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To Mr. M.R. Masani 3366

From: Mr. K.M. Munshi

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4 pages

1. Under the documents passed by Raja in favour of the Bank, he has direct contractual relations with the Bank. Under these documents, the property in the 33 jeeps is vested in the Bank, Raja only being a trustee. The Party has nothing to do with this transaction.

2. So far as the Party is concerned, the Parliamentary Board authorised the Bihar Party, if it so desired, to raise loans to the extent of Rs. 5-lakhs for the purchase of jeeps and the maintenance of workers in connection with the "election campaign" of the Swatantra Party.

3. The understanding of the Party with Raja is contained in the letter of the General Secretary dated May 18, 1961. This understanding is based on the policy of the Centre, to which Raja was a party, that as the Party was interested only in subsidising the candidates for the parliamentary constituencies in the country, ^a certain sum would be made available, in the light of collections made, to a State Party for the use of parliamentary candidates of the Party^m endorsed by the Centre, to enable them to run the elections. Under this policy, the Bihar Party was to get certain grants for each parliamentary candidate endorsed by the Centre.

4. When the Bihar Party was authorised to raise money on credit, it was on the distinct understanding formulated by the General Secretary in his letter of May 18, 1961, on the following terms :

"It is understood that the funds that may be so raised will be earmarked for being expended in connection with the election work in those parliamentary constituencies, the candidates for which are endorsed by the Parliamentary Sub-Committee."

5. Pursuant to this understanding, the General Secretary wrote to Raja to raise a loan of Rs. 4-lakhs from the Central

Central Bank of India for the purchase of jeeps. The Party has nothing to do with the contractual relations between the Bank and Raja.

6. As a result of the understanding between Raja and the Party, on July 30, 1961, the Party decided that for the time being nothing should be paid in cash to the Bihar Party to subsidise the endorsed seats, as such money had to be diverted in repaying the loan of the Bank on behalf of Raja at the rate of Rs.20,000/- a month. Pursuant to this understanding, Raja, as representing the Bihar Party, undertook the obligation that the candidates endorsed by the Centre should in all be provided with 26 jeeps.

7. However, an arrangement, embodying this ~~and the~~ understanding was recorded in a letter signed by the General Secretary and the Raja on August 2, 1961. Under this arrangement -

- (a) The Treasurer was to pay instalments of Rs.20,000/- per month on Raja's behalf to the Bank towards the repayment of the credit of Rs.400,000/-;
- (b) such amounts were to be set off against the amount to be paid to the Bihar Party in respect of the endorsed seats;
- (c) at the end of the campaign, Raja was to hand over 4/5th of the jeeps, i.e. 26 jeeps, to the Swatantra Party at the Centre.

8. Reading the letters of May 18 and August 2, 1961, it is clear that the arrangement to pay instalments of Rs.20,000/- to the Bank was on the express understanding that the jeeps allocable to the credit should be allotted to the Parliamentary candidates endorsed by the Centre, *i.e. Bihar*

9. So far the following sums have been paid to Raja or on his behalf -

Advanced to Raja between May and June 1961	Rs. 50,000.00
Repayment to the Central Bank in 4 instalments	80,000.00
	<u>Rs. 130,000.00</u>

10. Raja purchased the jeeps as arranged, but has not earmarked the 26 jeeps to be handed over to the Party in the event of the loan being paid off.

11. Various candidates for parliamentary seats in Bihar were endorsed by the Centre from time to time as per Schedule A. Raja, however, has completely disregarded the instructions of the General Secretary contained in letters of September 5 and November 2, 1961, and -- complaints have been received from some Parliamentary candidates, duly endorsed, that no jeeps have been given to them (vide Schedule B). He has also failed to cooperate with the General Secretary and thereby delayed the endorsements of parliamentary seats.

12. By the Baroda Award and the Bangalore decision, Tirhut is being dealt with by the Central Office, and Raja has failed to deliver the jeeps to the endorsed candidates ~~in~~ in those areas in spite of repeated requests.

13. The candidates of Darbhanga, Purnea and Saharsa divisions are in great difficulties without jeeps. As time was running high, the Party had to pay to the candidates of Darbhanga, Purnea and Saharsa, certain sums of money to buy second-hand jeeps.

14. In effect, Raja has failed to carry out his part

of the understanding, ~~the failure~~ on which alone the Party promised to repay the loan by monthly instalments.

As time is really the essence of the understanding, the failure on Baja's part to carry out the understanding fully justifies the Party in not paying the monthly instalments to the Bank.
