

2 FBI Agents Sue N.C. Bank Over Bugging

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For 10 years, according to the FBI, officers of the Northwestern Bank in Wilkesboro, N.C., engaged in a veritable orgy of electronic eavesdropping. They bugged employees. They bugged relatives. They bugged Internal Revenue Service agents and, ultimately, they bugged the FBI.

Resignations, indictments, convictions and jail sentences followed the discovery in July 1977. What remains is an unusual civil suit that would warm the cockles of the hearts of every Socialist Workers Party member and anyone else who has ever alleged FBI eavesdropping abuses during the past few years.

Two FBI agents who were bugged are suing the bank, its officers and a prominent electronic eavesdropping expert for \$22 million, alleging that their rights as private citizens have been grossly violated.

The tables are turned. The victims are different. The level of outrage is the same.

In a deposition, FBI special agent Thomas J. Brereton, who filed suit in the U.S. District Court in Greensboro, N.C., recalled his feelings when he discovered he and his partners were bugged as they conducted an investigation into banking law violations on bank premises in July 1977.

"You wouldn't believe the anger that took place inside of me that night when I found out . . ." he said.

"You go home and all you do is think about it . . . You go to work. You work and you forget about it. You come home at night and you go to bed and you don't forget about it.

"You know you've been bugged. There's no question about it now. How are they going to use it against you or who's going to use it against you or when are they going to use it against you? It keeps playing on your mind."

There is yet another irony to the suit filed by Brereton and special agent Zachary Lowe. Among the defendants is Martin L. Kaiser, a Timonium, Md., electronics expert who was once one of the chief suppliers of electronic eavesdropping gear to the

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FBI and the Central Intelligence Agency.

Kaiser also supplied the Northwestern Bank with its gear, though he was found innocent of criminal charges that he conspired to bug the agents.

Kaiser believes he is the victim of an FBI vendetta that began in 1975 after his testimony before a congressional committee concerning FBI eavesdropping procurement methods seriously embarrassed the bureau.

Since then he has lost most of his government contracts, been indicted in the North Carolina case and been sued by the two FBI agents who were bugged.

The agents denied that there was any effort to penalize Kaiser because of his testimony, and said they were

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acting on their own in the civil suit without the encouragement of the bureau. An FBI spokesman in Washington also said the bureau did not participate in any way in the agent's decision to file suit. The spokesman would not comment on Kaiser's belief that he was the object of a vendetta, citing the litigation.

Kaiser's FBI file, which he obtained through a Freedom of Information Act request, indicates that the FBI canceled some purchase orders with him because of his Hill testimony.

The FBI was investigating the Northwestern Bank in 1977 because of allegations that funds were being misused by bank chief executive Edwin Duncan Jr.

It was about that time, Kaiser recalls, that a bank vice president sought his assistance. "The bank vice president said that these FBI agents are about to pounce on us," Kaiser said.

"If we have in interview [with the agents] in a hallway, we want to have pocket recorders," Kaiser remembered him saying. "If they come to our office, we want to have a recorder in our desk drawer to record our conversations. If we have a conversation in our conference room, we want to record that conversation in our conference room, we want to record that conversation. We want to have a sys-

tem to accomplish all these things.”

Kaiser provided such a system, he said, with the understanding that the equipment would be used legally—that is, with the consent of one of the parties being recorded.

According to testimony at the trial of Kaiser, who was acquitted, the equipment was used to monitor the conversations of Brereton, Lowe and others as they reviewed bank records for their investigation.

In July 1977, acting on an informant's tip about the bugging, the agents searched the bank building. They found a bug in the wall of the room in which they were working, according to Brereton's deposition. They also found four other bugging devices,

special transmitters and amplifiers in the building.

“That night,” Brereton recalled, “there was tremendous anger and frustration.” A bank vice president, Gwyn Bowers, “sat there the whole night smirking at me, when we pulled all the mikes out of the wall.”

The bugging by the FBI, it turned out, was not the bank's first use of eavesdropping equipment, according to Brereton's deposition. “We were aware from the results of our investigation that bugging was being conducted by various officers and employees of the bank going back to 1967,” he said.

Branch managers had been bugged to “effect their termination,” Brereton testified. A relative of a bank officer had been bugged, with the intercepted conversations ultimately leading to his dismissal and the break-up of his marriage.

“And the granddaddy of all buggings,” Brereton said, “was the 13 months' continuous bugging of the IRS [which was also conducting an on-premises banking probe] from 1971 to early 1973, conducted by a staff of the employees at the bank there.”

Brereton said that as a result of the bugging he was humiliated and embarrassed as an FBI agent and suffered increased hypertension and new cysts on his eyes.

In his deposition, Lowe said that a hemorrhoid condition worsened after the incident.

In addition, he said it had “totally changed my prospects for administrative advancement in the FBI . . . Any individual who is the subject of any sort of controversy or publicity is automatically regarded as a problem area, and certainly not someone to be considered for an administrative post.”

The suit, Lowe said in an interview, “was something we did on our own. Our employers did not ask us to do this.”

Lowe said he was unaware of Kaiser's congressional testimony at the time of the bank investigation.

Kaiser had told the House Intelligence Committee that a company operated by associates of high FBI officials had served as a front to funnel secret surveillance gear made by other contractors—including Kaiser—to the FBI. He also alleged that the firm had charged an exorbitant markup—up to 30 percent—on some gear.

A federal investigation of the bank's activities is still going on. Already, Duncan, the bank's chief executive during the bugging, has been sentenced to 18 years in prison and a \$22,000 fine for bugging IRS agents who had been conducting their own probe and for misapplying more than \$257,000 in bank funds.

Bowers, former senior vice president of the bank, pleaded guilty to charges of bugging the FBI agents.

Kaiser was found innocent.