitors his operators from his home but doubtfully monitors private conversations. Rural Electrification Administration (REA) has conducted a recent audit of the company.

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DETAILS:

This investigation was predicated upon receipt of an oral request from United States Attorney STAN PITKIN, Seattle, Washington. He advised that the State Department of Transportation and Utilities had forwarded to his office information concerning the activities of DAVID C. HENNY, owner of the Hat Island Telephone Company and the South Whidbey Island Telephone Company. The activities of this individual are such as to involve dual jurisdiction in certain areas. A review of the matter has been assigned to Assistant United States Attorney BRUCE D. CARTER and he has

SE 87-13996

arrived at the conclusion that HENNY's activities definitely involve aspects of Fraud by Wire and possibly Interception of Communications violations. Mr. PITKIN further stated that the General Telephone Company of the Northwest has been conducting an audit of the operations of the two phone companies.

The following investigation was conducted by SA [REDACTED]

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AT SEATTLE, WASHINGTON

On November 27, 1972, Special Agent [REDACTED] met with Assistant United States Attorney BRUCE CARTER at Seattle. Mr. CARTER explained that he has been conducting inquiries into the activities of HENNY and has been working with the Security Office of General Telephone Company of the Northwest in Everett, and Pacific Northwest Bell in Seattle. His investigation leads him to the conclusion that HENNY may have violated Federal laws in the operation of the Hat Island Telephone Co. and the South Whidbey Island Telephone Company. In addition, Mr. HENNY has received loans through the Rural Electrification Administration (REA) and he believes the possibility exists that HENNY could have made false statements in connection with the loans. Assistant United States Attorney CARTER made available a copy of an interview with HENNY's [REDACTED]

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[REDACTED] He further explained that the larger phone companies such as Pacific Northwest Bell and General Telephone Company of the Northwest, subsidize privately owned companies such as Hat Island and South Whidbey Island phone companies.



## FEDERAL BUREAU OF INVESTIGATION

1

Date of transcription 12/4/72

[redacted], [redacted] Washington, was interviewed at her residence in the presence of Assistant U. S. Attorney BRUCE CARTER. [redacted] was employed as an operator for the South Whidbey Island Telephone Company from [redacted], [redacted], persuaded her to submit an application for employment. [redacted] in December, 1969 and [redacted] felt there may have been ill feelings between [redacted] and the phone company president, DAVID HENNY.

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[redacted] stated there were several unusual procedures followed by the operators at the direction of Mr. HENNY during the time of her employment. A list of individuals and their phone numbers were listed in back of the operator's manual. These people were entitled to a special free long distance service. For example, a person on the list would call his local operator and ask for operator 55 at the South Whidbey Island telephone company. The Whidbey operator would answer the call and be given the name and phone number of the caller. The Whidbey operator could generally immediately recognize the name as an individual on the list and would then plug the cord into a busy jack at the switchboard. The caller thus receives a busy signal and hangs up his phone. The Whidbey operator would then call the individual making the call and ask him for the number he desires. The operator would then place the call through the Whidbey switchboard without making a record of the call or billing the caller. Just for an example a caller in California could place a call through the Whidbey switchboard to New York without being billed. This service was available to any relatives and a few friends. One of these friends is known as [redacted] and is described as white male, [redacted] 140 pounds, brown hair. [redacted] believes he is one of HENNY's [redacted] and he [redacted]

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A contractor in California used the service quite often, however, his calls were recorded on HENNY's credit card. [redacted] calls each week and felt that the total calls of this type made by the operators would be approximately 50 each week.

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Interviewed on 11/28/72 at Freland, Washington File # SE 87-13996  
by SA [redacted] /set Date dictated 11/29/72

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- 3 -

[ ] believed the procedure was set up by Mr. HENNY although she received specific instructions by [ ] was also told by [ ] that it was policy not to make a record of the call. She estimated that the list consisted of eight or ten relatives and approximately six friends. In addition, Mr. HENNY used the procedure all of the time when he was out of the area.

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[ ] stated that this was certainly not the normal operator 55 procedure. She explained the normal procedure to be when a local Whidbey customer places a person to person long distance phone call to another location and the party called does not answer or is not available. The operator in the area being called is told to have the party return the call and ask for operator 55. The person being called would then later return the call to operator 55 at Whidbey and would give his name. The Whidbey operator would then complete the call to the person who had originated the phone call. [ ] stated that this would be the normal procedure used by anyone with the exception of those on HENNY's list.

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[ ] stated that the operators were instructed to make a record of the long distance calls made by HENNY from Whidbey Island, however, they were told to stamp the calls as completed after he spoke for approximately one minute. He often continued to talk for a much longer time. In addition, at times HENNY would operate the switchboard himself and put through all types of long distance calls. [ ] and [ ] (LNU) also operated the switchboard at times and put through long distance calls without charge or record. [ ] is described as a white male, [ ] 230 pounds, blond hair.

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[ ] advised that the phone company offered a free wake-up service to local customers. In addition, some wake-up calls were made to California and other locations outside of the Whidbey area. The long distance wake-up calls were not frequent and as far as she knew were not recorded.

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[ ] Mr. HENNY also instructed the operators as a group as to time of day calls. An operator was to dial the time number at Renton, Washington anytime she received a request for time from a local Whidbey customer. This call was

recorded as a long distance call and was billed to the South Whidbey Company. She recalled that on several occasions Mr. HENNY told the operators that he needed a certain number of time calls before the end of the month and the operators then made the calls. The Whidbey operators received many calls whenever a power shortage occurred on the south end of Whidbey Island. These calls would be for Puget Power and the operators were instructed by Mr. HENNY to place the calls to the Mount Vernon office of Puget Power rather than to the local office.

[redacted] has heard that Mr. HENNY has elaborate monitoring equipment in his home. She heard that he can monitor each switchboard directly from his home. She did not know of any private conversations that he monitored and as far as she knew he only listened to determine if the operators were following proper procedures. She recalled that on occasion he issued memorandums reflecting the procedures and performance of certain operators. [redacted] did not know who installed the line or the equipment at HENNY's home. She stated that [redacted], has seen the equipment and told her that HENNY was listening in on a phone call when [redacted] at his home. [redacted] was Mr. HENNY's [redacted] and she might have additional information regarding the equipment. b6 b7C

[redacted] stated that as far as she knew all of Mr. HENNY's present employees were very loyal to him. She has heard that he still provides free long distance service for his friends and relatives. She felt that some of the procedures used by Mr. HENNY may have changed since direct dialing was initiated by the company. b6 b7C

## FEDERAL BUREAU OF INVESTIGATION

1

Date of transcription 12/4/72

[redacted] Washington, telephone [redacted] was interviewed at her residence in the presence of Assistant U. S. Attorney BRUCE CARTER.

[redacted] advised that she was employed by the South Whidbey Island Telephone Company [redacted]. She worked as an operator, [redacted].

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[redacted] stated it was company policy set up by DAVID HENNY for employees and HENNY's friends and relatives to have special privileges in connection with long distance service. The operators on duty were instructed to record the long distance calls of these individuals, however, they punched the card after only three minutes regardless of how long the party actually speaks. These calls were charged to the Whidbey Company and not to the employee, friend or relative. The record of the call was sent to [redacted]. The policy concerning these calls was established by Mr. HENNY.

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[redacted] advised that she is familiar with the operator 55 phone calls. This is a method of free long distance service used by friends and relatives of Mr. HENNY. A person in an area covered by another telephone company would place a call to operator 55 in the South Whidbey Island Telephone Company. The local operator would answer and the caller would give his name and phone number and say that he was returning Mr. HENNY's call. The operator would immediately plug into the busy jack at the switchboard. The caller would get a busy signal and hang up without any record of his call being made. The operator would then place a call back to the person who called her. This person would then give the Whidbey operator the number he desired to call and the operator would then set up the phone call. The call would not be ticketed and there would be no record of the call. The phone call would be originated by a Whidbey operator and thus no other phone company would have any record of the call.

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[redacted] advised that the operators were familiar with the individuals who had this privilege, however, she knew of no formal list put out by Mr. HENNY. She recalled that Mr. HENNY's [redacted], and his parents in Philadelphia were included on the list. She felt certain there were also other

Interviewed on 11/28/72 at Clinton, Washington File # SE 87-13996

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by SA [redacted] /set Date dictated 11/29/72

- 6 -

2  
SE 87-13996

relatives entitled to the privilege. The friends using the service included [ ] and [ ]. She was instructed in the procedure to use by Mr. HENNY and she in turn instructed the other operators at his direction. She believed that Mr. HENNY instituted the practice in about 1962 and all operator 55 calls were treated in this manner. She estimated that ten phone calls were handled each week.

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[ ] said that to her knowledge time requests were given to the customer by the local Whidbey operator. She knew of no instance when the time operator in Seattle was called and patched through to the customer. It was a practice of the company to give free wake-up call service to customers of the company. Several wake-up calls were made outside the area and the calls were ticketed to Whidbey Telephone. Most of these were made to [ ]. She knew of no method employed by the company to build up the number of long distance calls.

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[ ] recalled that several conference calls were set up between Mr. HENNY and his relatives. She did not believe that these calls occurred very often and was not sure if a record was made of the calls.

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[ ] believes that Mr. HENNY has some type of monitoring equipment at his home. He is able to listen in on the conversations of the operators and can determine if they are following proper procedures. Occasionally Mr. HENNY would tell [ ] that he overheard something that did not fit into company policy and that he wanted this corrected immediately. [ ] has no reason to believe that Mr. HENNY ever monitored a personal conversation.

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[ ] advised that she placed numerous calls for credit card customers while she was employed by the South Whidbey Island Telephone Company. Most of these calls originated on the Island. She did not specifically recall any call being made out of the Whidbey area but there may have been a few. [ ] advised she terminated her employment at the phone company because of [ ]. Mr. HENNY [ ] she felt her [ ] was more important than continued employment.

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## FEDERAL BUREAU OF INVESTIGATION

1Date of transcription 12/4/72

[redacted] Freland, Washington, was interviewed at her residence in the presence of Assistant U. S. Attorney BRUCE CARTER. [redacted] advised that she was employed by DAVID HENNY and the South Whidbey Island Telephone Company from [redacted]. She worked as an operator [redacted] office.

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[redacted] recalled that operators and employees of the company were given permission to make three or four long distance calls each week without being billed. She knew nothing of free calls being made by Mr. HENNY's relatives or friends. On occasion she arranged conference calls between HENNY and other members of his family, however, she did not know if the calls were paid for by HENNY.

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[redacted] stated that all time of day calls were answered by the operator at Whidbey and none were referred to Seattle or any other location. She stated that a card was punched and a record made of weather calls. A number in Seattle would be dialed by the operator whenever a request for the weather was received. The customer was not billed for this service and she did not recall who received the bill or if a billing was made.

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[redacted] stated that she heard that Mr. HENNY had elaborate monitoring equipment in his home. Some of the operators told her that he listened in on their conversations to determine if they were following proper procedures. She never heard that Mr. HENNY monitored any personal conversations.

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[redacted] recalled that she placed wake-up calls for local customers and one to an individual in California. She could not recall his name. In addition, Mr. HENNY would receive a wake-up call whenever he was out of town. [redacted] advised that she knows nothing about the operation of the company since she [redacted].

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Interviewed on 11/28/72 at Freland, Washington File # SE 87-13996

by SA [redacted] /set Date dictated 11/29/72

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- 8 -

SE 87-13996

The following investigation was conducted by  
SA [REDACTED]  
AT SEATTLE, WASHINGTON

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On November 29, 1972, Assistant United States Attorney BRUCE CARTER advised that he did not desire for any additional interviews to be conducted at this time. He has contacted the REA and has requested all records concerning loans and requisitions made by Mr. HENNY. Mr. CARTER desires to personally review the documents when they arrive.

On December 7, 1972, Assistant United States Attorney BRUCE CARTER advised that [REDACTED] is no longer employed by IT&T and he desires to determine his whereabouts as soon as possible. [REDACTED] last address was [REDACTED] Hartford, Connecticut.

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By communication dated December 11, 1972, New Haven advised as follows:

On December 8, 1972, [REDACTED], Hartford, Connecticut, advised that [REDACTED] previously resided at the [REDACTED] and left an address of [REDACTED] [REDACTED], Connecticut. [REDACTED] further advised that [REDACTED] is now employed by an [REDACTED] telephone [REDACTED] in New York City. He has contacted [REDACTED] at telephone [REDACTED] in New York City.

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The following investigation was conducted by SA [REDACTED]:  
AT SEATTLE, WASHINGTON

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On December 11, 1972, AUSA BRUCE CARTER was furnished with the present address and phone number of [REDACTED]. He did not desire for [REDACTED] to be interviewed.

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On December 21, 1972, AUSA BRUCE CARTER advised that officials at Pacific Northwest Bell familiar with the type of equipment in HENNY's home, have spoken with [REDACTED] on several occasions and are preparing a report. Upon receipt of the report, AUSA CARTER might request that [REDACTED] be interviewed by FBI Agents. He has received a large volume of documents from the REA and has started reviewing the material. He may request that REA audit the South Whidbey

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SE 87-13996

Island Telephone Company and may request HENNY's tax returns be checked by Internal Revenue Service. Mr. CARTER did not desire that any additional interviews be conducted.

On January 12, 1973, AUSA BRUCE CARTER advised that he planned to meet with representatives of REA and General Telephone Company of the Northwest at Everett, Washington, on January 15. He stated that REA would conduct an audit at South Whidbey Island Telephone Company beginning on January 16.

On February 12, 1973, AUSA BRUCE CARTER, Seattle, requested that several present employees of the South Whidbey Island Telephone Company be interviewed concerning possible irregularities in the operation of the phone company. He expects the results of the REA audit in the very near future.

On February 14, 1973, AUSA BRUCE CARTER was orally advised of the results of the interviews with [REDACTED] b6 b7C

[REDACTED] Mr. CARTER will review investigation conducted to date and may present this matter to the Federal Grand Jury.



## FEDERAL BUREAU OF INVESTIGATION

1Date of transcription 2/21/73

[redacted] Clinton, Washington, telephone [redacted] was contacted for purpose of interview at Freeland, Washington. He has been employed by the South Whidbey Island Telephone Company for [redacted] and is the [redacted]. He previously was employed by the [redacted].

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[redacted] advised that his employer, DAVID HENNY, has a key system in his home similar to that used by a business. He has several telephone lines to his home and he can monitor the switchboard operators from that location.

[redacted] did not know if Mr. HENNY had the capability of monitoring private conversations but did not believe he would do such a thing. [redacted] has heard rumors that HENNY listens in on conversations but he doubts the rumors are true. He did not believe that Mr. HENNY would make tapes of any conversations. Mr. HENNY has stereo equipment and tape equipment but [redacted] has never seen any taping device hooked up to the telephone equipment. He pointed out that most of the equipment and lines to Mr. HENNY's house were in place at the time he came to work for the phone company.

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[redacted] advised that each employee of the phone company is allowed to make five free long-distance phone calls a week. The employee must have worked for the company six months and the call must be placed at the phone company office. [redacted] believed that the calls were ticketed and billed to the company. The calls are placed by use of the direct dialing system. [redacted] was then asked to explain the system used in placing the long-distance calls prior to direct dialing. He became very nervous at this point and stated that he did not want to discuss this aspect or answer any additional questions. [redacted] advised that he did not want to lie but felt he owed a loyalty to his employer and therefore would not answer any additional questions unless called by a subpoena.

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- 11 -

Interviewed on 2/13/73 at Freeland, Washington File # SE 87-13996

by SA [redacted] bfr Date dictated 2/16/73

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## FEDERAL BUREAU OF INVESTIGATION

1Date of transcription 2/21/73

[redacted] Langley, Washington, advised that she has been employed by the South Whidbey Island Telephone Company since [redacted]. She is a telephone operator. [redacted] advised that each employee is allowed to make four or five free long-distance phone calls each week. She usually places two calls a week. The calls are placed at the phone company by direct dialing or through the operator if the pay booth immediately outside the phone company is used. This privilege is only available to the employee and not to members of the employee's family. [redacted] advised that all calls are placed through the operator before direct dialing. The operator would place the call and prepare a ticket for the call. Each call was ticketed for three minutes or less regardless of the duration of the call. This was done at the direction of Mr. HENNY and she assumed the calls were paid for by the phone company.

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[redacted] advised that local Time of Day requests are given by the local operator. [redacted] was then asked to explain the previous procedure used by operators in connection with Time of Day calls. She became hesitant and conferred with [redacted]. [redacted] then stated she would rather not answer any additional questions unless called by subpoena.

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- 12 -

Interviewed on 2/14/73 at Langley, Washington File # SE 87-13996  
by SA [redacted]:bfr Date dictated 2/16/73

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## FEDERAL BUREAU OF INVESTIGATION

1

Date of transcription 2/21/73

[redacted]  
Langley, Washington, advised that she has been employed by the South Whidbey Island Telephone Company during the [redacted]. She worked as an operator during the [redacted] and presently is the [redacted]. Phone company policy allows for each employee to make five free long-distance phone calls each week. The calls must be placed at the phone company office and are presently direct dial. Prior to direct dialing the calls could be made from the phone company office or the pay booth directly adjacent to the phone company building. [redacted] advised that the call had to be placed through the operator and she believed that a ticket was prepared for each call. The call would then be billed to the phone company.

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Each call was ticketed as a three-minute or less call regardless of the duration of the actual phone call. She received these instructions from [redacted] and assumed that Mr. HENNY was the individual who set the policy. In addition the operators were instructed to record each of Mr. HENNY's personal calls as a three-minute call regardless of the duration. [redacted] advised that she has averaged about three of these long-distance calls a week.

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[redacted] stated that Time of Day information is presently given by the local operators. She can recall several occasions in the past when the operator would dial the Seattle area for the information. The long-distance call to Seattle would be ticketed and charged to the South Whidbey Island Telephone Company. These Time of Day calls are frequent, especially during times of bad weather or electrical failure. The policy of calling the Seattle area for the time information was handed down to [redacted] by supervisors. She was never personally told to place time of day calls with the purpose of building up the number of long distance calls.

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[redacted] stated that operator 55 calls is a universal term meaning time and charges. [redacted] was then asked to explain how friends and relatives of Mr. HENNY

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Interviewed on 2/14/73 at Langley, Washington File # SE 87-13996

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by SA [redacted] :bfr Date dictated 2/16/73

- 13 -

used operator 55 to place long-distance calls. [ ] stated that another operator somewhere in the United States would call a local South Whidbey Island operator and ask for operator 55. The calling party on the other end would then give his name and number and state that he was returning Mr. HENNY's call. The local operator would then plug into a busy jack and tell the party calling that the line was busy. The operator would then call the person back and find out the number he wants to call. The Whidbey operator would then place a call to that number through the South Whidbey Island switchboard and no ticket would be made. [ ] stated that a call could thus be placed from California to New York through the local switchboard without any ticket being made or any charge for the call. Instructions for this procedure were handed down through supervisors and [ ] assumed this was the policy Mr. HENNY set forth. [ ] stated she could not give an educated estimate as to the number of calls placed in using this method but stated they were not very frequent. She could recall no specific lists of individuals who were to be granted this free calling privilege. [ ] recalled that the procedure was used by HENNY or his wife when they were out of town as well as HENNY's parents and other relatives. She believed the procedure was also used by Mr. HENNY's [ ] and several other friends.

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[ ] advised that she was unfamiliar with holding time studies and was unfamiliar with a 100 minute clock. She could never recall Mr. HENNY stating that the company needed additional long-distance calls and she was never instructed to place long-distance calls just to build up the number of calls.

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[ ] advised that the phone company has offered a local wake-up service. She did not know of any long-distance wake-up service being offered.

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She has been in the living room of Mr. HENNY's house on one occasion several years ago. She did not notice any extensive telephone equipment in the house. She has heard rumors that he has the capability of monitoring local operators from his home. She does not believe that he would listen to private conversations or make tapes of conversations.

[ ] stated that on occasions Mr. HENNY and his friends would come to the phone company and operate the switchboard. On occasions he would set up conference calls

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SE 87-13996

and speak to several individuals throughout the United States at the same time. She believed that in most cases these persons were friends and relatives of Mr. HENNY. She was not certain but did not believe a ticket was made of the calls.

## FEDERAL BUREAU OF INVESTIGATION

1

Date of transcription 2/21/73

[redacted] Clinton, Washington, advised that she has been employed by the South Whidbey Island Telephone Company on [redacted]. She worked for [redacted] and [redacted] and has [redacted]. She is an operator on the [redacted].

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[redacted] advised that company policy allows each employee to make five free long distance phone calls per week. The calls are to be of reasonable duration and are not to be at peak times. She usually places the five calls each week and the calls are almost always over three minutes in length. Since direct dialing came into existence she has been told to cut down on the length of the calls. The phone calls are placed at the phone company office and are billed to the phone company. [redacted] stated that calls could be made to any place in the United States, Alaska, or Hawaii, however, she was not certain if a call could be placed to Canada. These calls have been placed by direct dialing since July, 1972, and prior to that time were placed through the local operator. The phone number desired would be given to the operator and she would make a ticket and place the call. Operators were instructed to ticket the calls for three minutes or less regardless of the length of the actual call. She worked as an [redacted] and placed numerous calls for employees. Generally the phone calls were placed just before or after an employee's normal working hours or during lunch or coffee break time. [redacted] stated she often placed her calls from the lounge.

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[redacted] recalled on several occasions that Mr. HENNY and his friends, including [redacted] and [redacted], came to the office and operated the switchboard. [redacted] is Mr. HENNY's [redacted] and [redacted] is [redacted]. On occasions Mr. HENNY and his friends would actually place calls to various places in the United States. She did not know if these calls were recorded or ticketed. She can recall setting up multiple calls at the direction of Mr. HENNY and [redacted]. Generally Mr. HENNY would furnish the operator on duty with a list of phone numbers of his relatives or business associates. The conference call would be set up

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Interviewed on 2/14/73 at Langley, Washington File # SE 87-13996

by SA [redacted] :bfr Date dictated 2/16/73

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- 16 -

2  
SE 87-13996

by the operator and on occasion lasted as long as an hour. These conference calls have not occurred very often since direct dialing. However, prior to direct dialing a conference call was set up during the evening shift about once every two weeks.

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[ ] has heard that Mr. HENNY has an old switchboard in his home, however, she has never seen it. She has heard that he uses the switchboard to monitor local operators while they are on duty. He also has the capability of monitoring his home from the office. She does not believe he can listen in on private conversations.

[ ] advised that Time of Day calls are answered by the local operator. About a year ago this information was received from the Kirkland, Washington, area and Astoria, Oregon. She advised that a local customer would call and ask for the time. The operator on duty would then dial and long-distance number in Kirkland or Astoria, Oregon. The call would be ticketed and billed to the phone company. These Time of Day calls improved the ticket count. [ ]

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[ ] stated she could recall getting over 100 Time of Day inquiries on nights when the weather was bad or electric problems existed. She stated that these inquiries were always common during the evening shift. She stated that Mr. HENNY always appeared very happy when the electricity was off or the weather was bad because of the numerous time of day and weather calls. [ ] stated that the procedure was handed down to her from Mr. HENNY or a chief operator.

[ ] was asked to explain the operator 55 call and the method in which relatives and friends of Mr. HENNY placed long-distance calls. [ ] stated that a friend or relative of Mr. HENNY would call the local switchboard at the South Whidbey Island telephone company as if he was returning a call. The person would give his name and phone number and state that he was returning Mr. HENNY's call. The operator learns to recognize the names of Mr. HENNY's friends and relatives and then plugs into a busy jack. The operator then tells the party that the line is busy. A few minutes later the local operator calls the person who at first placed the call and asks for the number he desires. The call is then set up by the local operator and no ticket is made. [ ] believed that at one time these calls were ticketed but for only three minutes or less. By using this procedure a person in a different area could place a long-distance phone call through the Whidbey switchboard to another section of the United States without paying for the

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SE 87-13996

call. [ ] stated that Mr. and Mrs. HENNY used this method whenever they were out of town. In addition Mr. HENNY's parents and [ ] used the procedure. She stated there were others but she could not recall their names. This was accepted company policy when she came to work for the company and there was no actual list of people entitled to the privilege.

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[ ] advised that holding time studies were not familiar to her. She never heard the term of 100 minute clock used in her presence. She recalled reading several meters on the night shift but she is not sure of the purpose of the meters. She was never instructed to place time of day calls unless they were requested by a customer. She could not recall Mr. HENNY or any other supervisor telling her that more long-distance calls were needed.

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# FEDERAL BUREAU OF INVESTIGATION

REPORTING OFFICE <b>SEATTLE</b>	OFFICE OF ORIGIN <b>SEATTLE</b>	DATE <b>3-28-73</b>	INVESTIGATIVE PERIOD <b>3-6-73 to 3-13-73</b>
TITLE OF CASE <b>DAVID C. HENNY</b>		REPORT MADE BY [REDACTED]	TYPED BY <b>ksw</b>
		CHARACTER OF CASE  <b>FBW; IOC</b>	

*87-125130-1*

**REFERENCE:** Seattle report of SA [REDACTED] dated 2-21-73.

- P -

## ENCLOSURES

NEW YORK

One (1) copy of referenced report;

Two (2) Pacific Northwest Telephone Company memorandums dated 9-27-72 and 1-2-73 reflecting conversations with [REDACTED].

ACCOMPLISHMENTS CLAIMED						<input checked="" type="checkbox"/> NONE	ACQUIT-TALS	CASE HAS BEEN:
CONVIC.	AUTO.	FUG.	FINES	SAVINGS	RECOVERIES			
								PENDING OVER ONE YEAR <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO PENDING PROSECUTION OVER SIX MONTHS <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO

APPROVED

SPECIAL AGENT IN CHARGE

COPIES MADE:

- 5*
- (2) - Bureau (87-124130)
  - 1 - USA, Seattle
  - 2 - New York (Enclosures 3)
  - 2 - Seattle (87-13996)

DO NOT WRITE IN SPACES BELOW

87-125130-2

17 APR 2 1973

EX-117

### Dissemination Record of Attached Report

Agency	Request Recd.	Date Fwd.	How Fwd.	By
		<b>17 APR 16 1973</b>		

Notations

DATA PROC

COVER PAGE

SE 87-13996

LEADS

NEW YORK

AT NEW YORK, NEW YORK

1. Interview [redacted], employee, [redacted] of New York City, telephone 689-0380, in detail with the purpose of verifying the information he furnished to [redacted] as set forth in the two enclosed memorandums.

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2. Interview [redacted] at [redacted]  
[redacted], New York, to determine his personal use of "operator 55" to place three long distance phone calls through the South Whidbey Island Telephone Company, his personal operation of the switchboard of that company, and his receipt of long distance wake-up service calls from that phone company. Also determine if he has any knowledge of any unusual operator procedures used by employees of the phone company and determine if he knows the capability of the equipment within the home of DAVID C. HENNY.

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UNITED STATES DEPARTMENT OF JUSTICE  
FEDERAL BUREAU OF INVESTIGATION

Copy to: 1 - USA, Seattle  
(Attention: AUSA CARTER)

Report of: [REDACTED] Office: Seattle, Washington  
Date: March 28, 1973

Field Office File #: 87-13996 Bureau File #: 87-124130

Title: DAVID C. HENNY

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Character: FRAUD BY WIRE;  
INTERCEPTION OF COMMUNICATIONS

## Synopsis:

Several telephone operators verified that employees of the South Whidbey Island Telephone Company are allowed to make weekly long-distance calls at the expense of the phone company. These calls, as well as other calls billed to the phone company, were ticketed as three minute calls, regardless of the actual duration. At times the Time-of-Day calls were placed through the local switchboard to Oregon or the Seattle Area as long distance calls and billed to the phone company. Certain of HENNY's friends and relatives living outside the South Whidbey Island Telephone Company area could place long-distance calls to other parts of the United States through the South Whidbey Island Telephone Company operators.

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A [REDACTED] believes that HENNY has the capability of monitoring operators and possibly private conversations from his home. [REDACTED] of the company advised the South Whidbey Island Telephone Company toll statement reflects charges of between \$1,000 and \$1,500 a month and reflects a long list of three minute

SE 87-13996

calls. The telephone company also  
operates an answering service.

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## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/12/73

[redacted], Washington, was interviewed at her residence in the presence of Assistance United States Attorney (AUSA) BRUCE CARTER. [redacted] advised that she was employed as an operator [redacted] in the [redacted] [redacted] for the South Whidbey Island Telephone Company for [redacted] years. She left the company about [redacted] years ago. [redacted] immediately pointed out that she had a great deal of respect for her former employer, DAVID HENNY.

[redacted] stated that each employee was allowed to make several free long-distance phone calls a week. The calls had to be made from the phone company office and could be made only by the employee and not members of the family. All of the calls were ticketed by the operators. Some of the calls were ticketed for the entire length of the conversation and others for three minutes. [redacted] stated she made only a few calls.

[redacted] advised that she has heard rumors that Mr. HENNY monitors the operators to determine if they use correct procedures. She has never heard that he monitors private conversations. She recalled on several occasions that Mr. HENNY and [redacted] actually operated the switchboard. She did not pay a great deal of attention to what they were doing.

[redacted] advised that all of the Time-of-Day information requested by local customers was given by the operator. She never recalled any instance when the local operator dialed a long-distance recording in the Seattle area or in Oregon. [redacted] could recall placing no long-distance calls for relatives of Mr. HENNY.

Several times during the conversation, [REDACTED] stated that she admired Mr. HENNY and felt he was a very just employer.

Interviewed on 3/6/73 at Coupeville, Washington File # SE 87-13996

by SA [redacted] /bgw Date dictated 3/8/73

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/12/73

1

[redacted] Free-land, Washington, was interviewed at her residence in the presence of [redacted] and Assistant United States Attorney (AUSA) BRUCE CARTER. [redacted] stated she was employed as an operator for the South Whidbey Island Telephone Company from [redacted]. In addition, she worked for DAVID HENNY as a [redacted] on several occasions. [redacted] stated HENNY has approximately [redacted] [redacted] in his home, and she never did learn how [redacted].

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[redacted] indicated it was general knowledge that Mr. HENNY had the capability of monitoring the operators for proper procedure from his car, office or home. She did not know if he ever monitored private conversations.

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It was company procedure for each employee to be able to make several long-distance phone calls each week to anyplace in the United States or Hawaii. The calls had to be placed at the phone company office or the pay phone booth in front of the office. Only the employee was granted this privilege. The operator on duty would ticket the call for three minutes or less regardless of the length of the call. An employee could talk for as long as she desired, but the ticket would reflect only a three-minute call. [redacted] assumed that the calls were billed to the phone company. She was the operator on duty when many of the employee calls were placed. The procedure used in ticketing the calls was told to her by the chief operator who would have been [redacted] or [redacted]. [redacted] placed several calls each week. She stated that any call billed to the phone company would be ticketed as a three-minute call regardless of the duration.

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At the time [redacted] went to work for the phone company, Time-of-Day information was given to the customer by the operator on duty. Several months before she left the company, the Chief Operator set forth a new procedure. The

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Interviewed on 3/6/73 at Freeland, Washington File # SE 87-13996

by SA [redacted] /bgw Date dictated 3/8/73

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SE 87-13996

operator on duty was to dial a long-distance number in the Seattle area for the Time-of-Day information. This call was ticketed as a long-distance call and billed to the company. This procedure would build up the number of toll calls placed. She placed numerous of the Time-of-Day calls each day during her shift. The same procedure was used for weather information. A number in Bellevue, Washington, was called if a Puget Power problem occurred after working hours of the local Puget Power Office. These calls were also ticketed to the phone company and not to Puget Power.

[ ] was asked to explain the operator 55 calls and the method in which relatives and friends of Mr. HENNY placed long-distance calls. [ ] advised that an operator could tell that a long-distance call was coming in by certain lights on the switchboard. The operator was instructed to reply, "Operator 55," and ask for the name of the caller. The caller would state that he is returning a call for Mr. HENNY and would give his name, city, and phone number. The operator would then plug into a busy jack. This would alert the operator in the other city that the call was not being completed. The Whidbey operator would then call the party in the other city and ask him what number he desired. The person was then connected with the party he wanted. [ ] believed that these calls were ticketed as a three-minute call. A person could thus place a call from Seattle to California through the Whidbey operator. He could talk for as long as he desired without being billed. [ ] stated this procedure was given to her by the Chief Operator. The courtesy was granted to Mr. HENNY's relatives, some friends, and [ ]. The only individual she could recall by name using this procedure was [ ]. [ ] stated she usually placed at least one of these calls each day.

[ ] advised that once or twice each week, Mr. HENNY would request that a conference call be set up for him. Mr. HENNY would instruct the operators on the parties

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SE 87-13996

to be included in the call and would sometimes give the operator instructions on how to set up the call. The calls were ticketed for three minutes or less; however, some of them lasted as long as an hour. On some occasions, Mr. HENNY would operate a switchboard at the phone company and would make numerous long-distance calls. [ ] did not know if the calls were ticketed.

[ ] placed several Wake-Up calls to an individual in Hawaii. She believed these calls were also ticketed for three minutes to the phone company. She stated that Mr. HENNY operates an answering service for local businesses through the phone company. This service is performed in the phone company by the operators on duty. [ ] was never instructed to personally place Time-of-Day calls or to build up the toll calls. She could not recall Mr. HENNY or any other supervisor telling her that more long-distance calls were needed.

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## FEDERAL BUREAU OF INVESTIGATION

3/12/73

Date of transcription

1  
[redacted]  
[redacted] Washington, was interviewed at her residence in the presence of Assistant United States Attorney (AUSA) BRUCE CARTER. [redacted] stated she was employed as an operator for the South Whidbey Island Telephone Company from [redacted] Prior to that, she had worked for the [redacted] in Seattle for [redacted]

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[redacted] advised that the telephone company allowed each employee the benefit of making five free long-distance phone calls each week to anyplace in the United States. The calls had to be made by the employee and had to be placed at the phone company office. [redacted] made some calls and placed other calls for other employees. The calls were ticketed for three minutes or less regardless of the actual duration of the call. She believed that there may have been a 30-minute limit set by the company; however, the tickets always reflected only a three-minute call. The phone company was billed for the call. She received instructions concerning this matter from the Chief Operator, and she understood it to be company policy. All phone calls made by employees or billed to the company were to be ticketed as a three-minute call.

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[redacted] advised that Time-of-Day requests were often received by operators. Initially, the operator gave the customer the time. Later, she was instructed to dial a number in Kirkland, Washington, for a recording. This procedure was placed in effect [redacted] left the phone company. She was told by someone that this would produce a higher ticket count. Weather calls were also placed to Seattle. All of these calls were billed to the phone company.

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[redacted] recalled the procedure in setting up long-distance phone calls for Mr. HENNY's friends and relatives. [redacted] recalled that an operator would receive a phone call from an individual who stated he was returning Mr. HENNY's call. The operator would then plug into a busy jack after receiving the name and phone number of the person calling.

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3/6/73

Freeland, Washington

SE 87-13996

Interviewed on

at

File #

SA [redacted]

/bgw

3/8/73

by

Date dictated

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SE 87-13996

The Whidbey operator would then call this individual back and ask him what number he desired. The call was then completed; however, [ ] could not remember if the call was ticketed. She vaguely recalled placing a call for HENNY's sister in Seattle to relatives on the East Coast. [ ] pointed out that this procedure was not used very often when she was on duty. The privilege was granted to Mr. and [ ] HENNY, their parents, other relatives and friends. She could not recall the names of the individuals who were permitted to place calls in this manner.

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[ ] stated that Mr. HENNY would sometimes request that conference calls be set up between himself and several other individuals. He would give the operator specific instructions on what he desired. She recalled one occasion when Mr. HENNY spoke with his father and sister at the same time. She did not know if the calls were ticketed but stated some of them were quite lengthy. [ ] has heard rumors that Mr. HENNY monitors the procedures used by operators; however, she has no first-hand knowledge concerning this rumor. She has been in his home on several occasions and noted that he had many telephones. She saw no other equipment.

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[ ] advised that the phone company offered a Wake-Up service for local customers. In addition, [ ] was called in Seattle by some of the operators. She did not personally place any long-distance Wake-Up calls.

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[ ] stated that [ ], worked for the South Whidbey Island Telephone Company until he [ ]. He is now employed by the [ ].

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## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 3/12/73

1

[redacted], Langley, Washington, was interviewed at his place of business in the presence of Assistant United States Attorney (AUSA) BRUCE CARTER. [redacted] worked for the South Whidbey Island Telephone Company as the [redacted] from [redacted] to [redacted] and from [redacted] to [redacted]. He was [redacted] of employment because of a [redacted]. DAVID HENNY, [redacted]. The men were working on personal projects for Mr. HENNY at his home and private property yet they were being paid by the phone company. [redacted] gave a [redacted] to [redacted] concerning this matter.

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[redacted] advised that Mr. HENNY has elaborate telephone equipment in his home. There was a cable consisting of 25 lines to Mr. HENNY's home, and no employee was allowed to work on or cut in on those lines. [redacted] believed that HENNY had the capability of monitoring operators and possibly private conversations from his home. Mr. HENNY would at no time talk about the equipment in his home or the 25 lines to his home. On one occasion, [redacted] was speaking to Mr. HENNY by phone when an unusual noise was heard on the phone line. [redacted] was in the office, and Mr. HENNY was at his home. A few minutes later, Mr. HENNY came into the office and was very angry. He accused [redacted] of [redacted] to his home. A few days later, [redacted] believes that [redacted] might have learned some information that was against FCC regulations. This occurred about a year before [redacted] was a [redacted] the Skagit Valley Telephone Company at that time.

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[redacted] stated that he personally made several phone calls from his home concerning union matters. Mr. HENNY would somehow learn of the contents of the conversations, and [redacted] just assumed he was listening in at the time. [redacted] pointed out that he heard nothing unusual over the lines when he was speaking and has no actual knowledge that his conversation was being monitored. [redacted] also worked for the South Whidbey Island Telephone Company and had quite a

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Interviewed on 3/6/73 at Langley, Washington File # SE 87-13996  
by SA [redacted] /bgw Date dictated 3/8/73

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## FEDERAL BUREAU OF INVESTIGATION

Date of transcription **3-16-73**

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[redacted] Coupeville, Washington, advised that she is [redacted] as an [redacted] for the South Whidbey Island Telephone Company. She previously worked for a period of four or five years in the mid 1960's. She returned to work in [redacted].

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[redacted] advised that each employee receives the benefit of five free long-distance telephone calls each week. These calls must be placed at the telephone company office and are billed to the telephone company. There is no limitation as to the time limit of the calls, and they can be placed to any location in the United States.

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Operators were instructed to ticket each of the employee calls as a three-minute call. [redacted] stated an employee could talk for almost as long as she desired; however, the bill would reflect only a three-minute conversation.

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[redacted] usually makes two telephone calls each week, one to Coupeville and the other to Bellingham, Washington. Prior to direct dialing, these calls were placed through the operator and [redacted] placed many calls for other employees.

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[redacted] stated that Time of Day information has always been given by the operators to the best of her knowledge. She never recalled any instructions to dial a number in Kirkland, Washington, or Oregon, for the Time of Day information. The operator simply gave the time to the person requesting such information.

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[redacted] recalled making several long-distance calls for Mr. DAVID HENNY. He might be engaged in business in some other location in the United States, and he would call the Whidbey switchboard, asking for operator 55. [redacted] would immediately recognize Mr. HENNY's voice and get the number from where he is calling. She would then give him a busy signal, and

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Interviewed on **3-12-73** at **Coupeville, Washington** File # **SE 87-13996**  
by SA **[redacted]** /ksw Date dictated **3-13-73**

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SE 87-13996

he would hang up the telephone. [ ] would then call Mr. HENNY and ask him for the number he desired. This number might be within the South Whidbey Island Telephone Company area, or it might be at some other location in the United States. The call would then be completed for Mr. HENNY, and [ ] could not recall if the call would be ticketed.

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She could not recall placing such calls for any of Mr. HENNY's relatives or friends. In addition, she stated she has made no such calls for Mr. HENNY or anyone else during her current time of employment.

[ ] advised that the telephone company presently operates an answering service. There are approximately twenty-one local businesses who use the service and the duties are performed by the operators.

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[ ] stated that a Zenith number in Burlington, Washington, is called to reach Puget Power whenever an electrical shortage occurs. This is a long-distance telephone calls, and she believes the call is billed to the telephone company. Calls pertaining to electrical problems during the day are referred to the local Puget Power office.

[ ] stated she has never placed any conference calls for Mr. HENNY. She has heard that he sometimes engages in long conversations with several people; however, she has no first-hand knowledge. On occasion Mr. HENNY operates the switchboard and places calls. He also tests the equipment.

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She has never seen any of the telephone equipment in Mr. HENNY's home. She has been told that he has the capability of monitoring operators from his home or vehicle to determine if they are following proper procedures. He also checks to see if operators are listening in on private conversations, and has become very angry when he suspects one of them of engaging in this practice.

[ ] thought that [ ], Couneville, Washington, telephone [ ] may have [ ] for this reason.

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SE 87-13996

[ ] stated she has never been told that the telephone company needed additional long-distance telephone calls, and she has never been instructed to place any telephone calls just to bill up the amount of toll. She has made "wake-up" calls to people in the immediate area; however, none of these have ever been long-distance calls.

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SE 87-13996

The following investigation was conducted  
by Special Agent [REDACTED]:

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On March 13, 1973, Assistant United States  
Attorney BRUCE CARTER, United States Courthouse, Seattle,  
Washington, advised that HENNY's personal friend, [REDACTED]

[REDACTED] can be reached at [REDACTED]  
[REDACTED] New York  
City, New York. Mr. CARTER would like [REDACTED] interviewed  
concerning his personal use of "operator 55" to place  
free long distance calls through the South Whidbey  
Island Telephone Company, his personal operation of  
the switchboard of that company, and his receipt of  
long distance wake-up calls from that telephone company.

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He also requested that [REDACTED] be  
interviewed in detail to verify the information he  
furnished to [REDACTED] as set forth in memorandums  
dated September 27, 1973, and January 2, 1973.

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## FEDERAL BUREAU OF INVESTIGATION

REPORTING OFFICE <b>SEATTLE</b>	OFFICE OF ORIGIN <b>SEATTLE</b>	DATE <b>5/24/73</b>	INVESTIGATIVE PERIOD <b>4/20 - 5/17/73</b>
TITLE OF CASE <b>DAVID C. HENNY</b>		REPORT MADE BY <div style="border: 1px solid black; width: 150px; height: 15px;"></div>	TYPED BY <b>jgm</b>
		CHARACTER OF CASE  <b>FBW; IOC</b>	

REFERENCES: Seattle report of SA , 3/28/73;  
 Seattle nitel to New York, 4/20/73;  
 New York nitel to Seattle, 4/26/73;  
 Seattle airtel to New York, 4/30/73;  
 New York airtel to Seattle, 5/4/73.

- P -

LEADSEATTLEAT EVERETT, WASHINGTON

Maintain contact with AUSA BRUCE CARTER for his prosecutive opinion.

ACCOMPLISHMENTS CLAIMED						<input checked="" type="checkbox"/> NONE	ACQUIT- TALS	CASE HAS BEEN:
CONVIC.	AUTO.	FUG.	FINES	SAVINGS	RECOVERIES			
								PENDING OVER ONE YEAR <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO PENDING PROSECUTION OVER SIX MONTHS <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO

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IN CHARGE

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- 2 - Bureau (87-124130)  
 1 - USA, Seattle  
 2 - Seattle (87-13996)

87-125130-3 REC-29

MAY 29 1973

ST 113

Dissemination Record of Attached Report				
Agency				
Request Recd.				
Date Fwd.				
How Fwd.				
By				

Notations

DATA PROC

COVER PAGE



UNITED STATES DEPARTMENT OF JUSTICE  
FEDERAL BUREAU OF INVESTIGATION

Copy to: 1 - USA, Seattle

Report of: [REDACTED]

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Office: Seattle, Washington

Date: May 24, 1973

Field Office File #: 87-13996

Bureau File #: 87-<sup>125/30</sup>~~124130~~

Title: DAVID C. HENNY

Character: FRAUD BY WIRE; INTERCEPTION OF COMMUNICATIONS

Synopsis: [REDACTED] interviewed at New York City and he provided extensive information regarding the activities of HENNY at the South Whidbey Island Telephone Company. AUSA, Seattle, is considering subpoenaing witnesses before the June Federal Grand Jury.

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- P -

DETAILS: AT SEATTLE, WASHINGTON

On April 20, 1973, Assistant United States Attorney (AUSA) BRUCE CARTER, U.S. Court House, Seattle, advised he is considering the presentation of this matter to the Federal Grand Jury during the first week in May.

By communication dated April 26, 1973, New York advised as follows:

[REDACTED]  
New York, New York, denied any knowledge of HENNY, the South Whidbey Island Telephone Company, or of ever having been to the State of Washington.

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## FEDERAL BUREAU OF INVESTIGATION

Date 5/1/73

1

[redacted] was interviewed at his place of employment, [redacted]

[redacted], New York, New York, telephone [redacted]. He was advised of the identity of the interviewing Agent orally and through display of credentials and further advised that the Agent wished to discuss with him the activities of DAVID C. HENNY at the South Whidbey Island Telephone Company, South Whidbey Island, Washington.

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[redacted] advised that income for the South Whidbey Island Telephone Company is based on a cost per message figure which is arrived at as follows:

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The total amount of money invested in long distance call facilities (cables, buildings, etc.) is multiplied by 1.07 (rate of return set by the Federal Communications Commission in circular #260). The figure arrived at is then divided by the total number of messages (individual calls) for the period in question. The figure arrived at is the Cost Per Message.

When the Cost Per Message is multiplied by the number of messages for the period involved, the product is Total Revenue due the company.

[redacted] stated that the rate of return for local calls (calls originating and ending on South Whidbey facilities) is set by a local commission.

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When the revenue collected per message from South Whidbey subscribers (local toll billing) is subtracted from the Total Revenue figure mentioned above, the resultant figure is the amount due South Whidbey, in settlement, from the General Telephone Company of the North West.

- 2 -

On 4/26/73 at New York, New York File # NY 87-70621 SE 87-13996

by SA [redacted] :kxs Date dictated 4/30/73

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NY 87-70621

2

In this way, when HENNY directed that toll calls be "ticketed" at three minutes or less no matter how long they lasted, he in effect reduced the amount due South Whidbey from local subscribers and increased the amount due in settlement from General Telephone Company of the North West.

[ ] advised that during the period he was with HENNY, at various times, weather, time of day, and ski reports messages were made long distance calls and charged to the official number at South Whidbey Telephone Company. The official number at one time was 382-6111. It is now 321-1111. The decision as to whether or not to charge these calls to long distance was always made by HENNY.

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[ ] added that there are about 100 lines on the South Whidbey switchboard "strapped" to charge automatically to the official number.

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[ ] advised that every time of day, ski report or weather call made long distance generated another message that would call for a settlement in the same way that a regular long distance call short-ticketed would; by decreasing local toll billing, the amount of settlement due Whidbey from other independents would increase. The short-ticketing would decrease the average rate per message, increasing Whidbey's settlement...

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[ ] advised that to the best of his knowledge, wake up calls by South Whidbey operators were discontinued in December, 1971, or January, 1972. These included several long-haul calls that were charged to the company's official number.

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[ ] stated that "Operator 55" calls are still going on, but that he is no longer on the list of individuals entitled to use this service. [ ] stated that to the best of his knowledge, no written list of "approved" individuals

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NY 87-70621

was ever put out by HENNY, and that operator instructions as to placing these calls and approved names, were orally given to the operators by HENNY. [ ] added that it was not unlikely that some of the operators made up lists of their own for quick reference.

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[ ] stated that individuals included on the wake-up and operator 55 lists were friends, acquaintances, employees, relatives, and others designated by HENNY himself. Included were HENNY, [ ] and [ ]. [ ] added that all the operators followed HENNY'S "operator 55" procedures, but were probably not aware that they were doing anything wrong. They were just following instructions.

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[ ] provided the following information regarding the below listed individuals and topics:

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[ ] - [ ]  
He is sometimes called [ ] Had "operator 55" and wake up privileges. Has been associated with HENNY for several years.

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[ ] - [ ] [ ] believes it was [ ] who provided [ ] to HENNY which allowed him to make [ ] calls and bypass the [ ] operator, at the same time short-timing the call ticket.

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[ ] - [ ] Also takes care of [ ] and would have knowledge regarding [ ] and duties, if any.

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[ ] - [ ]  
[ ] He may have been aware of HENNY'S activities regarding manipulation of costs to increase settlements.

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[ ] - [ ]

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NY 87-70621

4

[redacted] - Works in the telephone company [redacted].

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[redacted] - Seattle area [redacted]  
[redacted] who took over the [redacted] of South Whidbey upon [redacted].

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[redacted] - An [redacted] at South Whidbey. He made [redacted] regarding [redacted]. He may or may not have been aware of HENNY'S activities.

Equipment in HENNY'S Home - [redacted] stated that the equipment in HENNY'S home is fully capable of monitoring both ends of a conversation, meaning the operator at South Whidbey and the subscriber. A switch on the equipment also allowed HENNY to cut off one end of the conversation and listen to only one party. Amplification equipment allowed HENNY to do this without the other parties being aware that they were being monitored.

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HENNY referred to his use of this equipment as service observing, using it to ensure that operators followed procedures that he (HENNY) established.

[redacted] had no personal knowledge of HENNY using this equipment for indiscriminate monitoring, but believed that HENNY had monitored conversations by [redacted] and his [redacted] on the telephone in their home. His reason for this belief is based partly on the fact that [redacted] and HENNY'S [redacted] were very close friends and that occasionally during the course of a conversation, particularly if [redacted] were mad at her husband, she would let slip some part of a conversation [redacted] or [redacted] had had on the telephone to which neither HENNY nor [redacted] were party.

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NY 87-70621

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[ ] recalled another incident regarding one of the former operators at South Whidbey, a [ ] (Last Name Unknown) (LNU). Among HENNY'S instructions to the operators was one that they not monitor phone calls [ ] by HENNY for [ ] when, in fact, she had not been doing so.

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[ ] advised that [ ] would frequently forget to [ ] so that anyone monitoring her would get the impression she had [ ]

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[ ] pointed out that the only way HENNY could determine whether or not any operator was monitoring calls was by he himself monitoring the operators.

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[ ] added that [ ] could probably recall additional names of individuals on the operator 55 and wake-up call "lists".

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[ ] further advised that the cable to HENNY'S home is 19 gauge. That cost South Whidbey about \$10 per foot in place. It has very low resistance and is ideal for monitoring purposes. HENNY'S equipment can monitor any call on an official phone and any call through the South Whidbey switchboard.

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[ ] stated that of the two sets of records available regarding the equipment in HENNY'S home, one set could be called "old records" and the other new.

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Expense Padding - [ ] does not believe HENNY would attempt any direct fraud by, for instance, padding contractors bills. He stated that HENNY has become extremely adept at manipulating costs in such a way that it results in increased settlements from connecting facilities.

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[ ] stated that one way this was done was by charging all or a percentage of employee salaries against toll investment cost. Salaries so charged included HENNY'S,

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NY 87-70621

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[redacted], the Chief Operators', Attorney's fees, Accounting fees, [redacted], and [redacted]

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An inordinant number of calls were charged to the official telephone company number, thereby increasing expenses. These included the toll free calls given to South Whidbey employees. Employees were allowed one or two calls a week, with virtually no limit on duration. The only stipulation was that they had to be made from the telephone company premises. [redacted] and HENNY both had unlimited long distance service directly from their homes.

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HENNY [redacted] was also carried on the telephone company payroll, and on one occasion he saw a check payable to her in the amount of \$1,485. Although she was receiving pay, [redacted] is not sure of the amount. [redacted] never observed [redacted] at the telephone company office, nor did he know what she did to earn her pay from [redacted]

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[redacted] advised that he was assigned [redacted] [redacted] but it was used primarily by HENNY [redacted]. [redacted] recalled that on one occasion he was directed by HENNY to [redacted]

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[redacted] feels that South Whidbey investment in motor vehicles is excessive for a company its size. He believes that the cost of most of these vehicles could have been charged to toll investment rather than the company's local investment costs.

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[redacted] also feels that new equipment purchased by HENNY in 1970 for the new Whidbey office was excessive. He feels that South Whidbey did not serve sufficient people to require the amount of sophistication that is contained in the new equipment. He also feels that a great part of this expense was charged to the toll rather than station account.

NY 87-70621

[ ] advised that [ ] of Pacific Western Engineers, Bellevue (or Belleville), Washington, was a consultant engineering firm for South Whidbey on contract C-7-E with the Rural Electrification Administration of the United States.

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[ ] advised that [ ] made several written reports to the effect that the equipment being installed was too extensive and that a different switching system would adequately handle South Whidbey's needs.

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[ ] was subsequently fired by HENNY.

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Car Telephones - [ ] stated that HENNY has a mobile telephone in his car capable of monitoring all three channels belonging to the South Whidbey Island Telephone Company, as well as all channels belonging to GTNW. The South Whidbey channels are:

ZM - Maintenance  
ZW - Telephone Office  
ZY - Commercial

[ ] pointed out that calls on such telephones go over public airwaves and can be monitored by anyone with the proper equipment.

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[ ] advised that HENNY has a microwave hookup to Everett, Washington. He further advised that any telephone company having such a hookup, as well as mobile telephones, is required to have a Class 1 FCC license. HENNY has no such license. He has a Class 2 license necessary to operate his ham radio equipment.

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Files - [ ] stated that HENNY was a particularly meticulous individual and did virtually everything by memo, with copies to individuals concerned, or made a written record of same. This was true in both his personal and professional life. He went so far as to give his wife instruction by memo, with copies to the children.

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NY 87-70621

8

[ ] related an incident where HENNY [ ] [ ], had become upset with this practice and had burned some of the files in HENNY'S office at home. Upon learning of this, HENNY threw her from the house and would not let her reenter until she had apologized and undergone counseling of some sort.

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[ ] added that HENNY kept two copies of all these memos, one in his office at home, and one in his telephone company office. After [ ] some of his [ ], he xeroxed copies of his office files to replace them.

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Short-time Calls - [ ] stated that calls on certain trunks into the South Whidbey switchboard were automatically ticketed for a shorter time than the actual call. These calls were marked "Official" on the switchboard and were on the "Common Battery Line".

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[ ] added that calls coming in from the general public were not so handled.

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Credit Cards - At the time HENNY was using them, there were about 5,000 cards issued. [ ] explained that HENNY made a considerable profit from these cards because, at that time, when a card was used by a subscriber the company that issued the card billed the person holding it, no matter what company's facilities had been used for the call made. In effect, subscribers using telephone credit cards issued by HENNY were billed by, and paid, HENNY, whether or not they used facilities owned by HENNY.

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[ ] added that the accounting firm of John Steralakis, Incorporated, Washington, D. C.; had made a study of HENNY'S operation, and as a result of that study, the FCC revised its rules on credit card issuance.

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Hot Island Telephone Company - [ ] stated that HENNY is the president and sole employee of the Hot Island Telephone Company. Calls placed from any of the telephones on Hot Island are switched through the South Whidbey switchboard.

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NY 87-70621

9

[ ] believes HENNY to own some parcels of land on Hot Island, but that most of it is owned by a development company on the island, in which HENNY has a financial interest. [ ] also believes that a (First Name Unknown) (FNU) [ ] in the telephone company, has an interest in this development company.

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HENNY receives all revenues from Hot Island Telephone Company due to his status as owner/sale employee.

[ ] advised that he thought that whenever any (telephone company) work was done on Hot Island, it was done by, and charged to, South Whidbey.

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REA Loans - [ ] stated that [ ]

[ ] relating to C, D and E loans made South Whidbey by the REA (Rural Electrification Administration).

These documents set forth the amounts of the loans, how checks were drawn on the three funds, and how allocated to expenses.

These documents also include copies of Financial Requirements Statements, [ ]

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[ ] advised that he would make these documents available should they be needed by the United States Attorney, Seattle, Washington.

Phone Phreak Activities - [ ] stated that he and HENNY would on occasion engage in "phone phreak" activities in an attempt to assist in apprehension of these individuals.

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He advised that these individuals utilize what is sometimes called a "blue box" to gain access to dial tones in various parts of the country. By so doing they

NY 87-70621

10

can place numerous, lengthy calls without charges of any kind. He advised that HENNY was familiar with the "language" of the "phreaks" and could talk to them on their level.

He advised that on one occasion they had arranged for a local radio station to transmit a conversation HENNY was having with a "phreak" on the air in an effort to convince the "phreak" that if he continued his activities he would be caught and prosecuted.

HENNY [ ] did, on one occasion, assist in the apprehension of a "phreak" in the south east by engaging him in conversation until the call could be traced and the "phreak" apprehended.

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Tax On Calls - [ ] pointed out that by short-timing tickets on long distance calls, subscribers were charged less than they would have been if the ticket had been accurate. This had the effect of cheating the government out of the 10 percent excise tax due it on the portion of the calls that were not ticketed or billed.

Operation of the Switchboard - [ ] stated that on those occasions when he, HENNY, [ ] and [ ] operated the South Whidbey switchboard it was for the sole purpose of helping out the operators when they were overloaded, or on holidays or special occasions when the girls would want time off.

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[ ] advised that the reason this was done was to forestall any attempt by employees to bring a union into the telephone company. By working the switchboards, the operators were kept happy because they got time off on special holidays and occasions, eliminating any complaint that could prompt demands for a union.

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[ ] advised that an individual named [ ] had at one time attempted to start a union at South Whidbey. When HENNY learned of it, he fired the entire South Whidbey crew.

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NY 87-70621

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Action of Other Independents - [ ] stated that he has no personal knowledge of any other independent company doing the same things that HENNY is doing at South Whidbey, but does not think it unlikely.

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[ ] stated that he recalled an offhand comment by HENNY one day that give him the impression that the Ellensberg, Washington, Telephone Company might be doing things similar to HENNY. He believes that the President and General Manager of Ellensberg, whose name he could not recall, had a summer home on South Whidbey Island.

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[ ] stated that HENNY has, since [ ] departure from South Whidbey, been providing prospective employers with derogatory summaries of his term of employment, with an apparent view toward blocking any of [ ] attempts at finding employment or damaging his reputation.

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[ ] also stated that HENNY had in his possession copies of memoranda reflecting personal transactions between [ ] and HENNY which [ ] believes would be used by HENNY to discredit [ ] and anything he might say on a witness stand.

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[ ] stated that [ ] may have documents relating to these transactions, or may know where they are.

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[ ] provided his current address as being:

[ ]  
New Canaan, Connecticut  
Telephone [ ]

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His [ ] is:

[ ]  
[ ]  
Kirkland, Washington 98023  
Telephone [ ]

SE 87-13996

The following investigation was conducted by  
Special Agent [REDACTED]:

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AT SEATTLE, WASHINGTON

On April 27, 1973, AUSA BRUCE CARTER, U.S. Court House, Seattle, was advised of the results of the interviews with [REDACTED] and [REDACTED]. He has no other address for [REDACTED] and has no information regarding his location.

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On May 17, 1973, AUSA BRUCE CARTER, U.S. Court House, Seattle, advised that he is considering the possibility of subpoenaing witnesses before the June Federal Grand Jury.

# FEDERAL BUREAU OF INVESTIGATION

REPORTING OFFICE <b>SEATTLE</b>	OFFICE OF ORIGIN <b>SEATTLE</b>	DATE <b>7/26/73</b>	INVESTIGATIVE PERIOD <b>6/6 - 7/18/73</b>
TITLE OF CASE <b>DAVID C. HENNY</b>		REPORT MADE BY <div style="border: 1px solid black; height: 15px; width: 100%;"></div>	TYPED BY <b>jgm</b>
		CHARACTER OF CASE <b>FBW; IOC</b>	

REFERENCES: Seattle report of SA  5/24/73;  
Seattle airtels to Philadelphia and Portland,  
6/22/73.

- P -

ENCLOSURES

Enclosed for Phoenix are two copies of referenced report.

LEADS

PHILADELPHIA

ACCOMPLISHMENTS CLAIMED					<input checked="" type="checkbox"/> NONE	ACQUIT- TALS	CASE HAS BEEN:	
CONVIC.	FUG.	FINES	SAVINGS	RECOVERIES			PENDING OVER ONE YEAR	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
							PENDING PROSECUTION OVER SIX MONTHS	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO

APPROVED <i>JEM</i> SPECIAL AGENT IN CHARGE COPIES MADE: ② - Bureau (87-125130) 1 - USA, Seattle 2 - Philadelphia 2 - Phoenix (Encs. 2) 2 - Portland 2 - Seattle (87-13996)	DO NOT WRITE IN SPACES BELOW <div style="border: 1px solid black; padding: 5px; margin: 5px;">           87-125130-4         </div> <div style="border: 1px solid black; padding: 5px; margin: 5px;">           5 JUL 30 1973         </div> <div style="border: 1px solid black; padding: 5px; margin: 5px;">           RFC 25         </div> <div style="border: 1px solid black; padding: 5px; margin: 5px;">           EX-105         </div>
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Dissemination Record of Attached Report					Notations <i>[Handwritten signatures and stamps]</i>
Agency					
Request Recd.					
Date Fwd.					
How Fwd.					
By					

53 AUG 15 1973

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SE 87-13996

LEADS (continued)

AT PHILADELPHIA, PENNSYLVANIA

Will expeditiously furnish Seattle results of interview with HENNY's parents.

PHOENIX

AT SHOWLOW, ARIZONA

Will locate and interview [redacted] Telephone Company, [redacted] For information of Phoenix, [redacted] of REA and as such, approved a large loan for South Whidbey Island Telephone Company, Whidbey Island, Washington. [redacted] was subsequently employed by South Whidbey Island Telephone Company from [redacted] to [redacted] as a [redacted] He was allegedly paid [redacted] for [redacted] work. [redacted] should be asked the following questions:

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1. All his employments since [redacted] and what the employment contracts provided.
2. His Social Security Account Number.
3. How much total pay he received from South Whidbey Island Telephone Company.
4. Why he [redacted]
5. Why he left South Whidbey Island Telephone Company.

PORTLAND

AT PORTLAND, OREGON

Will expeditiously furnish Seattle with results of investigation previously requested.

SEATTLE

AT WHIDBEY ISLAND, WASHINGTON

SE 87-13996

LEADS (continued)

Will reinterview operators regarding "Number Without" procedure used by HENNY to monitor private conversations.

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UNITED STATES DEPARTMENT OF JUSTICE  
FEDERAL BUREAU OF INVESTIGATIONCopy to: 1 - USA, Seattle (ATTENTION: AUSA BRUCE D. CARTER)

Report of:

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Office: Seattle, Washington

Date:

July 26, 1973

Field Office File #: 87-13996

Bureau File #: 87-125130

Title:

DAVID C. HENNY

Character:

FRAUD BY WIRE; INTERCEPTION OF COMMUNICATIONS

Synopsis:

Interviews of current and former employees reflect DAVID C. HENNY, owner, South Whidbey Island Telephone Company, has instructed operators to short-time calls, make long-distance wake-up and time-of-day calls, furnish employees with short-timed free long-distance calls, call his stockbroker in Portland and charge a short-time Seattle call, make needless long-distance test calls, and through system called "Number Without" enable HENNY to monitor private conversations. Results of interviews set forth.

- P -

DETAILS:

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 6/15/73

[redacted]  
Clinton, Washington, was interviewed at the South Whidbey Island Telephone Company. [redacted] stated she has been employed by the phone company as an operator for [redacted]

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It has been company policy for each employee to be allowed to make five free long distance phone calls each week to any location within the United States. [redacted] believed that at one time several years ago, there was no limitation on the number of calls, however, the five per week holds true at this time. The calls are billed and ticketed to the South Whidbey Island Telephone Company as a three minute call regardless of the actual duration. The calls can only be made by the employee and not by members of the family and must be placed from the telephone company. [redacted] has averaged five to seven calls each week. She initially received her instructions regarding this policy from the [redacted], [redacted]

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[redacted] advised that Time-of-Day requests are received frequently by operators. At the present time the operators are instructed to dial 503-229-1111 if asked for the recorded time. If the customer just asks for the time the operator now refers to her clock. During the past several years the operators were instructed to dial a recording in Oregon regardless if the customer requested for the recorded time. This practice ended about 1 1/2 years ago. [redacted] did not know the purpose for placing the calls to Oregon and did so upon the instruction of the chief operator. Weather information calls are also placed to Seattle. [redacted] believed that all of these calls are ticketed to the South Whidbey Island Telephone Company.

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[redacted] was asked to explain the operator 55 calls or the procedure used in which relatives and friends of Mr. HENNY placed long distance calls. She advised that the operator receives a call from a different operator in another location in the United States. The caller would ask for operator 55 or possibly state that Mr. HENNY's call was being

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Interviewed on 6/6/73 at Langley, Washington File # SE 87-13996

by [redacted] and TMK:jl 2 Date dictated 6/11/73

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SE 87-13996  
TMK:jlb

returned. [ ] stated that the local operator then plugs into the busy jack and the operator at the other destination believes that the line is busy. The South Whidbey operator then places a call back to the individual who had called for operator 55 and asked him what number he desires. The call is then completed and ticketed to the South Whidbey Island Telephone Company. This procedure is used by Mr. and [ ] HENNY, his parents, his sister in the Seattle area. [ ] and [ ] stated that most of the calls are placed by Mr. HENNY. She was informed of this procedure by the chief operator.

[ ] stated that the telephone company has a policy of placing Wake-Up calls to customers upon request. About three or four years ago, she worked the early morning shift and placed daily long distance Wake-Up calls to [ ] in Seattle. She believed the calls were ticketed to the phone company and she could recall no other long distance service.

[ ] has been in Mr. HENNY's home, however, she has never seen any of his telephone equipment. She understands that he can monitor the conversations of the operators, but has never heard that he can monitor private conversations. On occasions, Mr. HENNY requests that the local operator set up conference calls for him. These sometimes involve several people in several different locations. In addition, Mr. HENNY likes to operate the switchboard and evidently runs various tests of the equipment.

[ ] stated that she is aware that a holding time study was conducted at the phone company during the week of May 7, 1973. She believed this study is done to determine how much local and long distance business the company performs. [ ] stated that she worked from [ ] until [ ] from May 7 through May 11. [ ] and [ ] also worked the daytime shift although the time they report for work is staggered. [ ] had a 15-minute coffee break at 9 a.m. and 1:45 p.m. and a 30 minute lunch at 11:30 a.m. A second operator would have coffee breaks at 10 a.m. and 2:30 p.m. and lunch for 30 minutes at 12 noon. The third operator would have coffee breaks at 10:30 a.m. and 3 p.m. and lunch at 12:30 p.m.

3  
SE 87-13996  
TMK:jlb

[ ] stated the [ ] during this time was [ ] and she would normally substitute for the operator on break if the remaining operators became busy. She stated that Mr. HENNY seldom works the switchboard and he may have operated the switchboard for short periods during the week of May 7 to May 11. She thought that he remained in his office most of the time during the study. b6 b7C

[ ] stated she never busied a line when it was not in use and never made calls without tickets. She is not familiar with the use of the number 047 in connection with a call placed on the Everett trunk. She did not recall any strange white sequence on her switchboard during the week of May 7 and did not recall Mr. HENNY operating the switchboard for any great length of time. She did not make any test calls or 1,000-cycle tone calls. The phone numbers 355-3396, 047-321-1121, and 221-2111 were not familiar to her. [ ] did not notice anyone testing a specific trunk while she was operating the switchboard. She had no indication that anyone was placing calls for short duration on trunk after trunk. [ ] did not recall placing any call to Allied Data during the week of May 7. She never purposely left a line open after a call had been completed. [ ] did not notice a specific trunk which might have been in use for many hours without a break. [ ] never ran down the trunks during the week of May 7 to see if they were in operating order. She is not aware that anyone else performed such a test during this time. b6 b7C

[ ] admitted that she was probably at the switchboard at [ ] on each of the mornings from May 7 until May 11, 1973. She again stated that she did not recall Mr. HENNY operating the switchboard for any length of time and did not recall any unusual occurrences at the switchboard. She does not know if Mr. HENNY might have replaced her at her station when she left work at [ ] p.m. on those days. b6 b7C

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 6/15/73

Washington, was interviewed at the South Whidbey Island Telephone Company. She has been employed by the phone company for [redacted] and is a [redacted] b6 b7C She was [redacted] [redacted] stated that a Holding Time Study is not familiar to her and she does not know how the phone company is subsidized. She does not know of any procedures used in time-of-day calls and wake-up calls. She is not familiar with operator 55 calls and knows of no special procedure used in setting up calls for Mr. HENNY and his friends and relatives.

[redacted] stated that she has seen Mr. HENNY at the switchboard on occasions. She was at work during the week of May 7 to May 11, however, she cannot recall if Mr. HENNY was at the switchboard during that time. She pointed out that [redacted] and she seldom observes the operation of the switchboard.

[redacted] stated that [redacted] is returned to the phone company from Allied Computer Center. She [redacted] based on figures furnished by Allied.

Interviewed on 6/6/73 at Langley, Washington File # SE 87-13996

SA \_\_\_\_\_ and \_\_\_\_\_  
by SA \_\_\_\_\_ TMK:jlh 5 Date dictated 6/11/73

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 6/15/73

[redacted], Freeland, Washington, advised that she has been employed as a [redacted] for the South Whidbey Island Telephone Company for [redacted]. She has never worked for the company as [redacted] and her duties consist of [redacted]. She has been in DAVID HENNY's home on one occasion, but has never noticed any extensive telephone equipment. She heard that he can monitor the work of the telephone operators from his business office and from home. She has never heard that he monitors private conversation.

[redacted] advised that Mr. HENNY operates the switchboard at the phone company quite often. She was working a day time shift between May 7 and May 11, 1973. [redacted]

[redacted] could not be certain exactly when Mr. HENNY operates the switchboard and is not certain if he was on a switchboard between May 7 and May 11. She seldom sees him at the switchboard, but often overhears him working. [redacted]

is [redacted] to the office occupied by the [redacted]. She believes that he often performs some type of testing on the equipment and can recall him saying something to the effect that this is South Whidbey testing and would you give me a tone.

[redacted] has heard the operators say "Operator 55", however, she is not exactly sure of the procedure used in connection with this term. She is also unfamiliar with the method used in giving time of day information.

[redacted] advised that it is company policy to allow each employee to make five free long distance phone calls from the telephone office each week. A maximum of two calls can be made on any one day. [redacted] was certain that these calls were ticketed by the operator prior to direct dialing. There has been no limit on the length of the phone calls, however, she recalls seeing a company memo stating that the calls should be kept short. These calls can be made to any location within the United States. [redacted] believed that she averaged her five calls each week.

Interviewed on 6/6/73 at Freeland, Washington File # SE 87-13996

by SA [redacted] and FMK:jl Date dictated 6/11/73

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 6/15/73

[redacted], Langley, Washington, was interviewed at the South Whidbey Island Telephone Company. b6 She has been employed as a [redacted] for the company b7C for [redacted]

[redacted] stated it has been company policy to allow each employee to make five free long distance phone calls to any destination in the United States each week. These calls can only be made by the employee and must be made from the telephone company or the phone booth outside the phone company office. Prior to direct dialing, the operator on duty would ticket the call for three minutes or less regardless of the actual length of the phone call. In other words, the employee could talk as long as she desired, however the ticket would reflect a three-minute call. b6 [redacted] stated that she averages her five calls each week. The procedure used in ticketing the calls was explained to her initially by the [redacted] b7C

[redacted] stated that the telephone company policy for giving Time-of-Day information has varied from time to time. Periodically, the operators were instructed to give the customers the time directly. [redacted] recalled that a different procedure was used for more than a year beginning approximately 2 1/2 years ago. The operator on duty was instructed to dial a recording in Kirkland, Washington, or Oregon. This call was ticketed as a long distance call and billed to the South Whidbey Island Telephone Company. This policy was explained to her by either [redacted] or [redacted] b6 [redacted] and she understood it to be company policy. She b7C estimated that she placed five of the Time-of-Day calls to Kirkland or Oregon each day. A similar procedure was used in obtaining weather information, however, these calls were not as frequent as the Time-of-Day calls. [redacted] was certain that the calls were ticketed and billed to the phone company just as the free employee calls were billed to the South Whidbey Island Telephone Company.

[redacted] was asked to explain the operator 55 calls b6 and the method in which relatives and friends of Mr. HENNY b7C

Interviewed on 6/6/73 at Langley, Washington File # SE 87-13996

by SA [redacted] and [redacted] b6  
SA [redacted] MK:jlb 7 Date dictated 6/11/73 b7C

2  
SE 87-13996  
TMK:jlb

placed long distance calls. A long distance call would be received at the operator station according to [redacted] and a caller would give his name and number and stated that he was returning Mr. HENNY's call. The South Whidbey operator would then plug into a busy jack and this would alert the operator in the calling city that the call has not been completed. The South Whidbey operator would then call the party at the other location and ask him what number he desired. The person was then connected with the party he wanted. [redacted] believed that these calls were ticketed and charged to the South Whidbey Island Telephone Company. This privilege was used by Mr. and [redacted] HENNY, Mr. HENNY's parents, [redacted] [redacted] and possibly other relatives of Mr. HENNY. [redacted] recalled that on a few occasions, Mr. HENNY would be talking to his parents or friends in another part of the United States and he would instruct the operator to include yet another party at a different location. [redacted] received the instructions on the operator 55 calls from the [redacted] who would have been [redacted].

[redacted] stated that the operators place Wake-Up calls to local customers as a courtesy. At times she worked the early morning shift and placed these calls. Most of the recipients of the calls were local, however, she recalled that [redacted] was called in Seattle on a regular basis. The instructions for the Wake-Up calls were in a wake-up book and the only long distance call she could recall was that to SHOCK. She believed this call was billed to the South Whidbey Island Telephone Company.

[redacted] stated that she believed Mr. HENNY can monitor the work of the operators from his home, but as far as she knows, he cannot monitor personal conversations. She has been in his home on one occasion, but did not notice any telephone equipment in the home. She advised that Mr. HENNY operates one of the switchboards whenever the regular operators are extremely busy or on certain holidays such as Mother's Day and Christmas. Normally, Mr. HENNY and [redacted] operate the switchboard on these holidays and the operators are given the day off.



3  
SE 87-13996  
TMK:jlb

[ ] is not familiar with the holding time study which was conducted the week of May 7, 1973. She pointed out that she was on vacation from April 27 until May 20.

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## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 6/15/73

[redacted] Langley, Washington, was interviewed at the South Whidbey Island Telephone Company. She has worked for the telephone company for [redacted] and [redacted] worked as a [redacted] ago. At that time she was assigned to the [redacted].

[redacted] stated it is telephone company policy for each employee to receive five free long-distance phone calls each week. There is no time limit on these calls and they can be placed to any location in the United States. Prior to direct dialing, the local operator would place the call for the employee. The call would be ticketed for three minutes or less regardless of the actual duration of the call. [redacted] averages two or three free calls each week. These calls must be placed from the telephone company office or the pay phone outside the telephone company office. [redacted] assumed that this policy was established by Mr. HENNY and she received her instructions from the [redacted] or [redacted].

[redacted] advised that she frequently received time-of-day requests from customers when she worked as an operator. The operator was instructed to dial a recording in the Seattle area and then to ticket the call to the South Whidbey Island Telephone Company. This procedure was used from the time she came to work until the time she went to the Central Office. Weather information calls were also placed to Seattle. [redacted] estimated that she placed ten time-of-day calls each day. She did not know the reason for placing the calls to Seattle, but received her instructions from the chief operator.

[redacted] stated that she recalled the procedure used in setting up long distance phone calls for Mr. HENNY's friends and relatives. The local operator would receive a call from an outside operator asking for operator 55 or stating a call was being returned to Mr. HENNY. The local South Whidbey operator would then give a busy signal and the outside operator would know that the call had not been completed. The local operator would then call the individual who had initially

Interviewed on 6/6/73 at Langley, Washington File # SE 87-13996  
by SA [redacted] and SA TMK:jl 10 Date dictated 6/11/73

2  
SE 87-13996  
TMK:jlb

placed the call and asked him for the number he desired. The caller usually actually wanted Mr. HENNY or [redacted] but on some occasions, wanted some other part of the United States. The call would be completed as requested and ticket as a three-minute call to the local phone company regardless of the duration of the call. [redacted] recalled that on some occasions, Mr. HENNY personally directed her to place a long distance call for his mother or friends to another location in the United States. This privilege was extended to Mr. and [redacted] HENNY, his parents, his sister in the Seattle area, [redacted] and other friends of Mr. HENNY. She received her instructions regarding these calls from the chief operator. b6 b7C

[redacted] recalled that on occasion she would set up a conference call between Mr. HENNY and two or more of his friends or relatives. She would do this upon the direction of Mr. HENNY. She stated that Mr. HENNY often operates the switchboard and conducts various tests. In addition, Mr. HENNY, [redacted] and [redacted] operate the switchboard on holidays such as Christmas and Mother's Day. b6 b7C

[redacted] stated that she placed Wake-Up calls when she worked the early morning shift. A great majority of these calls were placed to local customers. She recalled placing a daily Wake-Up call to [redacted] in the Seattle area. [redacted] of Mr. HENNY. She placed the call on the instructions of the chief operator and billed the call to the South Whidbey Island Telephone Company. b6 b7C

[redacted] stated she was never instructed to make phony long distance calls and never heard Mr. HENNY or any of the supervisors state that more long distance calls were needed. She did not recall dialing 047 and a local number on the Everett trunk while working as an operator. She has done this on several occasions as a test since working in the Central Office whenever there is trouble on a line. This number would only be called on a few occasions and she could never recall seeing or hearing of anyone placing numerous of these calls in succession. [redacted] was aware that a holding time study had been conducted in early May, 1973, however, she was in the Central Office at that time and did not observe the operation of the switchboards. b6 b7C

## FEDERAL BUREAU OF INVESTIGATION

1Date of transcription 6/25/73

[redacted]  
was interviewed in the presence of Assistant United States Attorney BRUCE CARTER. [redacted] advised that she is the [redacted], owner of the South Whidbey Island Telephone Company. She advised that her telephone number is AD 2-0669. She advised that she makes numerous long distance call on her telephone and does not make free long distance calls through the South Whidbey Island Telephone Company.

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[redacted] advised that on very few occasions she has placed free long distance telephone calls by calling a number at the South Whidbey Island Telephone Company, let it ring three times, and hang up. She advised then [redacted] [redacted] would call her back.

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She advised that on a few occasions she has participated in a conference call between her parents, herself, and [redacted]. She advised that in addition she has been permitted to make a few free long distance calls during family emergencies such as deaths. She advised [redacted] always initiates these calls. She advised that [redacted] calls [redacted] parents regularly and occasionally will hook them up to her at no charge.

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Interviewed on 6/13/73 at Mercer Island, Washington File # SE 87-13996

by SA [redacted] /jgm 12 Date dictated 6/19/73

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## FEDERAL BUREAU OF INVESTIGATION

1

Date of transcription 6/26/73

[redacted] was interviewed in the presence of Assistant United States Attorney BRUCE CARTER. [redacted] advised that she was employed at the South Whidbey Island Telephone Company from [redacted] to [redacted]. She advised that she primarily worked the [redacted] shift as an [redacted]. She advised that in addition to being an operator, she [redacted] and [redacted]

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[redacted] advised that as an employee of South Whidbey Island Telephone Company she was allowed to make five long distance calls per week to anywhere she wished and the calls could be as long as she wished. However, the calls were always ticketed for less than three minutes and charged to South Whidbey Island Telephone Company.

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She advised that it was a system whereby several of Mr. HENNY's friends and relatives could make free long distance telephone calls. She advised this system was known as Operator 55. [redacted] described Operator 55 as a system whereby Mr. HENNY's relatives or friends would call their own local operator and advise that they were returning a long distance call to Operator 55 at South Whidbey. When the call would come in to the South Whidbey operator, she would plug them into a busy signal. Immediately thereafter the South Whidbey operator would call the friend or relative and place a long distance call wherever they wanted. She advised the tickets on these calls were charged to South Whidbey Island Telephone Company and never reflected calls longer than three minutes. She advised that the persons allowed to make these calls were Mr. HENNY's parents in Philadelphia, [redacted] in New York, and Mr. HENNY himself when out of town. She advised there were others she could not recall at that time.

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[redacted] of the South Whidbey Island Telephone Company, had a different system for placing free long distance telephone calls. [redacted] would call an intercept number. This would signal the operator who would then call [redacted] back and place his

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Interviewed on 6/14/73 at Whidbey Island, Washington File # SE 87-13996

by SA [redacted] /jgm 13 Date dictated 6/20/73

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call wherever he wished. She advised that [ ] name would be stamped on the ticket; however, the ticket would be charged against South Whidbey Island Telephone Company. She advised that [ ] utilized this system an average of one to two times a week while she was employed there.

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[ ] advised that another system used by DAVID C. HENNY was called "Seattle Capital". She advised that several times per day HENNY would request an operator to get "Seattle Capital". The operator would dial (503) 224-2222, which is HENNY's stockbroker. [ ] advised that tickets were already made out to a Seattle number (not recalled by [ ] and were used for these Portland calls. She advised that although HENNY invariably talked longer, the calls were always stamped three minutes or less.

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She advised that while employed at the South Whidbey Island Telephone Company there were several systems used at various times for time-of-day calls. She advised that at one time when a customer called the telephone company requesting the time of day, the operator would advise the customer the time reflected on their clocks. She advised that another time they utilized a number in Kirkland, Washington, with the time recording. She advised that still at another time, the operator would plug the customer into a time recording at Astoria, Oregon. She advised that all the Astoria and Kirkland calls were ticketed against the telephone company and reflected calls of less than three minutes.

She advised that another courtesy offered by the South Whidbey Island Telephone Company included long distance wake-up calls. She advised that friends of Mr. HENNY's, which included [ ] in Seattle, would be called for wake-up by the South Whidbey Island Telephone Company operators. [ ] advised that when traveling out of town, Mr. HENNY would be called for wake-up whether he was in New York, Honolulu, or wherever. She advised wake-up calls were ticketed against South Whidbey Island Telephone Company and were always ticketed for less than three minutes.

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## FEDERAL BUREAU OF INVESTIGATION

1

Date of transcription 6/26/73

[redacted]  
Whidbey Island, Washington, was interviewed in the presence of Assistant United States Attorney BRUCE CARTER. [redacted]

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[redacted] advised that she was employed as operator [redacted] of the South Whidbey Island Telephone Company from [redacted] and [redacted].

[redacted] advised that DAVID C. HENNY, owner of the South Whidbey Island Telephone Company, has utilized several methods to enable his friends and relatives to make free long distance telephone calls. She advised that originally a system referred to as WHA calls or Operator 61 calls was used. This system involved a friend or relative calling through their local operator to Operator 61 at South Whidbey. The South Whidbey operator would then plug the call into a busy signal. The South Whidbey operator would then call the friend or relative back and plug them through to any long distance call they desired. She advised that these calls were placed for Mr. HENNY's parents in Philadelphia, Pennsylvania, and [redacted] to Portland, New York, and Medford, Oregon. She advised these calls were made sometimes several times per week and sometimes none in a week. She advised the calls were always short-timed, which means they were ticketed for three minutes or less. The calls were usually much longer than three minutes. She advised that [redacted] used the Operator 61 method to call Mr. HENNY from Hawaii.

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She advised that [redacted] of South Whidbey Island Telephone Company, used a little different method in that he dialed a non-working number on South Whidbey. The South Whidbey operator would received the call on intercept, then call him back and place his long distance calls for him. She advised that [redacted] of New York received free long distance telephone calls through the Operator 61 method.

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[redacted] advised that three or four years ago the Operator 61 method for furnishing free long distance calls for friends and relatives of Mr. HENNY's was changed

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Interviewed on 6/14/73 at Whidbey Island, Washington File # SE 87-13996

by SA [redacted] /jgm : 15 Date dictated 6/20/73

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2  
SE 87-13996

to Operator 55. She described the Operator 55 method as being almost the same as Operator 61 for placing free long distance telephone calls for friends and relatives. She advised that in addition, Operator 55 was used whenever a South Whidbey customer was unable to reach their party on a person-to-person call, a code 6 is suppose to be used which is a regular call back. Otherwise, code 7 is used which is a regular call back but charged to a third number. Operator 55 indicates that time and charges were requested by the original customer placing the call.

[ ] advised that DAVID C. HENNY instituted a procedure where code 6 and 7 was almost never used. Instead whenever a South Whidbey customer was unable to reach their party on a person-to-person long distance call, the South Whidbey operator would leave word for the called party to call Operator 55. She explained that this would keep the ticket at South Whidbey an increase to South Whidbey Island Telephone Company receipts. If an operator from another system became suspicious and wanted to know, the call would be returned to Operator 55. Mr. HENNY would advise the operators not to use Operator 55 for a short time. The Operator 55 calls which should have been code 6 or 7 averaged approximately 100 calls per week. b6 b7C

[ ] advised that approximately one year ago South Whidbey Island Telephone Company installed direct dialing equipment. She advised that prior to that time all employees' long distance calls (employees were allowed five free calls per week), the free friends' and relatives' calls, and time and weather calls were all charged to the South Whidbey Island Telephone Company. They were all short-timed, meaning they were ticketed for three minutes or less. b6 b7C

She advised that Mr. HENNY would call his stock-broker in Portland almost daily and the operator would ticket a Seattle number and charge South Whidbey Island Telephone Company. These calls were ticketed for three minutes or less. The calls actually ran much longer than three minutes. She advised that all company calls, which amounted between 40 and 75 per week, were ticketed for three minutes or less; however, the calls ran over that. Mr. HENNY talked for sometimes two hours or more on one call.



3  
SE 87-13996

She advised that starting about 1968, Mr. HENNY gave instructions that operators were to start plugging customers to Seattle for the time of day. She advised that about 1970 this was changed to a Kirkland number, then to Astoria, Oregon. About seven months later, HENNY instructed the operators to start giving time from clocks in the office. She advised that long distance tickets were made on each of the calls and the telephone company charged for them..

## FEDERAL BUREAU OF INVESTIGATION

1

Date of transcription 6/26/73

[redacted] Greenbank, Washington, was interviewed at her residence in the presence of Assistant United States Attorney BRUCE D. CARTER. [redacted] stated that she has been employed as an operator at the Whidbey Telephone Company from [redacted] until the [redacted]. She initially worked as the [redacted] for approximately three months and then worked the [redacted] until approximately [redacted] and has been principally employed on [redacted] since that time. [redacted] stated that she was trained as an [redacted] by the [redacted].

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[redacted] stated that employees of the Whidbey Telephone Company receive an employee's concession under which each employee is presently allowed to make five free toll telephone calls per week. Previous to 1970 or 1971 the number of such calls was unlimited. No restrictions are placed on the length of such calls but the employee calls as well as all official calls were ticketed at three minutes or less by the operators before the calls were shifted to the direct distance dialing equipment at the Telephone Company. [redacted] stated that she frequently utilized her telephone concession to talk to her family in Ohio where she frequently speaks to her mother in Tiffin, telephone number [redacted]. [redacted] stated that her concession telephone calls to her mother usually ran approximately fifteen minutes each and that her other toll calls frequently exceeded three minutes in length.

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[redacted] stated that friends of Mr. HENNY were allowed to make free toll calls from places outside the Whidbey exchange to the Whidbey switchboard where they were to be patched through to their desired party who might also be outside the Whidbey exchange in order to avoid paying toll. Individuals who received this service included [redacted], [redacted] Mr. HENNY's parents in Philadelphia, Mr. HENNY [redacted] on Mercer Island, Mrs. RAY (the mother of [redacted], [redacted] and [redacted] in Hawaii, [redacted] and [redacted] of Tennessee. [redacted] once spoke for nine hours on one of these free calls. [redacted] remembered the operators by sending them two five pound boxes of See's chocolates on occasion. [redacted] stated that the friends of Mr. HENNY would frequently use the operator 55 or operator

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Washington

Interviewed on 6/14/73 at Whidbey Island, File # SE 87-13996  
by SA [redacted] /rsc 18 Date dictated 6/20/73

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b7C

61 technique to contact the Whidbey operator. The individual would contact his local operator and advise the local operator that he was returning the call of Mr. HENNY from the Whidbey Telephone Company operator 55. The local operator would contact the Whidbey operator who would identify herself as operator 55 and would plug a busy signal into the circuit and advise the calling operator that Mr. HENNY's line was busy. The Whidbey operator would obtain the name and telephone number of the person calling and the local operator and the friend would then hang up. The Whidbey operator would then call Mr. HENNY's friend at the number given and complete his call through the Whidbey switchboard to the desired party who might be either within or without the Whidbey Telephone Company exchange area. [ ] stated that she employed this technique whenever she received a call through operator 55 from anyone asking for Mr. HENNY. All such calls were charged to the company for three minutes or less.

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[ ] also described a procedure employed by the Whidbey Telephone Company to obtain additional messages. [ ] advised that an outgoing person to person calls when the destination telephone is answered by other than the called party the Whidbey operator is required by the Bell operating manual to leave the calling number, the name of the person calling and request that the call be returned through operator 6 or 7. When the called party returned the call through the local operator 6 or 7 the Whidbey Telephone Company would be required to share the toll revenue with the local telephone company which actually handled the operating procedures relating to the return of the call. [ ] stated that [ ] and Mr. HENNY had instructed the Whidbey operators that in order to keep the toll revenue on Whidbey that they should leave instructions to request that the called party return the call through operator 55 at Whidbey Telephone Company in order to keep the toll revenue at Whidbey. When the call was returned to operator 55 at Whidbey then the Whidbey operator would handle the timing and the ticketing of the call and Whidbey would obtain the revenue associated with the call. [ ] stated that other operators sometimes questioned her regarding the operator 55

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return call and that she had been unable to give satisfactory explanations. Mr. HENNY had advised the operators that they should occasionally leave word to have the returned person to person call placed through operator 6 or 7 but that the majority of such calls should be returned through operator 55 at Whidbey Telephone Company.

[redacted] also stated [redacted] of Seattle also received free long distance telephone service. [redacted] would place his calls through his mobile unit under call letters KOP 303. [redacted] stated that [redacted] has a regular south Whidbey mobile unit which he has used to make free toll telephone calls. [redacted] stated that she understands that [redacted] gave Mr. HENNY quite a bit of money to [redacted].

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[redacted] stated that toll time of day service was initially given to Portland, Oregon. Thereafter toll time of day service was given to Kirkland to an 827 number and thereafter to Astoria, Oregon. [redacted] stated that the time of day cards were made up in advance by the night operator and the day operators would just fill in the time of the call. The calls were all charged to the company and timed at three minutes or less. [redacted] states that she is uncertain how long toll time of day service was provided but that she still provides it to a [redacted] of the Washington State Ferries who insists on hearing the time of day recording.

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[redacted] stated that Mr. HENNY would frequently call the operators and state that a call should be placed to Seattle Capital. The operator knew that she should place the call to Portland to Mr. HENNY's stockbroker and charge the call as if it were a Seattle ticket to a 624 number. [redacted] stated these calls were made several times per day.

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## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 6/25/73

[redacted] was located in the offices of Special State Prosecutor [redacted] on the 32nd floor of Tower Number 2, World Trade Center, New York City. He was advised of the identities of the interviewing agents orally and through display of credentials, and that the agents wished to discuss with him his knowledge of DAVID C. HENNY and the South Whidbey Island Telephone Company. Present with [redacted] during the interview was [redacted] of [redacted] office. b6 b7C

[redacted] advised that he is employed by the [redacted] in New York City, but is currently on leave of absence to [redacted] office, and is currently working in the field of official corruption. b6 b7C

[redacted] stated that he first met DAVID HENNY in [redacted] and because they both shared an [redacted], they soon struck up a friendship. In [redacted], he went to work for HENNY, during the summertime, and continued until [redacted]. He described their friendship as a [redacted]. [redacted] added that he occasionally gave HENNY [redacted] and after graduating, and would advise the interviewing agents if the discussion veered toward subjects that might infringe on their [redacted]. b6 b7C

[redacted] provided the following information regarding the topics and persons listed below: b6 b7C

Operator 55: [redacted] advised that he did, and still does, have access to this service but uses it on a very limited basis, and primarily for business reasons. He is called on infrequent occasion by HENNY or one of the technical personnel at South Whidbey because of his knowledge of South Whidbey's system. He added that the reason for having the Whidbey operators plug into a busy signal and call back was to eliminate going through the operator at the initiating end of the call, freeing her and a trunk for other service. This was done solely for economy and efficiency.

Interviewed on 6/15/73 at New York, New York File # NY 87-70621

by SAs [redacted] and [redacted] :mm 21 Date dictated 6/21/73 b6 b7C

NY 87-70621

2

[ ] stated that he, HENNY, and at one time [ ] enjoyed operator 55 privileges, and that he knew of no others, or a "list" of such persons. This service was at one time designated operator 61. b6 b7C

[ ] added that he last worked at South Whidbey in [ ] and since then has had infrequent personal and telephonic contact with HENNY and other Whidbey personnel. He and HENNY remain good friends. b6 b7C

#### Long Distance Time of Day Calls

[ ] stated that these calls were made to Seattle because Whidbey had no automated time machine that give correct accurate time. He stated that these machines are very expensive, and to provide Whidbey subscribers with better service the long distance calls were made. b6 b7C

#### Long Distance Weather Calls

These calls were made to Seattle for the same reason time-of-day calls were- there was no such service available at South Whidbey. Calls to Seattle provided direct contact with the meteorological service there.

Ski Reports Never knew of any such calls being made.

#### Service

[ ] stated that South Whidbey was very service and emergency oriented, and pointed out that most of their subscribers are elderly persons. It was not unusual for HENNY to have suitable equipment installed in subscribers homes that would ease problems caused by old age, arthrites or other infirmities. Nor was it unusual for emergency repairs to be made at unusual hours because many of their subscribers depended so heavily on reliable telephone service. He added that the town doctor still calls the switchboard at South Whidbey so the operators know where he is in case of emergency. b6 b7C

NY 87-70621

3

[ ] advised that one example of special equipment installed was an old-type telephone that required only that the subscriber pick it up to have the operator come on the line. No dialing or cranking was necessary.

b6  
b7C

#### Wake-up Calls:

These calls were a service provided to local subscribers. For a period of three months in 1970 he received such calls in New York but believed they had been made on the sole initiative of the night operator at South Whidbey, who made the calls mostly to have someone to talk to. She had learned of his daily rising time accidentally. He knew of no list, or policy, of such calls being made long distance to any specific people outside Whidbey's service area.

#### Monitoring Equipment

[ ] knows of no monitoring equipment of any kind in HENNY's home. [ ] stated that in [ ] HENNY could monitor an operators earphones to determine if she was listening in on conversations, but believes that it had been discarded years ago.

b6  
b7C

#### Short Timing Message Tickets

[ ] stated that it was sometimes policy to short-time message tickets, but that this was done for convenience and efficiency. He pointed out that switchboards at South Whidbey are capable of handling 20 calls each, and that punching the tickets shortly after inception of the call left the operator free to handle other calls. He added that these tickets were, on occasion, not sent through to GTN for use in computing the rebate due South Whidbey.

b6  
b7C

[ ] stated that he never discussed with HENNY, no did he know, of any policy or routine designed to increase expenses, number of toll calls or of any other means used to increase South Whidbey's return from connecting facilities. b6 b7C

#### Free Telephone Calls for Employees

[ ] stated that all South Whidbey employees are allowed a limited amount of free telephone service, as long as used at the central office. He does not know how these calls were ticketed. b6 b7C

[ ] pointed out that all major telephone companies in the country give their employees free telephone service from their homes. b6 b7C

#### CREDIT CARDS

[ ] stated that HENNY had issued credit cards at one time, to subscribers and non subscribers alike, and believes that somewhere between 200-400 had been issued. [ ] pointed out that South Whidbey Island is somewhat of a summer retreat and that a great number of people who came to South Whidbey charged calls to GTN credit cards. In order to recoup some losses suffered by this, HENNY and [ ] encouraged South Whidbey credit card holders to charge calls when they left the island. This occurred before credit card issuance rules were changed several years ago. [ ] stated that HENNY suffered a loss as a result of use of telephone credit cards. b6 b7C

#### New Equipment at South Whidbey

[ ] stated that the equipment at South Whidbey is sophisticated, but not moreso than the company's needs. [ ] advised that when HENNY applied to the REA for the new equipment loan, he sent them specs detailing projected future usage. He did not designate the particular equipment he wanted. A bid was let, and ITT eventually installed the equipment. [ ] believes that [ ] had a lot to do with drawing up the specs sent to REA. b6 b7C



NY 87-70621

5

[ ] stated that the name Pacific Western Engineers was unknown to him. b6 b7C

Micro-Wave Equipment

[ ] stated that HENNY or this technicians have all the necessary licenses to operate the Microwave equipment. [ ] advised that he himself had a license allowing limited access to this equipment. b6 b7C

Hat Island Telephone Company

[ ] advised that [ ] a submarine cable to Hat Island that contained 19 cable pairs, and installed some 28 telephones. Several of these phones were the old crank-type [ ] HENNY [ ] and were used as much for "color" as any other reason. b6 b7C

The Hat Island Telephone Company was set up because State regulations at that time prohibited expansion of South Whidbey's service area. At the same time GTN held the view that the island contained too few people to make service there profitable. HENNY decided to go ahead with providing service, and was subsequently awarded the franchise for Hat Island by the Washington State Public Service Commission.

[ ] added that Hat Island is largely owned by a development company and services provided will probably expand State regulations have also been changed and HENNY may be "forced" to consolidate South Whidbey Island and Hat Island Telephone Companies. b6 b7C

[ ] added that the residents on Hat Island greatly appreciated HENNY's efforts to provide them with telephone service. b6 b7C

[ ] - HENNY and [ ] know each other, but [ ] does not know the degree of their relationship. b6 b7C

[ ] - a [ ] of South Whidbey, competent technically, but his ambition got out of control. He always looked out for himself. b6 b7C

NY 87-70621

6

HENNY [ ] - was employed at South Whidbey at one time, believed to have been in charge of [ ]  
[ ]

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b7C

[ ] - does not know him.

b6  
b7C

[ ] - [ ] believes he attempted at one time to [ ] the telephone company. He does not know what happened to [ ]

b6  
b7C

[ ] - an [ ] at South Whidbey [ ]

b6  
b7C

[ ] . He was eventually [ ] by HENNY. [ ] knows of no effort on [ ] part to [ ] South Whidbey.

## FEDERAL BUREAU OF INVESTIGATION

1

Date of transcription 6/29/73

[redacted] was interviewed in the presence of Assistant United States Attorney BRUCE CARTER. [redacted] furnished the following information:

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b7C

She advised that [redacted] called her the evening that she had testified before the Federal Grand Jury. [redacted]

b3  
b6  
b7C

[redacted] advised that she declined to do this.

[redacted] advised that approximately [redacted], she had called HENNY at a particular time agreed upon [redacted]. She advised [redacted] HENNY had left her. She advised that [redacted] by HENNY to complete the call. She advised the call [redacted]. She advised she was unable to recall who he talked to and advised that she believes more than one call was made.

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b7C

[redacted] advised that she had used the same procedure as furnished by HENNY to call [redacted]. She advised several of these calls were made. She advised that when [redacted], the same procedure had been used at HENNY's instructions, and [redacted] for HENNY.

b6  
b7C

She advised that a procedure known as Number Without had been utilized for as long as she had been employed at the South Whidbey Island Telephone Company. [redacted] described Number Without as a system whereby Mr. HENNY would request the operator to cut into a call that was in progress. This procedure normally used to determine if a line was functioning properly and as soon as conversation is determined, the operator would disconnect. She advised the difference in Number Without and the normal procedure was that Mr. HENNY would stay on the line and listen to the conversation. She advised that HENNY did not disconnect as soon as he determined

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b7C

Interviewed on 6/19/73 at Whidbey Island, Washington File # SE 87-13996

by SA [redacted] /jgm 27 Date dictated 6/25/73

b6  
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2  
SE 87-13996

there was conversation. Normally HENNY would stay on until the call was discontinued. She advised she could not remember everyone HENNY listened to but remembered that he had listened to calls by [REDACTED]. She advised that he also listened to calls of his wife. [REDACTED] advised that this Number Without procedure was included on tests given to operators. She advised that on one occasion Mr. HENNY had [REDACTED] a night girl (operator) did not know what Number Without meant. HENNY advised [REDACTED] what it meant. She advised that part of [REDACTED]. She advised these tests included questions regarding Operator 55 procedure, Seattle Capital procedure, and Number Without procedure.

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b7C

[REDACTED] advised that on at least one occasion [REDACTED] for Mr. HENNY. She advised this call was [REDACTED]. She advised that [REDACTED]

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b7C

## FEDERAL BUREAU OF INVESTIGATION

1

Date of transcription 6/29/73

[redacted] Whidbey Island, Washington, was interviewed in the presence of BRUCE CARTER, Assistant United States Attorney. [redacted] furnished the following information:

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b7C

She advised that she called [redacted] for DAVID C. HENNY. She advised this was at a time when HENNY was having trouble with his wife. She advised that HENNY furnished her the procedure for placing the call. At one point during the placing of the call, Mr. HENNY made a whistle sound. She advised that no ticket was made on this long-distance call. She advised that she accidentally disconnected HENNY and [redacted] and had to replace the call. She advised the call lasted approximately one-half hour.

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b7C

[redacted] advised that she placed long-distance wake-up calls in New York for [redacted] for approximately one and one-half years about a year and a half ago. She advised that she made wake-up calls to [redacted] in Seattle, Hawaii, Chicago, and Los Angeles from time she began working at South Whidbey Island Telephone Company until approximately one year ago. She advised that on above wake-up calls, she made tickets charging the South Whidbey Island Telephone Company until procedure changed and discontinued making tickets on company calls at time direct-dial system came in.

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b7C

She advised that she placed Seattle Capital calls for Mr. HENNY to his stockbroker in Portland, Oregon, as explained previously. She advised these calls were always short-timed, meaning tickets for only three minutes were made out. She advised HENNY called Seattle Capital several times per day. [redacted] advised that the procedure concerning Operator 55 calls was explained to her by her [redacted]. She advised that she was furnished with official instructions marked "Person Call Back Procedures". She advised, however, her new [redacted] advised her to use the Operator 55 procedure rather than the procedure outlined in the "Person Call Back Procedures" instructions.

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Interviewed on 6/19/73 at Whidbey Island, Washington File # SE 87-13996

by SA [redacted] /igm 29 Date dictated 6/25/73

b6  
b7C

2  
SE 87-13996

She advised that there were approximately 50 to 100 company calls per day, none of which were ticketed for over three minutes.

She advised that [ ] called in on an intercept number. She advised this call would go into a vacant number. The operator would look in the intercept book and it would show number to call for [ ]. The operator would then call [ ] and place a long-distance call for wherever he wanted, and [ ] would not be charged.

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b7C

[ ] advised that she received examinations concerning procedures from [ ] and [ ]. She advised that items covered would include system called Number Without, Seattle Capital, and other procedures regarding free long-distance telephone service.

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b7C

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 6/26/73

[redacted] telephone [redacted] was interviewed in the presence of AUSA BRUCE D. CARTER. [redacted] furnished the following information:

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b7C

She advised she was employed for the South Whidbey Island Telephone Company from [redacted], to [redacted]. She advised she was employed as [redacted]. As [redacted] she [redacted] to [redacted]. She advised that she received information and policies concerning [redacted] from South Whidbey Island Telephone Company President DAVID C. HENNY. She advised that she identified the policies and procedures outlined by Mr. HENNY in the [redacted].

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She advised these tests included questions concerning "Seattle Capital." [redacted] described "Seattle Capital" as a procedure used by Mr. HENNY to call his stock broker in Portland, Oregon. She advised when Mr. HENNY wished to call his stock broker (name not recalled) in Portland, HENNY would request an operator to call "Seattle Capital". The operator would dial the Portland number; however, she would make out a ticket for a Seattle number (believed to be MA 2-6768 or something similar). She said although the calls usually lasted longer than three minutes, the operator always stamped the ticket for three minutes or less. [redacted] advised that subsequently the tickets were prepared in advance. She advised that she recalls HENNY calling "Seattle Capital" several times daily.

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b7C

[redacted] advised that another procedure used by the South Whidbey Island Telephone Company at the instruction of Mr. HENNY was called "Number Without". [redacted] described "Number Without" as similar to a telephone customer requesting the operator to check a busy number to determine for sure that it's busy and not defective. She advised in this procedure an operator will check the number without breaking into the line. This enables the operator to hear conversation, but does not enable the participants in the conversation to know someone is on the line. [redacted]

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Interviewed on 6/19/73 at Whidbey Island, Washington File # SE 87-13996

by SA [redacted]/rse 31 Date dictated 6/20/73

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2  
SE 87-13996

advised that it is common in the telephone industry to check telephone numbers that have been busy for a long period of time. She advised that the general procedure is that operators will disconnect immediately upon determining that a conversation is in progress. "Number Without" is a procedure where Mr. HENNY would request an operator to check a number and plug him (Mr. HENNY) in so that he could listen to the conversation. The operators were instructed not to disconnect Mr. HENNY until she received a double disconnect. She advised that Mr. HENNY used this "Number Without" system infrequently; however, HENNY would usually stay on the line until the conversation had terminated. She advised that she recalls HENNY using "Number Without" to listen to his former and present wife's conversation. She recalls HENNY using "Number Without" to listen to [redacted] [redacted] conversations and to his home secretary's conversations. She advised that he listened to other conversations, but could not remember whose at this time. She advised he averaged using "Number Without" several times weekly.

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[redacted] advised that HENNY had instructed her in a procedure called "Operator 61." This procedure enabled friends and relatives of Mr. HENNY to make free long distance telephone calls. She described Operator 61 as follows:

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A friend or relative of Mr. HENNY would call for the local operator and advise that they were returning a call to Operator 61, Whidbey Island, Washington. The friend or relative called the operator who would call South Whidbey Island Telephone Company for Operator 61. The South Whidbey Island Telephone Company operator would plug the call into a busy signal. She would then call the friend or relative back and place their call wherever they wanted. She advised the following persons were approved to make Operator 61 calls:

b6  
b7C

[redacted] Mr. HENNY's parents;  
[redacted] and [redacted]

She advised that these operators were instructed to call [redacted] for wakeup services.



3  
SE 87-13996

[redacted] advised that in order to increase the number of long distance calls made by South Whidbey Island Telephone Company Mr. HENNY [redacted]

b6  
b7C

[redacted] She advised that superfluous calls to [redacted]  
[redacted]

[redacted] advised that after she appeared before the Federal Grand Jury at Seattle [redacted]

b3  
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b7C

[redacted] by the Grand Jury and [redacted]  
[redacted] advised that she declined to do this.

## FEDERAL BUREAU OF INVESTIGATION

1Date of transcription 7/26/73

[redacted] was interviewed at her residence. She furnished the following information:

b6  
b7C

She advised that on Operator 55 calls from Seattle to South Whidbey prior to direct dial, the operators would charge as a station call. She advised after direct dialing, no ticket was made. [redacted] advised that before direct dial, customers were charged station rates even when operators placed the call. She advised that on calls charging to a third number, the customer would be charged as an operator-handled call. She advised mobile units were given benefit of dial rate unless placing a person-to-person call.

b6  
b7C

She advised that on pay telephone long-distance calls, they were always charged as operator-handled calls.

[redacted] advised that when HENNY obtained the Hat Island Telephone Company, long-distance telephone calls collect or billed to a third number from Hat Island Telephone Company, the operators were instructed to tell the customer they could not do this. That is, the calls should be charged to the Hat Island number. She advised this system was used to keep the billing at Hat Island. She advised that HENNY instructed the operators that if the customer squawked too much to let it go.

b6  
b7C

[redacted] advised that the "Number Without" system used by HENNY to monitor private conversations was used several times on telephone number [redacted] number. She advised she remembers HENNY using "Number Without" on that number on several occasions.

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b7C

Interviewed on 7/19/73 at Whidbey Island, Washington File # SE 87-13996

by SA [redacted] jgm 34\* Date dictated 7/24/73

b6  
b7C

DAVID C. HENNY

IOC

OO: SEATTLE 87-13996  
BUFILE: 87-125130

*Handled  
by Crime Section*

9/26/73

5/24/73 - SE C pp  
9/26/73 SE P pp

FEDERAL BUREAU OF INVESTIGATION  
COMMUNICATIONS SECTION

SEP 04 1973

TELETYPE

Assoc. Dir. \_\_\_\_\_  
Asst. Dir.: \_\_\_\_\_  
Admin. \_\_\_\_\_  
Comp. Syst. \_\_\_\_\_  
Files & Com. \_\_\_\_\_  
Gen. Inv. \_\_\_\_\_  
Ident. \_\_\_\_\_  
Inspection \_\_\_\_\_  
Intell. \_\_\_\_\_  
Laboratory \_\_\_\_\_  
Plan. & Eval. \_\_\_\_\_  
Spec. Inv. \_\_\_\_\_  
Training \_\_\_\_\_  
Legal Coun. \_\_\_\_\_  
Cong. Serv. \_\_\_\_\_  
Corr. & Crm. \_\_\_\_\_  
Research \_\_\_\_\_  
Press Off. \_\_\_\_\_  
Telephone Rm. \_\_\_\_\_  
Director Sec'y \_\_\_\_\_

NR007 SE PLAIN

IRW PM NITEL 9/4/73 FEE

TO DIRECTOR (87-125130)

FROM SEATTLE (87-13996)(P) 1P

DAVID C. HENNY; FBW; IOC. OO: SEATTLE.

RE SEATTLE REPORT OF SA [REDACTED], DATED 7/26/73.

b6  
b7C

FOR INFORMATION OF BUREAU, IT IS ANTICIPATED FEDERAL GRAND  
JURY, SEATTLE, WILL RETURN INDICTMENT AGAINST DAVID C. HENNY,  
OWNER-PRESIDENT OF SOUTH WHIDBEY ISLAND TELEPHONE COMPANY, WHIDBEY  
ISLAND, WASHINGTON, CHARGING VIOLATION EIGHT COUNTS U.S. CODE,  
TITLE 18, SECTION 1343 AND 2, AND TWO COUNTS VIOLATION U.S. CODE, 1973  
TITLE 18, SECTION 2511.

REPORT FOLLOWS.

END

MAH FBIHQ ACK FOR FIVE

CLR TU

58 SEP 11 1973

SE 87-13996 ,

2) Also interview [ ] regarding his Hat Island telephone credit card and any free toll call privileges he had through South Whidbey Island Telephone Company, such as use of Operator 55 method.

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b7C

SEATTLE

AT WHIDBEY ISLAND, WASHINGTON. Will follow prosecution of HENNY.

AT SEATTLE, WASHINGTON. Will, at MERRILL, LYNCH Stock Brokerage Firm, determine if HENNY has an account at that office. If so, will determine frequency of long distance calls to that office from HENNY at Whidbey Island in 1969 and 1970.

B\*

COVER PAGE

## FEDERAL BUREAU OF INVESTIGATION

REPORTING OFFICE SEATTLE	OFFICE OF ORIGIN SEATTLE	DATE 9/25/73	INVESTIGATIVE PERIOD 7/19/73 - 9/18/73
TITLE OF CASE DAVID C. HENNY		REPORT MADE BY [REDACTED]	TYPED BY pmh b6 b7C
		CHARACTER OF CASE FBW; IOC	

REFERENCES: Seattle report of Special Agent [REDACTED], 7/26/73. b6 b7C

-P-

LEADSPHOENIX

AT SHOWLOW, ARIZONA. Will furnish Seattle results of investigation previously requested.

PORTLAND

AT SCAPPOOSE, OREGON. Will, at local telephone company and credit bureau, attempt to obtain information regarding current location of [REDACTED] b6 b7C

AT PORTLAND, OREGON. Will interview [REDACTED] regarding a free long distance call he made to [REDACTED] in approximately 1970 with HENNY's assistant, via "Phone Freak" method (use of tone).

ACCOMPLISHMENTS CLAIMED					<input checked="" type="checkbox"/> NONE	ACQUIT-TALS	CASE HAS BEEN: PENDING OVER ONE YEAR <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO PENDING PROSECUTION OVER SIX MONTHS <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
CONVIC.	FUG.	FINES	SAVINGS	RECOVERIES			

APPROVED

SPECIAL AGENT  
IN CHARGE

COPIES MADE:

- ② - Bureau (87-125130)  
1 - USA, Seattle  
2 - Phoenix  
3 - Portland (87-125058)  
3 - Seattle (87-13996)

DO NOT WRITE IN SPACES BELOW

87-125130-6

REC-20

2 SEP 28 1973

EX-109

## Dissemination Record of Attached Report

Agency				
Request Recd.	8 OCT 3 1973			
Date Fwd.	10/3/73			
How Fwd.	Sending lcc to Curn Div.			
By				

Notations

UNITED STATES DEPARTMENT OF JUSTICE  
FEDERAL BUREAU OF INVESTIGATION

Copy to: 1 - USA, Seattle

Report of:   
Date: September 25, 1973

Office: SEATTLE, WASHINGTON <sup>b6</sup>  
<sup>b7C</sup>

Field Office File #: 87-13996

Bureau File #: 87-125130

Title: DAVID C. HENNY

Character: FRAUD BY WIRE; INTERCEPTION OF COMMUNICATION

Synopsis: Numerous South Whidbey Island telephone company employees and other witnesses interviewed. On 9/4/73 Special Federal Grand Jury, Seattle, returned an indictment against DAVID C. HENNY charging violation eight counts, USC, Title 18, Section 1343 and 1342, Fraud by Wire, and two counts violation USC, Title 18, Section 2511, Interception of Communications. HENNY was summoned to appear before U. S. District Judge WILLIAM N. GOODWIN on 9/14/73 at Tacoma, where plead not-guilty to all counts. Jury trial set 12/10/73 before Judge GOODWIN at Tacoma.

-P-

DETAILS:

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 8/7/73

[redacted] South Whidbey Island Telephone Company, furnished the following information:

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b7C

[redacted] advised that she [redacted] as an operator at the South Whidbey Island Telephone Company. She advised that while employed there, the owner, DAVID C. HENNY, would utilize a system called "SEATTLE CAPITOL" to call his stock broker in Portland, Oregon. She advised that the operators would make ticket, charging South Whidbey Island Telephone Company for a Seattle call on these Portland calls.

b6  
b7C

[redacted] advised that she was unfamiliar with any system called "NUMBER WITHOUT" utilized to monitor private telephone conversations.

b6  
b7C

[redacted] advised that Mr. HENNY instructed operators to attempt to keep revenue on long distance telephone calls from Hat Island Telephone Company within Hat Island Telephone Company's billing. She advised that if a person on Hat Island attempted to place a call from Hat Island and charged the call to another number, whether a collect call or charged to a third number, the operators would advise that person they were not equipped to handle a call that way. She advised that HENNY did this in order to keep the revenue with the Hat Island Telephone Company.

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b7C

[redacted] advised that secrecy of communications was a big problem at the South Whidbey Island Telephone Company. She advised that operators listen to private conversations and then discuss them.

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b7C

Interviewed on 7/26/73 at WHIDBEY ISLAND, WASHINGTON # SE 87-13996

by SA [redacted] :bh Date dictated 8/1/73

b6  
b7C



## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 8/7/73

On 7/26/73, at Whidbey Island, Washington, [redacted] Operator, South Whidbey Island Telephone Company, residence [redacted] Langley, Washington, furnished the following information:

b6  
b7C

[redacted] advised that as an operator at the South Whidbey Island Telephone Company, she has been requested by DAVID C. HENNY, owner, South Whidbey Island Telephone Company, to conduct "SEATTLE CAPITOL" telephone calls. [redacted] describes "SEATTLE CAPITOL" as a system, whereby the operator will place a call for Mr. HENNY to his stock broker in Portland, Oregon, and charge the call to a Seattle number. [redacted] advised that she does not recall the Seattle number. [redacted] advised that Mr. HENNY would regularly request that she place "SEATTLE CAPITOL" calls.

b6  
b7C

[redacted] advised that Mr. HENNY employed a system code name "NUMBER WITHOUT" and this system would enable Mr. HENNY to monitor private telephone calls or conversations. She advised that when Mr. HENNY attempted to telephonically contact someone who's number was busy, he would ask the operator to place a "NUMBER WITHOUT" plug-in on the number. She advised that this a system normally used by operators to determine if a number was out of order. She advised that when Mr. HENNY had the operator plug into the number, he would stay until the conversation ceased. She advised that the parties talking would be unaware of they're being monitored. [redacted] advised that to her best knowledge, Mr. HENNY only occasionally used "NUMBER WITHOUT."

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b7C

Interviewed on 7/26/73 at WHIDBEY ISLAND, WASHINGTON # SE 87-13996

by SA [redacted] :bh Date dictated 8/1/73

b6  
b7C

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 8/7/73

On 7/26/73, [redacted] South Whidbey Island Telephone Company, [redacted] Clinton, Washington, furnished the following information:

b6  
b7C

[redacted] advised that she is employed as an operator at South Whidbey Island Telephone Company. She advised that operators utilize the term "SEATTLE CAPITOL" to describe a procedure, whereby DAVID HENNY, owner, South Whidbey Island Telephone Company, will have an operator call his stock broker in Portland, Oregon, and charge the call to a Seattle number. Number not recalled by [redacted]

b6  
b7C

[redacted] advised that the term "NUMBER WITHOUT" describes a method, whereby Mr. HENNY may monitor private telephone conversations. She advised that in the event Mr. HENNY attempts to call someone who's number is busy, if he wishes, he will ask the operator to call that "NUMBER WITHOUT" and the operator will then plug Mr. HENNY into the line and HENNY can then listen to the conversation. She advised that this has only happened occasionally to her knowledge. She advised that Mr. HENNY has listened to his former wife or to an employee on infrequent occasions in the past.

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b7C

Interviewed on 7/26/73 at WHIDBEY ISLAND, WASHINGTON # SE 87-13996  
by SA [redacted] bh Date dictated 8/1/73

b6  
b7C

## FEDERAL BUREAU OF INVESTIGATION

1Date of transcription 8/21/73

[redacted] advised that the South Whidbey Island Telephone Company tests operators on procedures with written examinations. She advised these tests are either prepared by Mr. HENNY or the chief operator. She advised that "number without" and "Seattle capitol" are code names for procedures commonly asked on these tests. She advised, to her knowledge, the tests are put in the individual operator's personnel file when completed.

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b7C

[redacted] advised that "number without" is a system utilized by Mr. HENNY to monitor personal telephone conversations.

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She advised that two or three years ago Mr. HENNY utilized "number without" to monitor a telephone call by [redacted] of Freeland Lumber Company and a business call to Olympia, Washington to some state agency. She advised HENNY listened for approximately 15 minutes at her, [redacted] headset at the board.

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She advised Mr. HENNY frequently monitors private conversations made on mobile units with a headset at the switchboard.

She advised that since the current Grand Jury and FBI investigation, she had no knowledge of HENNY utilizing "number without" or "Seattle capitol."

Interviewed on 8/15/73 at Greenbank, Washington File # SE 87-13996

b6  
b7C

by SA [redacted] /bjb Date dictated 8/16/73

## FEDERAL BUREAU OF INVESTIGATION

1Date of transcription 8/17/73

[redacted] advised that when she was an operator [redacted] at South Whidbey Island Telephone Company, DAVID HENNY either made up the operators' tests himself or approved those made up by the chief operator. She advised these tests were filed in the individual operator's personnel file. She advised that to her knowledge none of the tests were ever thrown away. She advised further that [redacted] had a copy of each test given to the operators.

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[redacted] advised Mr. HENNY utilized the system called "number without" to monitor private telephone conversations. She advised he would frequently monitor private telephone conversations made from mobile units. She advised that on one occasion she recalls that Mr. HENNY utilized the "number without" system to monitor a realtor who was making a mobile call. She advised he utilized the "number without" system to monitor private telephone conversations. [redacted] advised [redacted] became irate because of this. She advised other instances she recalls HENNY using "number without" were on his wife's personal conversations and [redacted] of South Whidbey Island Telephone Company. She advised [redacted] complained bitterly about HENNY listening to his telephone calls.

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Interviewed on 8/15/73 at Clinton, Washington File # SE 87-13996

by SA [redacted] /bjb Date dictated 8/16/73

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PD 87-12058

KBM:laa

1

The following investigation was conducted by  
SA [redacted]

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A review of public directories disclosed that telephone number (503) 224-2222 is listed to Stock Brokerage Firm Merrill, Lynch, Pierce, Fenner, and Smith, Incorporated, Georgia Pacific Building, Portland, Oregon.

The following investigation was conducted by  
SA [redacted]:

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On August 21, 1973, [redacted], [redacted], Scappoose, Oregon, advised that [redacted] in Scappoose, Oregon is not listed to [redacted], nor does [redacted] [redacted] have any mailing address in Scappoose, Oregon. He could not find any record of [redacted] as having received mail in Scappoose, Oregon, however, he personally recalled that in about 1965 or 1966 a person by that name worked for the local telephone company in Scappoose, Oregon, and lived with his wife's parents, whose names he could no longer recall.

b6  
b7C

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription August 22, 19731

[redacted]  
[redacted] Pacific Building, Portland, Oregon, Business telephone [redacted] advised that he knows DAVID C. HENNY, who owns the Widbey Island Telephone Company and has known him since about [redacted]. He advised that he attended [redacted] with HENNY at [redacted] in Portland, Oregon, and knows HENNY [redacted]. He characterized HENNY as a [redacted].

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[redacted] advised that since going to work for the [redacted] [redacted] ago, HENNY became [redacted] of his and remained [redacted] until about [redacted] ago when the [redacted] because of a company policy change. as HENNY's [redacted] was one of dealing at [redacted] and the company had [redacted] in this area. From the inception of HENNY as an [redacted] until [redacted], HENNY called [redacted] almost daily between 7:00 and 8:00 a.m. on the telephone. After the [redacted], the telephone calls tapered off to about one per month, the last one being approximately one to two weeks prior to this interview. He recalled that he probably has not personally talked with HENNY more than [redacted].

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Interviewed on 8/20/73 at Portland, Oregon File # PD 87-12038  
by SA [redacted] laa Date dictated 8/22/73

b6  
b7C

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## FEDERAL BUREAU OF INVESTIGATION

Date of transcription August 22, 19731

[redacted],  
[redacted], Georgia Pacific  
Building, Portland, Oregon, business telephone (503)  
221-4760, advised that he [redacted] for  
DAVID C. HENNY, who owns the South Widbey Island Telephone  
Company, in August 1969, [redacted], after a  
company policy change in which he, [redacted] assumed  
[redacted] of the firm.

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[redacted] advised that HENNY calls about once a  
day on the telephone, however it possibly could be as  
little as three to four times a week, according to HENNY's  
[redacted]. The latest telephone  
call was at approximately 10:30 a.m. this date of August  
20, 1973.

b6  
b7C

He advised he could not recall receiving telephone  
calls from HENNY from Rome, Italy, however, about one year  
ago he recalled that HENNY called him several times from  
Hawaii. He advised he could not say that HENNY did not  
call him from Rome, but that due to the excellent telephone  
connections available nowadays, there would be no way of  
determining the origin of telephone calls, unless the  
caller identified his location.

[redacted] advised that he has a company [redacted]  
[redacted] which discloses the [redacted] of HENNY, which  
discloses both his, [redacted], handling and also the [redacted]  
handling of the [redacted]. [redacted]  
emphasized this in no way disclosed the exact number of  
and dates of telephone calls, but are merely records of  
transactions; for example, HENNY could call and express an  
interest in a [redacted] and the entry might not be made  
for a week to ten days when the [redacted] becomes available.  
He further advised that records of the company would only  
be available through issuance of an appropriate subpoena  
duces tecum.

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Interviewed on 8/20/73 at Portland, Oregon File # PD 87-12058  
by SA [redacted] :laa Date dictated 8/22/73

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## FEDERAL BUREAU OF INVESTIGATION

1Date of transcription 8/31/73

[redacted], furnished the following information:

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She advised she is currently [redacted] of the South Whidbey Island Telephone Company. She advised she is an operator and prior to [redacted], she was a full-time operator at the South Whidbey Island Telephone Company since [redacted]. She advised she has almost always worked [redacted].

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b7C

She advised that the South Whidbey Island Telephone Company has a system called Seattle Capital. She advised that this is a system whereby the company owner, DAVID HENNY, requests an operator to get Seattle Capital for him. This means the operator is to call Mr. HENNY's stock broker in Portland, Oregon. She advised these calls already have the tickets made up. The tickets indicate a charge of three minutes or less and that the calls are charged to the phone company. She advised she is unable to remember if the conversations lasted longer than three minutes. She also advised she cannot remember if the number in Portland was the number the call was billed against or if it was some other number.

[redacted] advised that operators are frequently given exams to test them on their knowledge of phoning procedures. She advised Seattle Capital is a frequent question asked on these tests. She advised another question frequently asked is number without.

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[redacted] advised that number without is a system whereby Mr. HENNY would request that the operator get him number without on a specific number. The operator then would plug into the line; usually this line would be busy. With number without, the operator can monitor the call to determine if it is a working number and that there are no problems on the line. When Mr. HENNY would request number without, rather than hanging up immediately, Mr. HENNY would stay on the line. The operator would not disconnect Mr. HENNY until he had finished "testing" the line.

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Interviewed on 8/28/73 at Freeland, Washington File # 87-13996

by SA [redacted] :lmm Date dictated 8/29/73

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## FEDERAL BUREAU OF INVESTIGATION

1Date of transcription 9/12/73

[redacted] Langley, Washington, advised that she has known DAVID C. HENNY for many years. She advised she considers HENNY a close friend and associate. [redacted] advised she has no knowledge of any of her phones ever being monitored. She advised that no one has ever broken in on any of her telephone calls.

b6  
b7C

Interviewed on 8/31/73 at Langley, Washington File # 87-13996

b6  
b7C

by SA [redacted] :lmm Date dictated 9/7/73

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## FEDERAL BUREAU OF INVESTIGATION

1Date of transcription 9/13/73

[redacted] advised that approximately two or three years ago, he made several calls to Olympia, Washington, regarding the obtaining of a liquor license. [redacted] advised that he contemplated opening a bar in Freeland, Washington, on Whidbey Island. He advised that he made calls to both Mr. LUDLOW KRAMER, Secretary of State, and to State Liquor Inspector in Olympia. He advised that he had no indication or knowledge that any of his calls to Olympia were monitored.

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[redacted] advised that he is acquainted with DAVID C. HENNY but does not consider HENNY a friend or a close associate. [redacted] advised that he did receive a [redacted] however, never used it. He advised that [redacted] also received a liquor license and opened a bar named J.J.'s in Freeland. [redacted] advised that since Freeland is quite small, he didn't feel it could support two bars.

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Interviewed on 8/31/73 at Whidbey Island, Washington # 87-13996

b6  
b7C

by SA [redacted] :lmm Date dictated 9/7/73

AT SEATTLE, WASHINGTON

On September 4, 1973, the Special Federal Grand Jury, Seattle, Washington, returned an indictment against DAVID C. HENNY charging violation of eight counts United States Code, Title 18, Section 1343 and 1342, Fraud by Wire; and two counts violation United States Code, Title 18, Section 2511, Interception of Communication.

HENNY was summoned to appear before U. S. District Judge WILLIAM N. GOODWIN on September 14, 1973 at Tacoma. HENNY appeared and plead not-guilty to all counts. A jury trial was set for December 10, 1973 before Judge GOODWIN at Tacoma.

## FEDERAL BUREAU OF INVESTIGATION

REPORTING OFFICE SEATTLE	OFFICE OF ORIGIN SEATTLE	DATE 11/26/73	INVESTIGATIVE PERIOD 9/27 - 11/20/73
TITLE OF CASE DAVID C. HENNY		REPORT MADE BY [REDACTED]	TYPED BY NFM
		CHARACTER OF CASE FPW; IOC	

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REFERENCE: Seattle report of SA [REDACTED], 9/25/73.

- P -

## LEAD

## SEATTLE

AT WHIDBEY ISLAND, WASHINGTON

Will follow and report prosecution.

ACCOMPLISHMENTS CLAIMED				<input checked="" type="checkbox"/> NONE	ACQUIT- TALS	CASE HAS BEEN:
CONVIC.	FUG.	FINES	SAVINGS	RECOVERIES		
						PENDING OVER ONE YEAR <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
						PENDING PROSECUTION OVER SIX MONTHS <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO

APPROVED

SPECIAL AGENT  
IN CHARGE

DO NOT WRITE IN SPACES BELOW

COPIES MADE:

- ② - Bureau (87-125130)  
1 - USA, Seattle  
2 - Seattle (87-13996)

87-125130-7

REC-39  
EX-111

15 NOV 29 1973

DATA PROC

## Dissemination Record of Attached Report

## Notations

Agency	1-OROM, CRIM.
Request Recd.	
Date Fwd.	11/1/73
How Fwd.	0-6D
By	70 DEC 12 1973

[Handwritten signature]

UNITED STATES DEPARTMENT OF JUSTICE  
FEDERAL BUREAU OF INVESTIGATION

Copy to: 1 - USA, Seattle

Report of: [REDACTED]

Date: November 26, 1973

Office: Seattle, Washington b6 b7C

Field Office File #: 87-13996

Bureau File #: 87-125130

Title: DAVID C. HENNY

Character: FRAUD BY WIRE; INTERCEPTION OF COMMUNICATIONS

Synopsis: Numerous Whidbey Telephone Company employees and other witnesses interviewed. On November 7, 1973, Special Federal Grand Jury, Seattle, returned a True Bill Indictment against DAVID C. HENNY charging violation, eleven counts, U. S. Code, Title 18, Section 1343, Fraud by Wire, and three counts, U. S. Code, Title 18, Section 2511, Interception of Communications. This reindictment supersedes the indictment returned September 4, 1973. Arraignment scheduled November 30, 1973, at Seattle. Trial rescheduled for April 1, 1974, at Seattle. On November 9, 1973, Whidbey Telephone Company 1967 Oldsmobile Toronado searched pursuant to search warrant issued by U. S. Magistrate JOHN L. WEINBERG, and two Sonar Scanners seized.

- P -

DETAILS: AT SEATTLE, WASHINGTON

On October 10, 1973, [REDACTED], Merrill Lynch Pierce Fenner & Smith, Inc., 1325 Fourth Avenue, Seattle, Washington, advised that a review of the records of his office reflect that DAVID C. HENNY does not have an account with his office and there is no record of him ever having an account with that office. [REDACTED] stated Merrill Lynch Pierce Fenner & Smith also has an office located in the Plaza 600 Building, and he contacted that office and determined that HENNY does not and has not had an account with that office.

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## FEDERAL BUREAU OF INVESTIGATION

1Date of transcription 10/5/73

[redacted]  
advised that she was unable to remember the exact telephone number used to ticket "Seattle - Capital" calls. She advised she recalls dialing the number once and it answered MERRILL LYNCH.

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[redacted] advised that she recalls DAVID C. HENNY placing an international telephone call to [redacted] who was in [redacted] at the time. She advised this call was effected in the fall of [redacted]. She advised HENNY used the tone method to by-pass the overseas operator.

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[redacted] advised that [redacted] made free long distance telephone calls through the South Whidbey Island Telephone Company system. She advised she cannot recall who [redacted] called but recalls his making several calls to North Carolina.

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Interviewed on 9/27/73 at Coupeville, Washington File # SE 87-13996

by SA [redacted] /pmh 2 Date dictated 10/2/73

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## FEDERAL BUREAU OF INVESTIGATION

1

10/9/73

Date of transcription

[redacted], advised that she is an employee of South Whidbey Island Telephone Company. She further advised that one benefit employees receive are free long distance telephone calls; up to five per week. She advised she has placed free long distance calls to Denver, Colorado; Marion, Indiana; and Lubbock, Texas.

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b7C

She advised that a call-back procedure utilized by the South Whidbey Island Telephone Company known as Operator 55 is designed to keep the revenue within the company. She advised that on a person-to-person call from Whidbey to some other point when the called party is not available the Whidbey operator advised the other operator to have the called party return the call to Operator 55 at Whidbey. She advised within the telephone industry Operator 55 means the original calling party has requested time and charges. She advised if the Whidbey operator did not request the call-back be made to Operator 55, the revenue would go to the called party's phone company.

She advised DAVID C. HENNY, Owner of South Whidbey Island Telephone Company, also owns the Hat Island Telephone Company. South Whidbey Island Switchboard is used for Hat Island business. She advised that the operators have been instructed to discourage persons placing long distance calls from Hat Island to bill the call to a third number. She explained they discouraged customers calling from Hat Island from making collect calls off Hat Island or from billing the calls to a credit card or other third number. She advised the operators were instructed to do this in order to keep the revenue with the Hat Island Telephone Company.

She advised the term, "Seattle Capital" is unfamiliar to her. She advised she recalls making numerous company ticket calls to (503) 229-1111 for a time of day request for customers. She advised that the procedure now is to advise telephone customers the correct time according to the clock in the switchboard room.

Interviewed on 9/27/73 at Langley, Washington File # SE 87-13996  
by SA [redacted] /pmh 3 Date dictated 10/2/73

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b7C

She advised she recalls making no overseas telephone calls without going through the overseas operator.

She advised that DAVID C. HENNY utilized a system called "Number Without" to monitor private telephone conversations. She advised this was done on an infrequent basis and she can recall no specific calls HENNY monitored.



## FEDERAL BUREAU OF INVESTIGATION

1

Date of transcription 10/9/73

[redacted], advised that she has been an employee of the South Whidbey Island Telephone Company approximately [redacted]. She advised she has been an operator since [redacted]. She advised she has always worked with the [redacted] or [redacted] shift. She advised that one fringe benefit of working for the South Whidbey Island Telephone Company is that employees are allowed to make up to five free long distance calls per week. She advised that calls she frequently makes are to Anaheim, Van Neys, San Bernadino, and Lompoc, California.

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[redacted] advised that she does not recall making any long distance wake-up calls.

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She advised she does not recall free long distance calls for DAVID C. HENNY's friends or relatives.

She advised the term, 'Seattle Capital' is unfamiliar to her. She advised she recalls making numerous company ticket calls to (503) 229-1111 for a time of day request for customers. She advised that the procedure now is to advise telephone customers the correct time according to the clock in the switchboard room.

She advised she cannot recall ever making calls merely to increase the ticket count. She advised that she does not recall DAVID C. HENNY utilizing a system known as "Number Without" to monitor private telephone conversations.

She advised she has never placed an overseas call without going through the overseas operator. She advised she has no knowledge of DAVID C. HENNY making an overseas call without going through the overseas operator.

She advised that a call-back procedure utilized by the South Whidbey Island Telephone Company known as Operator 55 is designed to keep the revenue

Interviewed on 9/27/73 at Langley, Washington File # SE 87-13996

by SA [redacted] pmh 5 Date dictated 10/2/73

b6  
b7C

within the company. She advised that on a person-to-person call from Whidbey to some other point when the called party is not available the Whidbey operator advised the other operator to have the called party return the call to Operator 55 at Whidbey. She advised within the telephone industry Operator 55 means the original calling party has requested time and charges. She advised if the Whidbey operator did not request the call-back be made to Operator 55, the revenue would go to the called party's phone company.

She advised DAVID C. HENNY, owner of South Whidbey Island Telephone Company, also owns the Hat Island Telephone Company. South Whidbey Island Switchboard is used for Hat Island business. She advised that the operators have been instructed to discourage persons placing long distance calls from Hat Island to bill the call to a third number. She explained they discouraged customers calling from Hat Island from making collect calls off Hat Island or from billing the calls to a credit card or other third number. She advised the operators were instructed to do this in order to keep the revenue with the Hat Island Telephone Company.

## FEDERAL BUREAU OF INVESTIGATION

1

Date of transcription 10/9/73

[redacted] advised that she is a [redacted] of South Whidbey Island Telephone Company. She advised she was also employed as [redacted] in the Summer of [redacted]

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[redacted] advised that one benefit of the South Whidbey Island Telephone Company was up to five free long distance telephone calls per week. She advised she made free calls to Waterloo and Venton, Ohio; and Edison, Pennsylvania.

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[redacted] advised that she is unfamiliar with the term "Number Without."

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b7C

She advised she does not recall placing overseas calls without going through the overseas operator.

She advised she does not recall ever making telephone calls merely to increase the ticket count.

She advised that HENNY utilized call named, "Seattle Capital" to call his stockbroker in Portland, Oregon. She advised the operator would charge the phone company with a call to a Seattle number (number not now recalled). She advised these calls were always ticketed for less than three minutes; however, the calls usually lasted much longer.

She advised that a call-back procedure utilized by the South Whidbey Island Telephone Company known as Operator 55 is designed to keep the revenue within the company. She advised that on a person-to-person call from Whidbey to some other point when the called party is not available, the Whidbey operator advised the other operator to have the called party return the call to Operator 55 at Whidbey. She advised within the telephone industry Operator 55 means the original calling party has requested time and charges. She advised if the Whidbey operator did not request the call-back be made to Operator 55, the revenue would go to the called party's phone company.

Interviewed on 9/27/73 at Freeland, Washington File # SE 87-13996  
by SA [redacted] /pmh 7 Date dictated 10/2/73

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2.

She advised DAVID C. HENNY, Owner of South Whidbey Island Telephone Company, also owns the Hat Island Telephone Company. South Whidbey Island Switchboard is used for Hat Island business. She advised that the operators have been instructed to discourage persons placing long distance calls from Hat Island to bill the call to a third number. She explained they discouraged customers calling from Hat Island from making collect calls off Hat Island or from billing the calls to a credit card or other third number. She advised the operators were instructed to do this in order to keep the revenue with the Hat Island Telephone Company.

She advised that all toll calls charged to the company were ticketed for less than three minutes regardless of the length of the call.

She advised she is unable to recall the telephone number in Kirkland used for time of day calls.

## FEDERAL BUREAU OF INVESTIGATION

1Date of transcription 10/9/73

[redacted]  
[redacted] South Whidbey Island Telephone Company, advised that she had furnished the Federal Grand Jury at Seattle [redacted]  
[redacted]

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[redacted] advised that she is unaware of private telephone conversations ever monitored by DAVID C. HENNY. She advised that she has never been aware of her own conversations monitored by Mr. HENNY or anyone else. She advised she has never made statements to other employees of South Whidbey Island Telephone Company regarding HENNY monitoring private conversations.

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Interviewed on 9/27/73 at Langley, Washington File # SE 87-13996

by SA [redacted] /pmh 9 Date dictated 10/2/73

b6  
b7C

## FEDERAL BUREAU OF INVESTIGATION

10/17/73

Date of transcription

Page 1

[redacted] advised that he has been employed for approximately [redacted] at the South Whidbey Island Telephone Company. He advised his position is that of [redacted] advised that one of his duties is to [redacted] and [redacted] in DAVID C. HENNY's 1967 Toronado and [redacted] Vista Cruiser Oldsmobile Station Wagon.

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[redacted] described the following [redacted] that he has [redacted] HENNY's 1967 Toronado:

High-beam scanner - this scanner has the ability to scan fire department calls (other than South Whidbey Island), and other companies mobile calls.

Low-beam scanner - this scanner has the ability to scan mobile channels within the South Whidbey Island.

Mobile telephone with a receiver that is regular and a speaker setup - this speaker setup will monitor anything on this channel that is broadcast over the mobile telephone system. It has an on and off and volume control.

Other equipment in the car are a ham radio, AM-FM radio, and an eight-track stereo system.

[redacted] advised that the South Whidbey Island Telephone Company has three mobile channels, ZY, ZW, and the maintenance channel. ZY and ZW are commercial channels.

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[redacted] advised that whenever he rides with Mr. HENNY or gets in to use HENNY's car, the scanners are usually turned on.

Interviewed on 10/9/73 at Clinton, Washington File # SE 87-13996  
by SA [redacted] /spr 10 Date dictated 10/12/73

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b7C

[ ] advised that he [ ] to cut down the scanners and mobile speakers when HENNY is talking on his mobile unit.

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b7C

[ ] advised that in the spring of [ ] he [ ] wherein a phone freak could dial 382-2200. He explained that this went to a first selector, the last zero did it. He advised the 2200 series is not used. The first zero would unlock the system and the second zero would setup the conference call. He advised [ ] HENNY's instructions. He advised that as many as 20 to 24 persons could talk on the phone freak conference calls at one time. He advised the setup was without a ground. He advised that the setup was without answer supervision originally. [ ] said that approximately one week after it was installed HENNY instructed [ ] [ ] advised that he first learned there was phone freak activity on this system soon after it was setup. He advised he was told by HENNY. He advised that he verified this by [ ].

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[ ] advised that approximately two years ago he was at a [ ] for the South Whidbey Island Telephone Company. He advised he used the operator 55 call-back procedure to call the company. He advised this was used to save the company the cost of the call. He made the call this way at HENNY's instructions.

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[ ] advised that his calls on the free long-distance privileges afforded by the South Whidbey Island Telephone Company were placed to Copper Center, Alaska; Missoula, Montana, and Tallahassee.

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## FEDERAL BUREAU OF INVESTIGATION

10/17/73

Date of transcription

Page 1

[redacted], advised that the free long-distance calls she was allowed to make as an employee of South Whidbey Island Telephone Company were placed primarily to Seattle, Washington; Pittsburgh, Pennsylvania, and Orange, California.

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[redacted] advised she has never been asked to make an overseas call without going through the overseas operator.

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[redacted] described a system called "Seattle-Capital." She advised that "Seattle-Capital" was a method HENNY used to call his stockbroker in Portland, Oregon, and have the call charged to the telephone company with a call of three minutes or less to a number in Seattle. [redacted] advised that HENNY made several of these calls per day usually. She advised that although the calls were invariably ticketed for three minutes or less, HENNY usually talked much longer.

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[redacted] described the system, "Number Without" wherein Mr. HENNY could monitor private telephone conversations. She advised that she has not been requested to link HENNY to a conversation through the use of the "Number Without" system in several years. She advised she could recall most specific numbers wherein Mr. HENNY utilized this system to monitor private telephone conversation.

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[redacted] advised that the operators of the South Whidbey Island Telephone Company were instructed to utilize the operator 55 call-back procedure in lieu of the normal procedure of operator 6 or 7. She advised that on an operator 55 call-back, the called party will call through the Whidbey Island system wherein the revenue stays at Whidbey Island. She advised in the telephone industry operator 55 is actually supposed to be used only when a customer has requested time and charges.

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[redacted] advised that the Hat Island Telephone Company is owned by DAVID C. HENNY, owner of the South Whidbey Island Telephone Company. She advised that the operators of

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Interviewed on 10/9/73 at Langley, Washington File # SE 87-13996  
by SA [redacted] /spr 12 Date dictated 10/12/73

b6  
b7C



the South Whidbey Island Telephone Company also operate as operators for the Hat Island Telephone Company. She advised that whenever persons calling long-distance from Hat Island request to have the calls charged to a third number or a collect call, the operators were instructed to refuse to do this. The operators were told to advise the customers that they were unable to charge the calls to a third number. She advised this system tended to keep the revenue at Hat Island Telephone Company. [ ] advised that all company ticketed calls prior to the direct dial system being installed were ticketed for less than three minutes. She advised the only exception she could recall would be long-distance mobile calls that go through the mobile operator in Seattle.

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[ ] advised she could not recall the time-of-day number used in Kirkland, Washington.

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b7C

[ ] advised that she placed long-distance wake-up calls to Seattle to wake up [ ] and [ ] in Bellevue, Washington. She advised she could recall making no other long-distance wake-up calls although she may have.

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## FEDERAL BUREAU OF INVESTIGATION

1Date of transcription October 12, 1973

[redacted], Gresham, Oregon,  
provided the following information:

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He advised that he has known HENNY for approximately [redacted]. While employed by [redacted] he sold HENNY the telephone exchange equipment for his company. The sales negotiations started in 1968 and the equipment was installed in 1972.

He advised that he could not recall making a telephone call to Germany in approximately 1970, using the "phone freak" method or any other method. He does not know how to make international calls using the "phone freak" method.

He did have a Hat Island Telephone Company credit card, but he cancelled it over a year ago when he heard of the State of Washington Regulation Commission's ruling that it was illegal for a non-resident to possess a credit card for an in-state telephone company. He never had any toll free privileges through the South Whidbey Island Telephone Company, and he never made any toll free calls using the Operator 55 method.

Interviewed on 10/11/73 at Portland, Oregon File # PD 87-12058  
by SA [redacted] :krv 14 Date dictated 10/11/73

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## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 10/17/73Page 1

[redacted], Whidbey Island, advised that the calls he made to Olympia, Washington, discussed earlier were placed between 1966 and September, 1970. He advised that these calls were in connection with his attempt to obtain a liquor license. He advised he called both the Secretary of State LUDLOW KRAMER and the State Liquor Inspector in Olympia. b6 b7C

Interviewed on 10/12/73 at Whidbey Island, Washington File # SE 87-13996

by SA [redacted] /spr 15 Date dictated 10/12/73 b6 b7C

## FEDERAL BUREAU OF INVESTIGATION

1

Date of transcription 10/30/73

[redacted] Pine Oaks, Show Low, Arizona, telephone number [redacted] was interviewed and [redacted] furnished the following information:

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[redacted] stated he was employed by the [redacted] Federal Building, [redacted] Washington, D.C., from [redacted]. From [redacted] he was hired as the [redacted] for Whidbey Island Telephone Company, Whidbey Island, Washington, at an annual salary of \$10,000 a year. [redacted] stated there was no contract between he and the Whidbey Island Telephone Company, but that he was hired orally by DAVID C. HENNY and he orally advised HENNY of his termination when he left the company. [redacted] stated he propositioned HENNY for a raise in salary to \$12,000 a year, plus stocks, but HENNY disapproved and, therefore, [redacted] quit. [redacted] stated he was looking for a place [redacted] and, therefore, took the position with Whidbey Island Telephone Company, but found the climate was too drastic and for these reasons, he decided to terminate his employment with Whidbey Island Telephone Company.

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On [redacted], [redacted] stated he obtained employment with the Continental System of Western States Telephone Company as the [redacted] at Show Low, Arizona. On [redacted], [redacted] terminated his employment with the Continental System and is presently [redacted].

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[redacted] stated his Social Security Number is [redacted].

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[redacted] stated he received \$10,000 a year from [redacted], when he was employed at the Whidbey Island Telephone Company, Whidbey Island, Washington.

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[redacted] stated he retired from [redacted] because he was desirous of retiring from Federal Service.

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[redacted] reiterated the reason he left the Whidbey Island Telephone Company was because of the drastic climate

Interviewed on 10/18/73 at Show Low, Arizona File # Phoenix 87-13596

by SA [redacted] :cwb Date dictated 10/24/73

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16

PX 87-13596

DLS:cwb

2

and because DAVID C. HENNY would not give him a raise.

[ ] added that he considered DAVID C. HENNY to be a genius and the biggest problem with the Whidbey Island Telephone Company was extremely poor public relations. [ ] stated he met HENNY through the REA inasmuch as the Government was loaning money to the South Whidbey Island Telephone Company and HENNY wanted [ ] to work for him to assist in the [ ] work. [ ] stated HENNY had a personality problem and that he was unable to get along with employees and customers and HENNY wanted [ ] to keep him, HENNY, in the good graces with [ ]

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[ ] stated he suspected that reporting accounting procedures were not being handled correctly at the South Whidbey Island Telephone Company and discovered later that HENNY had another [ ] name unknown, who handled the reporting of the company to the State Corporation Commission which handled the regulation of the utilities within the State of Washington.

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SE 87-13996  
PD 87-12058  
RLB:jcc

1

The following investigation was conducted by SA [REDACTED]

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AT ST. HELENS, OREGON

On October 30, 1973, Sheriff ROY WILBURN, Columbia County, advised his records contained no information identifiable with [REDACTED].

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A review of St. Helens and Scappoose, Oregon Telephone Directory contained no information regarding [REDACTED].

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AT SCAPPOOSE, OREGON

On November 5, 1973, [REDACTED], U. S. Post Office, advised his records contained no information identifiable with [REDACTED]. [REDACTED] stated that after two years, postal records are purged, and in this case if [REDACTED] had left a forwarding address, it would have been destroyed.

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On November 5, 1973, [REDACTED] Rose Valley Telephone Company, advised that [REDACTED] had worked for the company a short time in 1965. He terminated his employment on [REDACTED]. [REDACTED] stated that [REDACTED] had lived at [REDACTED], but moved from the Scappoose area after terminating employment. [REDACTED] advised she could offer no information regarding his current location.

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On November 6, 1973, Department of Motor Vehicles (DMV), Salem, Oregon, advised via statel that a [REDACTED] resided at [REDACTED], Oregon, with his [REDACTED]. [REDACTED] was born [REDACTED] white male, 5'7", 155 pounds, and has Oregon license [REDACTED].

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## FEDERAL BUREAU OF INVESTIGATION

Page 1Date of transcription 11/12/73

[redacted] advised that the telephone calls he made to Olympia, Washington, referred to previously, were made on his office telephone at Freeland Lumber Company. He advised at that time the number at the lumber company was EV2-4760.

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Interviewed on 11/5/73 at Freeland, Washington File # SE #87-13996  
by SA [redacted]/spr 19 Date dictated 11/7/73

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## FEDERAL BUREAU OF INVESTIGATION

Page 1

11/12/73

Date of transcription \_\_\_\_\_

[redacted] was interviewed at Whidbey Telephone Company. He advised the high band scanner described earlier had a range from 150 to 175 MHz. He advised the low band scanner had a range from 25 to 50 MHz. [redacted] advised these scanners are Sonar Radio Corporation Model FR 2516(1) and FR 2515(1). He advised they operate off the 12-volt battery in HENNY's 1967 Toronado.

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11/5/73 Langley, Washington SE 87-13996  
Interviewed on \_\_\_\_\_ at \_\_\_\_\_ File # \_\_\_\_\_  
by SA [redacted] spr 20 Date dictated 11/7/73

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## FEDERAL BUREAU OF INVESTIGATION

Page 1Date of transcription 11/12/73

[redacted] telephonically contacted SA [redacted] at the Everett Resident Agency. [redacted] advised that he formerly was a phone freak and as such utilized blue boxes to make long distance telephone calls without charges.

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He advised from approximately April 25, 1971 to May 1, 1971, DAVID C. HENNY used a call-in line at Whidbey Telephone Company whereby phone freaks around the country could call through on conference calls. He advised between April 25, 1971, and May 1, 1971 the conferences were unsupervised. After that, they were supervised and the phone freaks would be charges for the calls. He advised he specifically remembers they were unsupervised on May 1, 1971, because he called Russia since it was May Day, and Canada. He advised that thereafter the calls were supervised and he would blue box into the line by using a multi-frequency device. He advised this line utilized by phone freaks was in operation for approximately 10 to 12 days after May 1, 1971. He advised that DAVID C. HENNY was frequently on the conference calls with the phone freaks. He advised HENNY still urged the phone freaks to use this line frequently and HENNY explained that Bell Telephone was conducting a use study and the traffic would enhance HENNY's revenue.

Interviewed on 11/6/73 at Everett, Washington File # SE 87-13996  
by SA [redacted] spr 21 Date dictated 11/7/73

b6  
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## FEDERAL BUREAU OF INVESTIGATION

Page 1

11/8/73

Date of transcription

[redacted] telephonically contacted Special Agent [redacted] at the Everett Resident Agency. [redacted] advised that from [redacted], he was employed as the [redacted] of the Whidbey Island Telephone Company. He advised he was a [redacted] familiar with all the operations of the company.

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From [redacted], [redacted] advised that [redacted] DAVID C. HENNY's 1967 Toronado [redacted] HENNY on numerous occasions. He advised that HENNY had installed in the 1967 Toronado a low band scanner and a high band scanner. He advised that HENNY used these scanners to monitor private telephone conversations between mobile to mobile calls and mobile to land calls. [redacted] advised that he is certain many of the calls were mobile to land or land to mobile because of the 420-cycle ring that occurs. He advised the majority of the monitored calls were between mobile units and land units. He advised the calls were automatically broadcast through HENNY's receiver. He advised HENNY frequently would monitor these conversations through to their completion. [redacted] advised that [redacted] HENNY monitored calls on Whidbey Island; Everett; Seattle; Sea-Tac Airport and Olympia, Washington. He advised telephone calls were monitored through the Whidbey Telephone System; Bell Telephone System, and General Telephone System.

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Interviewed on 11/7/73 at Everett, Washington File # SE 87-13996

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b7C

by SA [redacted] spr 22 Date dictated 11/7/73

## FEDERAL BUREAU OF INVESTIGATION

1Date of transcription 11/19/73

[redacted], General Telephone Company, advised that he has had extensive experience in mobile phones (12 years). [redacted] advised that he is the [redacted] for General Telephone Company, Everett area, and has been since February, 1971. [redacted] advised that there are two mobile channels in Everett, approximate range at 150 mega hurtz.

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[redacted] advised that on all calls from mobile to land phones, there is a standard ring-back tone. [redacted] advised that whenever this standard ring-back tone is in evidence, it is always to a land base phone.

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Interviewed on 11/9/73 at Everett, Washington File # Se 87-13996  
by SA [redacted] /dlm 23 Date dictated 11/14/73

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## FEDERAL BUREAU OF INVESTIGATION

1Date of transcription 11/19/73

[redacted], Pacific Northwest Bell Telephone Company, advised that he is the [redacted]. [redacted] advised that as such, he [redacted] for Pacific Northwest Bell Telephone Company.

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[redacted] advised that when monitoring a mobile to land base telephone call you would be unable to hear an audible ring-back. [redacted] advised that a mobile call to a land base call or plain ordinary telephone service (POTS), a 420 cycle tone would be audible. This is called the standard audible ring-back. [redacted] advised that while the cycle may not always be exactly 420, it would be within that range. He advised that all calls from mobile to land base would have a standard audible ring-back. [redacted] advised that this was in effect in 1971 and 1972, as well as in the present.

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Interviewed on 11/9/73 at Seattle, Washington File # SE 87-13996  
by SA [redacted] :lm 24 Date dictated 11/14/73

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b7C

SE 87-13996

AT SEATTLE, WASHINGTON

On November 7, 1973, Special Federal Grand Jury, Seattle, returned a True Bill Indictment against DAVID C. HENNY charging three counts of violation of Title 18, U. S. Code, Section 2511, and eleven counts of violation of Title 18, U. S. Code, Section 1343. This is a reindictment that supersedes the indictment returned on September 4, 1973. HENNY has been ordered for arraignment before U. S. District Court, Seattle, on November 30, 1973.

On November 9, 1973, U. S. Magistrate JOHN L. WEINBERG, Seattle, issued a search warrant for search of Whidbey Telephone Company 1967 Oldsmobile Toronado based on affidavit of Special Agent [REDACTED]

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## FEDERAL BUREAU OF INVESTIGATION

1Date of transcription 11/21/73

A 1967 black Oldsmobile Toronado, Washington License K7DD2, registered to Whidbey Telephone Company, was searched pursuant to a search warrant being issued by U. S. Magistrate JOHN L. WEINBERG.

The following property was seized:

One High Band Sonar Radio Scanner, Model FR2515, Serial Number 4380;

One Low Band Sonar Radio Scanner, Model FR2516, Serial Number 1886.

A copy of this search warrant and a receipt for above-seized property was furnished to DAVID C. HENNY, President of Whidbey Telephone Company.

Interviewed on 11/9/73 at Langley, Washington File # SE 87-13996  
by SA  /jgm 26 Date dictated 11/15/73

b6  
b7C

SE 87-13996

AT SEATTLE, WASHINGTON

On November 20, 1973, Assistant United States Attorney BRUCE CARTER advised trial has been rescheduled for April 1, 1974.

F B I

Date: 12/12/73

Transmit the following in \_\_\_\_\_  
(Type in plaintext or code)Via AIRMAIL AIRTEL  
(Priority)

TO : DIRECTOR, FBI (87-125130)  
ATTENTION: FBI LABORATORY  
RADIO ENGINEERING SECTION

FROM : SAC, SEATTLE (87-13996) (P)

SUBJECT: DAVID C. HENNY  
FRAUD BY WIRE - IOC  
OO: SEATTLE

Re Seattle report of SA [redacted] 11/26/73. b6 b7C

Enclosed for the Bureau are two copies each of FD-302  
of [redacted] 10/9/73 and 11/5/73; [redacted] 11/7-  
73; [redacted] 11/9/73; [redacted] 11/9/73.

On 11/9/73 a 1967 Oldsmobile Toronado owned by Whidbey Telephone Company and used by DAVID C. HENNY was searched by Bureau Agents pursuant to a search warrant issued by U.S. Magistrate JOHN L. WEINBERG, and two sonar scanners were seized. One is a High Band Sonar Radio Scanner model number FR2515, serial number 4380, range 150 to 175 megahertz. The other is a Low Band Sonar Radio Scanner model FR2516, serial number 1886, range 25 to 50 megahertz. According to witnesses, HENNY used these scanners to monitor private mobile to land telephone calls on Whidbey Island and Everett, Washington, Seattle, and at Sea-Tac Airport.

On 11/7/73, Special Federal Grand Jury, Seattle, returned a true bill indictment against HENNY charging violation 11 counts USC Title 18, Section 1343, Fraud By Wire and 3 counts USC Title 18, Section 2511, Interception of Communication.

②-Bureau (Encl 10) ENCLOSURE

2-Seattle.

WRM:djm

(4)

Let to Seattle  
JBP, bms 12/20/73

cc - Radio Eng Sect  
12/20/73

Approved: \_\_\_\_\_  
Special Agent in Charge

Sent \_\_\_\_\_

M

Per \_\_\_\_\_

U.S. Government Printing Office: 1972 - 455-574



SE 97-13996

One of the IOC counts is for use of above scanners to monitor mobile-to-land calls.

For information of Bureau, Whidbey Island is located in Puget Sound, the southern part is a few miles west of the city of Everett, Washington. The Whidbey Telephone Company furnishes phone service for the southern half of Whidbey Island. Seattle, Washington is approximately 25 miles south of Everett, and Sea-Tac Airport is approximately 50 miles south of Everett.

AUSA BRUCE CARTER, Seattle, has requested an examination of the above scanners by FBI Laboratory, Radio Engineering Section to determine if these scanners are capable of monitoring calls as alleged by witnesses of [ ] and [ ]. These scanners are apparently standard sonar radio scanners and have not been reworked. <sup>b6</sup>  
<sup>b7c</sup>

The Bureau is requested to advise Seattle if such a determination is possible, and should such an examination be made at the FBI Laboratory or at Whidbey Island.

SAC, Seattle (87-13996)

REC-59

December 20, 1973

Director, FBI (87-125130) — 8

1 -  (Rm. 22<sup>b6</sup>)  
1 -  b7C

DAVID C. HENNY  
FRAUD BY WIRE  
IOC

Reurairtel dated 12/12/73, requesting technical information concerning Sonar radio frequency scanners.

The FBI Laboratory is prepared to determine the frequency of each channel in the questioned scanner receiver and to establish the scanner receivers sensitivity (minimum input signal required).

The distance that the scanner receiver could receive a broadcast signal would depend upon several factors such as: terrain, transmitted power, receiver antenna, etc.

This question could be answered with more accuracy by testing the scanner receivers in the area where they are alleged to have been used.

JBP:bms  
(5)

302 (enclosure) returned to  
Seattle today 1-14-74

MAILED 7

DEC 20 1973

FBI

Assoc. Dir. \_\_\_\_\_  
Asst. Dir.: \_\_\_\_\_  
Admin. \_\_\_\_\_  
Comp. Syst. \_\_\_\_\_  
Ext. Affairs \_\_\_\_\_  
Files & Com. \_\_\_\_\_  
Gen. Inv. \_\_\_\_\_  
Ident. \_\_\_\_\_  
Inspection \_\_\_\_\_  
Intell. \_\_\_\_\_  
Laboratory \_\_\_\_\_  
Plan. & Eval. \_\_\_\_\_  
Spec. Inv. \_\_\_\_\_  
Training \_\_\_\_\_  
Legal Coun. \_\_\_\_\_  
Telephone Rm. \_\_\_\_\_  
Director Sec'y \_\_\_\_\_

58 JAN 18 1974

MAIL ROOM ☒

TELETYPE UNIT ☐

LABORATORY DIVISION  
FBI

DEC 20 8 55 AM '73

RECEIVED

UNITED STATES GOVERNMENT

# Memorandum

TO : DIRECTOR, FBI (87-125130) DATE: 1/14/74  
(ATTENTION: FBI LABORATORY, RADIO ENGINEERING SECTION)

FROM : SAC, SEATTLE (87-13996) (P)

SUBJECT: DAVID C. HENNY  
FRAUD BY WIRE-IOC  
OO: SEATTLE

*E-1923-HY*

*b6  
b7C*

Re Seattle airtel to Bureau, 12/12/73; Bureau letter to Seattle, 12/20/73.

On 1/4/74, Assistant U. S. Attorney BRUCE D. CARTER, Seattle, requested that FBI Laboratory conduct an examination of the Sonar Scanners, referred to in references. CARTER requested that the examination and testing be made at Whidbey Island, Washington, for more accuracy.

Subject's trial date is set for 4/1/74.

The Bureau is requested to conduct examination and tests of the Sonar Scanners at Whidbey Island, Washington, at earliest convenience.

②-Bureau (87-125130)  
2-Seattle (87-13996)

WRM:dln

3/28/74

ASAC-

that no evidence in this case will be submitted to the Laboratory.

EX-111 REC-46

87-125130-9

12 JAN 17 1974

SEVEN

SIX

MAR 29 1974

Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

UNITED STATES GOVERNMENT

# Memorandum

TO : DIRECTOR, FBI (87-125130) DATE: 1/30/74  
(Attention: FBI Laboratory, Radio  
Engineering Section)

FROM : SAC, SEATTLE (87-13996) (P)

SUBJECT: DAVID C. HENNY  
FBW; IOC  
OO: SEATTLE

Re Seattle airtel to Bureau, 12/12/73; Bureau letter to Seattle, 12/20/73; Seattle airtel to Bureau, 1/14/74.

The two Sonar Scanners are being forwarded separately to the Bureau via registered mail.

It is requested the Bureau conduct examinations and tests as mentioned in references.

3 - Bureau (2 - 87-125130)  
(1 - package)  
2 - Seattle (87-13996)  
WRM:rtr  
(5)

EX-109

REC-28

87-125130-10

22 FEB 4 1974

cc - Dir 6

EXP. PROC.

SEVEN  
SIX



FEB 8 1974

U.S. Savings Bonds Regularly on the Payroll Savings Plan

## FEDERAL BUREAU OF INVESTIGATION

REPORTING OFFICE SEATTLE	OFFICE OF ORIGIN SEATTLE	DATE 2/13/74	INVESTIGATIVE PERIOD 12/7/73 - 2/8/74
TITLE OF CASE DAVID C. HENNY		REPORT MADE BY [REDACTED]	TYPED BY rlg
		CHARACTER OF CASE FBW; IOC	

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b7C

REFERENCES: Report of SA [REDACTED], 11/26/73,  
at Seattle, Washington.  
Seattle letter to Knoxville, 12/14/73.  
Seattle letter to Memphis, 12/18/73.

- P -

LEADS:KNOXVILLEAT KNOXVILLE, TENNESSEE:

Will furnish Seattle results of investigation  
previously requested.

ACCOMPLISHMENTS CLAIMED					<input type="checkbox"/> NONE	ACQUIT- TALS	CASE HAS BEEN:  PENDING OVER ONE YEAR <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO PENDING PROSECUTION OVER SIX MONTHS <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
CONVIC.	FUG.	FINES	SAVINGS	RECOVERIES			

APPROVED COPIES MADE: <u>2</u>	SPECIAL AGENT IN CHARGE [Signature]	DO NOT WRITE IN SPACES BELOW	
Bureau (87-125130)		87-125130-11	REC-29
1 - USA, Seattle			
2 - Knoxville (88-6103) (87-8774)		12 FEB 19 1974	
2 - Memphis			
2 - Seattle (87-13996)			

Dissemination Record of Attached Report					Notations  [Signature] DATA/PROC
Agency					
Request Recd.					
Date Fwd.					
How Fwd.					
By	277				

80 FEB 21 1974

COVER PAGE

SE 87-13996

MEMPHIS

AT MEMPHIS, TENNESSEE:

Will furnish Seattle with results of investigation previously requested.

SEATTLE

AT EVERETT, WASHINGTON:

Will follow and report prosecution.

- B\* -  
COVER PAGE

UNITED STATES DEPARTMENT OF JUSTICE  
FEDERAL BUREAU OF INVESTIGATION

Copy to: 1 - USA, Seattle

Report of: [REDACTED]

Office: Seattle

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b7C

Date: 2/13/74

Field Office File #: 87-13996

Bureau File #: 87-125130

Title: DAVID C. HENNY

Character: FRAUD BY WIRE; INTERCEPTION OF COMMUNICATIONS

Synopsis: On 12/7/73, HENNY entered plea of not guilty to all 14 counts before U.S. District Judge WILLIAM GOODWIN, Tacoma, Washington. [REDACTED] interviewed Buagents 1/11/74. Jury trial scheduled for HENNY 4/1/74 at Tacoma, Washington.

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- P -

DETAILS:AT SEATTLE, WASHINGTON

On December 17, 1973, AUSA BRUCE CARTER advised that on December 7, 1973, DAVID C. HENNY appeared before United States District Judge WILLIAM GOODWIN, Tacoma, Washington, and entered a plea of not guilty to all 14 counts in indictment.

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription January 15, 1974

[redacted], North Bend, Oregon, advised that he formerly was employed by the South Whidbey Island Telephone Company, Whidbey Island, Washington, from [redacted], at which time he was terminated by the company.

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He stated the company gave him no reason for his termination; however, it was obviously because he had reached top pay in his job and it was an economic move by the company to replace him with a lower salaried individual. He said three other employees who also had reached the top salary for their job were terminated at the same time.

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[redacted] said at that time the employees were non-union and there was nothing they could do about their termination.

[redacted] said he was employed as [redacted] [redacted], but was also trained as an operator and frequently worked as an operator.

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[redacted] said he has no information about "SEATTLE CAPITOL" calls or a "NUMBER WITHOUT" procedure in the South Whidbey Island Telephone Company and these terms are unfamiliar to him.

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He also advised that he has no information that DAVID HENNY monitored private telephone conversations for his own personal gain or information; however, he did have a monitor in his house by which means he could listen to the various operators. This also permitted him to monitor both ends of any telephone calls placed by the operators, but the ostensible purpose in this was to check on the efficiency and performance of the operators, and he knows of no instance where HENNY monitored telephone conversations for any other purpose.

[redacted] was informed that one employee of the South Whidbey Island Telephone Company has stated that he had [redacted]

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[redacted] said he has no recollection of [redacted]

Interviewed on 1/11/74 at North Bend, Oregon File # PD 87-12058

by SA [redacted] :lmp Date dictated 1/14/74

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this, but pointed out it would have been over nine years ago, and it is possible that some incident has escaped his recollection.

[redacted] said he does recall the following practices instituted by HENNY at South Whidbey Island Telephone Company, which he considers irregular:

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All employees of South Whidbey Island Telephone Company were encouraged to make long distance calls to make it look like they were doing more business than they actually were. General Telephone Company at that time was considering buying the South Whidbey Island Telephone Company and HENNY wanted to show a large volume of business. In addition, all long distance calls, no matter what the length, were to be billed out at three minutes or less. Under the inter-company billing procedures, this gave the South Whidbey Island Telephone Company a greater profit.

In addition, employees were permitted, when outside the Whidbey Island area, to call "Operator 61", Whidbey Island, which was a code word, whereby they would then be connected to any number they desired in the United States, through the Whidby Island exchange, and they were never billed for the call.

In addition, HENNY mailed out the company's credit cards to individuals all over the United States, thus receiving additional profits from use of these credit cards. Under agreement among the telephone companies, a company is not supposed to issue credit cards to individuals residing outside of the territory served by that company.

[redacted] also advised that in about 1962, at a time when HENNY received a sizeable amount of government (REA) money for a Micro Wave System for the South Whidbey Island Telephone Company, he purchased a \$3500.00 Collins Amateur Radio Station for his personal use. [redacted] cannot prove it, but he is confident that HENNY wrongfully used funds furnished him by the government for the Micro Wave System in order to buy his personal amateur radio station.

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SE 87-13996

AT SEATTLE, WASHINGTON

On February 8, 1974, AUSA BRUCE CARTER  
advised subject's jury trial set for April 1, 1974  
at Tacoma, Washington.

Federal Bureau of Investigation  
-Records Section

4/9, 1974

☐ Name Searching Unit - Room 6527  
☐ Service Unit - Room 6524  
☐ Forward to ☐  
☒ Attention ☐  
☒ Return to ☐

b6  
 2252 b7C  
 Room Ext.

## Type of References Requested:

☐ Regular Request (Analytical Search)  
☒ All References (Subversive & Nonsubversive)  
☐ Subversive References Only  
☐ Nonsubversive References Only  
☐ Main \_\_\_\_\_ References Only

## Type of Search Requested:

☐ Restricted to Locality of \_\_\_\_\_  
☐ Exact Name Only (On the Nose)  
☐ Buildup ☐ Variations

Subject David C. Henney  
 Birthdate & Place \_\_\_\_\_  
 Address \_\_\_\_\_

Localities Wash.

R# \_\_\_\_\_ Date 4/9 Searcher Initials BR

Prod. \_\_\_\_\_

FILE NUMBER

SERIAL

87-125130  
 Bu's & Bo's  
 NR

March 22, 1974

Mr. Stan Pitkin  
United States Attorney  
Seattle, Washington

47  
Attention: Harry J. McCarthy  
Assistant United States Attorney

Re: United States v. David C. Henry  
Cr. No. 323-7302

Dear Mr. Pitkin:

Your request for authority to apply to the United States District Court for the Western District of Washington for an order requiring [ ] to give testimony or provide other information pursuant to 18 U.S.C. 6002-6003 in the above case and in any further proceedings resulting therefrom or ancillary thereto is hereby approved pursuant to the authority vested in me by 18 U.S.C. 6003 and 28 C.F.R. 0.175.

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b7C

Sincerely,

HENRY E. PETERSEN  
Assistant Attorney General

cc: [ ]

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b7C

ENCLOSURE

97-125130-12

Henry E. Petersen  
Assistant Attorney General  
Criminal Division

March 28, 1974

[redacted]  
[redacted], Fraud Section  
Criminal Division

TJM:IKJ:cms  
36-82-170

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Order to Compel Testimony of [redacted]

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We have received the attached memorandum from the United States Attorney, Seattle, Washington, requesting authority to apply for an order compelling the testimony of [redacted] in the case of United States v. David C. Henny, which is scheduled for trial in April, 1974.

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b7C

The instant case involves violations of the fraud-by-wire statute in a scheme by Henny, owner of the Whidbey Telephone Company, to deprive the General Company of the Northwest and the Pacific Northwest Bell Telephone Company of their operating revenues, in violation of 18 U.S.C. 1343.

Proposed witness [redacted] of Henny and was permitted by Henny to make personal long-distance calls at no expense to himself for both personal and business reasons. His testimony will show the extent of the illegal use of the wires chargeable to Henny.

b6  
b7C

[redacted] has stated before the grand jury and recently through his lawyer [redacted]

b6  
b7C  
b7D

The Fraud Section recommends that the immunity be granted. We have made appropriate record checks, including the Organized Crime and Racketeering Section, and no reports were received of any pending investigations which might be adversely affected by the grant.

Attached hereto is an appropriate letter granting the immunity. The United States Attorney has requested response by March 28, 1974.

Attachment

cc: [redacted]

b6  
b7C

ENCLOSURE

87-125130-12

U.S. POSTAL SERVICE ROUTING SLIP		DEPT., OFFICE OR ROOM NO.	<input type="checkbox"/> APPROVAL <input type="checkbox"/> SIGNATURE <input type="checkbox"/> COMMENT <input type="checkbox"/> SEE ME <input type="checkbox"/> AS-REQUESTED <input type="checkbox"/> INFORMATION <input type="checkbox"/> READ AND RETURN <input type="checkbox"/> READ AND FILE <input type="checkbox"/> NECESSARY ACTION <input type="checkbox"/> INVESTIGATE <input type="checkbox"/> RECOMMENDATION <input type="checkbox"/> PREPARE REPLY
TO:			
1	Clarence M. Kelly		
2	Director		
3	Federal Bureau of Investigation		
4	Washington, D.C. 20535		
5			
FROM:	Chief Postal Inspector		EXTENSION
DATE	4-3-74		ROOM NO.
REMARKS:			
<p>The attached report forwarded to this office from the Justice Department does not relate to a Postal Inspection Service case. It appears the violation of 18 USC 1343 mentioned in the memorandum is a violation being investigated by the Federal Bureau of Investigation.</p> <p>Attachment</p>			

**EXP. PROC.**  
 APR 5 1974  
 37

DAVID C. O'NEAL  
 gh

EX-110

REC-16

87-125130-12  
 4-11  
 6 APR 5 1974

File 87-125130  
 6-1

b6  
 b7C

PS Form 13  
 Dec. 1970

(Additional Remarks on Reverse)

GPO 048-10-81067-1 413-907

2 ENCLOSURE

54 APR 17 1974

## FEDERAL BUREAU OF INVESTIGATION

REPORTING OFFICE <b>SEATTLE</b>	OFFICE OF ORIGIN <b>SEATTLE</b>	DATE <b>5/2/74</b>	INVESTIGATIVE PERIOD <b>2/13/74 - 4/17/74</b>
TITLE OF CASE <b>DAVID C. HENNY</b>		REPORT MADE BY SA <span style="border: 1px solid black; display: inline-block; width: 100px; height: 1.2em; vertical-align: middle;"></span>	TYPED BY <b>djm</b>
		CHARACTER OF CASE <b>FBW; IOC</b>	

b6  
b7CREFERENCES:Seattle report of SA , 2/13/74.

-P-

ADMINISTRATIVE:

Results of extensive pre-trial contact with AUSA BRUCE CARTER and potential witnesses not being included in this report, but is contained in Seattle file.

LEADS:

SEATTLE DIVISION  
At Everett, Washington

Will follow and report sentencing of HENNY *2M*

ACCOMPLISHMENTS CLAIMED					<input checked="" type="checkbox"/> NONE	ACQUIT-TALS	CASE HAS BEEN:
CONVIC.	FUG.	FINES	SAVINGS	RECOVERIES			
							PENDING OVER ONE YEAR <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
							PENDING PROSECUTION OVER SIX MONTHS <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO

APPROVED

COPIES MADE:

SPECIAL AGENT  
IN CHARGE

DO NOT WRITE IN SPACES BELOW

- ①-Bureau (87-125130)  
1-USA, Seattle  
2-Seattle (87-13996)

MAY 6 1974

REC-6

Dissemination Record of Attached Report

Notations

Agency				
Request Recd.				
Date Fwd.				
How Fwd.				
By				

50 MAY 13 1974

-A\*-  
COVER PAGE

UNITED STATES DEPARTMENT OF JUSTICE  
FEDERAL BUREAU OF INVESTIGATION

Copy to: 1-USA, Seattle

Report of:  
Date:SA [REDACTED]  
5/2/74Office: Seattle, Washington <sup>b6</sup>  
<sup>b7C</sup>

Field Office File #: 87-13996

Bureau File #: 87-125130

Title: DAVID C. HENNY

Character: FRAUD BY WIRE; INTERCEPTION OF COMMUNICATIONS

Synopsis: Jury trial for DAVID C. HENNY held before USDJ WILLIAM GOODWIN at Tacoma, Wa., 4/1 - 17/74. Three counts Interception of Communications dismissed by Judge GOODWIN. Jury returned guilty verdict for ten Fraud by Wire counts and not guilty for one Fraud by Wire count. Sentencing set for 6/14/74.

-P-

DETAILS:At Tacoma, Washington

Jury trial for DAVID C. HENNY held before U.S. District Court Judge WILLIAM GOODWIN, 4/1 - 17/74. Three counts of Interception of Communications dismissed by Judge GOODWIN on 4/17/74; jury returned guilty verdict for ten Fraud by Wire counts and not guilty verdict for one Fraud by Wire count. Judge GOODWIN set sentencing for 6/14/74 at Tacoma, Washington.

-1\*-



# PAROLE REPORT

## FEDERAL BUREAU OF INVESTIGATION

Reporting Office <b>SEATTLE</b>	Office of Origin <b>SEATTLE</b>	Date <b>6/21/74</b>
Name of Convict with Aliases:  <b>DAVID C. HENNY</b>	Report Made By <b>SA</b> <span style="border: 1px solid black; display: inline-block; width: 150px; height: 1.2em; vertical-align: middle;"></span>	Typed By <b>jmb</b> <sup>b6</sup> <sup>b7C</sup>
	Violation:  <b>FRAUD BY WIRE</b>	

Outline of Offense: Between 1967 and 1970, DAVID C. HENNY, owner of Whidbey Telephone Company defrauded General Telephone Company of the Northwest and Northwest Bell Telephone Company of approximately \$100,000 based on a settlement agreement wherein HENNY received rebate for fraudulently ticketed long distance telephone calls. ~~DATA FROM~~

Date and place of indictment: **11/7/73 at Seattle, Washington**  
 or information filed:

Code and section under which charged: **Title 18, Section 1343 (11 counts); Title 18, Section 2511 (3 counts)**

Section under which sentenced: **10 counts Title 18, Section 1343**

Date and nature of plea: **12/7/73, pled not guilty**

Date and place of conviction: **4/17/74 at Tacoma, Washington**

Date and duration of sentence: **6/14/74, three years**

Fines: **\$10,000**

Aggravating or Mitigating circumstances: **There are no known aggravating or mitigating circumstances.**

Approved <i>JCM/mo</i>	Special Agent in Charge	Do Not Write in Spaces Below	
Copies Made:			
3 - Bureau			
Disseminated at FBIHQ			
2 - Bureau of Prisons			
Date Fwd.: <i>6/26/74</i>			
By: <i>JPM/lgh</i>			
<b>89-125130-14</b> <b>ENCLOSURE</b>			

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

## FEDERAL BUREAU OF INVESTIGATION

REPORTING OFFICE SEATTLE	OFFICE OF ORIGIN SEATTLE	DATE 6/21/74	INVESTIGATIVE PERIOD 4/17/74 - 6/17/74
TITLE OF CASE  DAVID C. HENNY		REPORT MADE BY SA [REDACTED]	TYPED BY jnj
		CHARACTER OF CASE  FRAUD BY WIRE-INTERCEPTION OF COMMUNICATIONS	

REFERENCE: Report of SA [REDACTED], 5/2/74.

- c -

## ENCLOSURES:

TO THE BUREAU: Three (3) copies of parole report and one (1) final disposition report.

DISPOSITION SHEET DETACHED  
AND HANDLED SEPARATELY87-1-SE  
Fraud by Wireht.  
sh

ACCOMPLISHMENTS CLAIMED - SE <input type="checkbox"/> NONE					ACQUIT- TALS	CASE HAS BEEN:
CONVIC.	FUG.	FINES	SAVINGS	RECOVERIES		
1		\$10,000				PENDING OVER ONE YEAR <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO PENDING PROSECUTION OVER SIX MONTHS <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO

APPROVED

COPIES MADE:

SPECIAL AGENT  
IN CHARGE

DO NOT WRITE IN SPACES BELOW

1-Bureau (87-125130) (Enc. 4)  
 1-U.S. Attorney, Seattle  
 1-Seattle (87-13996)

87- 125130- 14 REC-112

17 JUN 24 1974

ENCLOSURE

Dissemination Record of Attached Report				
Agency				
Request Recd.				
Date Fwd.				
How Fwd.				
By	19 AUG 19 1974			

Notations

DATA PROC

A\*

COVER PAGE

UNITED STATES DEPARTMENT OF JUSTICE  
FEDERAL BUREAU OF INVESTIGATION

Copy to: 1 - U.S. Attorney, Seattle, Washington

Report of: SA [REDACTED]  
Date: JUNE 21, 1974

Office: SEATTLE b6  
b7C

Field Office File #: 87-13996

Bureau File #: 87-125130

Title: DAVID C. HENNY

Character: FRAUD BY WIRE - INTERCEPTION OF COMMUNICATIONS

Synopsis: On 6/14/74, U.S. District Judge WILLIAM GOODWIN, sentenced DAVID C. HENNY to three years in custody of Attorney General and imposed a fine of \$10,000, for HENNY's 4/17/74 conviction on 10 counts violation Title 18, Section 1343, U.S. Code, Fraud by Wire.

-C-

DETAILS:

At Seattle, Washington

On 6/17/74, AUSA BRUCE D. CARTER, Seattle, advised that on 6/14/74, U.S. District Judge WILLIAM GOODWIN sentenced DAVID C. HENNY to three years in custody of Attorney General and imposed a fine of \$10,000 for HENNY's 4/17/74 conviction on 10 counts violation of Title 18, Section 1343, U.S. Code, Fraud by Wire.

1\*

UNITED STATES GOVERNMENT

# Memorandum

TO : DIRECTOR, FBI (87-125130)

DATE: 9/19/74

FROM : SAC, SEATTLE (87-13996) (P\*)

SUBJECT: DAVID C. HENNY  
FBW-IOC  
OO: SE

## LIAISON WITH THE CLERK OF THE NINTH CIRCUIT COURT OF APPEALS

On September 12, 1974, [REDACTED],  
Docket Clerk, Criminal Division, U. S. Attorney's Office,  
Seattle, Washington, advised that subject HENNY has  
filed a Notice of Appeal with the 9th Circuit Court of  
Appeals.

b6  
b7c

On April 17, 1974, DAVID C. HENNY was convicted  
on ten counts of violation Title 18 USC, Section 1343,  
Fraud by Wire. On June 14, 1974, USDJ WILLIAM N. GOODWIN,  
U. S. District Court, Western District of Washington,  
Tacoma, Washington, sentenced HENNY to three years in  
custody of the Attorney General and imposed a fine of  
\$10,000.

### LEADS

SAN FRANCISCO  
At San Francisco, California

Will follow this appeal with the Clerk of the  
9th Circuit Court of Appeals.

- ② - Bureau  
2 - San Francisco  
2 - Seattle  
(1 - 87-13996)  
(1 - 66-2659)  
JMF/djs  
(6)

REC-43

87-125130-15

14 SEP 23 1974

EX 104



5010-110

SEP 26 1974

Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

UNITED STATES GOVERNMENT

# Memorandum

TO : DIRECTOR, FBI (87-125130)  
(ATT: STATISTICAL SECTION)

FROM : SAC, SEATTLE (87-13996) (C)

SUBJECT: DAVID C. HENNY  
FBW; IOC

DATE: 1/28/75

Re Seattle reports of SA [REDACTED]  
5/2/74 and 6/21/74.

On 1/13/75, [REDACTED]  
General Telephone Company of the Northwest, Everett, Washing-  
ton, advised his company has recovered \$61,000 from the  
Whidbey Telephone Company (owned by subject HENNY) as a re-  
sult of evidence in HENNY's trial in federal court in April,  
1974.

It is noted, this case primarily concerned frauds  
by HENNY perpetrated through the Whidbey Telephone Company  
with General Telephone Company of the Northwest and Pacific  
Northwest Bell Telephone Company as the victims.

The Bureau is requested to credit Seattle with  
the recovery of \$61,000.

1 - Bureau  
1 - Seattle  
WRM/ljt  
(2)

187-Recovery  
Fraud by Wire

REC-63

87-125130-16

EX-103

2-10  
JAN 31 1975



5010-110

4 1975

Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

UNITED STATES GOVERNMENT

# Memorandum

TO : DIRECTOR, FBI (87-125130) DATE: 2/25/76

FROM : JOP  
ACTING SAC, SEATTLE (87-13996) (C)

SUBJECT: 6  
DAVID C. HENNY  
FBW - IOC  
OO: SEATTLE

Re San Francisco letter to Seattle dated 12/23/75.

On October 20, 1975, the United Circuit Court of Appeals affirmed the conviction of DAVID C. HENNY and as of December 23, 1975, no motion for rehearing had been filed.

The written opinion has been examined and no issues were raised in the opinion which might effect the Bureau's operations.

2 - Bureau  
1 - Seattle  
SSH:skh  
(3)

EX-116  
REC 32 87-125130-17

6 MAR 1 1976

*[Handwritten signature]*



59 5010-110

9 1976

319

Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

UNITED STATES GOVERNMENT

# Memorandum

TO : DIRECTOR, FBI (87-125130)

DATE: 10/18/76

FROM : SAC, SEATTLE (87-13996) (C)

SUBJECT: DAVID C. HENNY  
FBW; IOC  
OO: SEATTLE

11-17-76  
6:35 PM  
81 LRA  
12-1-76

Enclosed for the Bureau is one final disposition report.

For the information of the Bureau, on 10/4/76, the Seattle Office received a telephone call from subject's attorney, [redacted] advised that after reviewing subject's FBI Identification Record, he noted the disposition, as reflected for captioned matter, to be erroneous.

b6  
b7c

On 10/15/76, a review of subject's file at U. S. District Court, Western District of Washington, Seattle, regarding captioned matter reflected on 9/13/76, subject had filed an affidavit to support the motion to reduce sentence in which he states a document from the Identification Division of the FBI, received at McNeil Island Penitentiary, on 7/22/76, reflected the following disposition:

"Sentenced to three years in custody of Attorney General and fined \$10,000 on charge of three counts, Interception of Communications, Title 18, Section 2511."

He further stated that all charges related to Title 18, Section 2511 were withdrawn or were dismissed during the trial and any official viewing his records in the official files would find evidence that he was convicted on charges of an additional type than those actually involved in his conviction and this would raise the severity of his alleged offenses in their minds.

2 - Bureau (Encl - 1)  
1 - Seattle  
CF/tcs  
(3)

EX-105

REC-2

87-125130-18

14 OCT 26 1976



5480

5 JAN 14 1977

Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

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SE 87-13996

An additional review of subject's file reflects the disposition for captioned matter should read as follows and should appear as such on the subject's identification record, FBI No. 176145M1:

Disposition: Sentenced to three years in custody of Attorney General and fined \$10,000 for conviction on 10 counts, violation of Title 18, Section 1343, U. S. Code, Fraud By Wire (date of disposition 6/14/74)