

# Investors Say Bankrupt Firm

By Howard Kurtz  
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Angry investors who lost millions of dollars in a Hawaiian investment firm now in bankruptcy have charged in lawsuits that the CIA helped finance and operate the firm to conduct intelligence operations in the Far East.

Ronald R. Rewald, a free-spending businessman who headed the company, presided over its bankruptcy and later tried to commit suicide, has been charged by the Securities and Exchange Commission with securities fraud and by Honolulu authorities with stealing the money of at least two investors. Others who put money into the firm included senior military officers and two former CIA station chiefs in Hawaii.

Rewald, in a suit filed against the CIA in February, said he was "a covert agent of the CIA." He said in court papers that he established the firm at the agency's direction and that some of its subsidiaries were "used completely and exclusively for CIA covert operations."

CIA spokesman Dale Peterson said the agency had only "a slight involvement" with the Honolulu firm, which is called Bishop, Baldwin, Rewald, Dillingham and Wong. "But I'm not at liberty to go into details of what the relationship was," Peterson said. "We deny any allegations that suggest we had anything to do with running the company."

Some Hawaiian officials have questioned whether Rewald is exaggerating his CIA connections in an effort to escape potential liability for the firm's bankruptcy, in which at least \$12 million of investors' money has been lost. Some of the 400 investors, who also included relatives of company officers, apparently knew little or nothing of CIA ties. But more than a dozen investors, who were attracted by promises of a 20 percent return on their money, have joined in two damage suits against the CIA.

The British Broadcasting Corp. reported recently that it had obtained Bishop, Baldwin company documents indicating that it was a CIA "front" used to gather intelligence on the flow of foreign capital, to arrange attempted arms sales to Taiwan, to obtain plans for a Japanese high-speed train and to cultivate diplomats and businessmen in the Philippines and the Far East.

The saga of Bishop, Baldwin began in 1977 when Rewald, following a minor criminal conviction and the bankruptcy of a sporting-goods concern in Milwaukee, moved to Hawaii to open the financial consulting firm. No one noticed at the time that three of the partners—Bishop, Baldwin and Dillingham—did not exist. They were the

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names of old-line Hawaiian families.

Rewald also brandished a phony law degree from Marquette University, according to his attorney, Robert A. Smith. The BBC reported that the degree was supplied by the CIA.

Rewald, 41, began spending \$250,000 a month on his lavish lifestyle in Honolulu. He ran the Hawaii Polo Club and played host to visiting dignitaries attracted by the club.

According to reports by bankruptcy trustees, Rewald spent \$250,000 on a fleet of cars, including three Cadillacs, two Mercedes-Benzes, a Rolls-Royce and a Jaguar; \$66,000 on boats; \$82,000 on jewelry and art; \$154,000 on travel; \$102,000 on

## Agency Accused of Helping Finance Hawaiian Company

relatives; \$225,000 on household help, including tutors, and \$541,000 on horses and other polo club expenses.

It all fell apart last July, when Hawaii reporters uncovered some of the bogus credentials of Rewald's firm. Some investors demanded their money back. Days later, Rewald slit his wrists and lost several pints of blood before he was found in a room at the Sheraton Waikiki hotel.

The following month, Rewald was arrested on minor theft charges and held in Honolulu on a record \$10 million bond. A judge later reduced that to \$140,000, and Rewald was released pending trial. The FBI and a federal grand jury also began investigations.

The first hint of CIA involvement came at a bankruptcy hearing in September, when it was disclosed that the CIA had paid \$2,700 in phone



bills for several firms operating out of Bishop, Baldwin's offices. CIA lawyers also persuaded U.S. District Court Judge Martin Pence to seal several boxes of company files, contending that the material was related to national security.

Nevertheless, CIA attorney Robert Laprade said in an affidavit, "The CIA did not cause Bishop, Baldwin, Rewald, Dillingham and Wong to be created, nor has the agency at any time owned, operated, controlled or invested in Bishop, Baldwin . . . . The CIA was not aware of, and has absolutely nothing to do with, Ronald Rewald's alleged appropriation to himself of the funds of [the company] or its investors."

Pence ruled that "Rewald, through contacts with members and former members of the CIA, considered himself a more important undisclosed private associate of the CIA organization than he was in fact."

The judge likened the company to a "Ponzi scheme," in which money from new investors is used to pay old investors, and said he "saw nothing in the documents to indicate that any of Rewald's slight involvements with intelligence activities explained any of the financial actions of Bishop, Baldwin, Rewald, Dillingham and Wong."

Peter Carlisle, an assistant Honolulu prosecutor, also questioned whether charges of CIA involvement might be designed to shift the blame for defrauding investors. "Mr. Rewald is like a medicine man, and this could be one more trick in his bags of snake oil," he said.

But others point to the firm's extensive intelligence ties. Among those who invested in Bishop, Baldwin are Jack Kindschi, a former CIA station chief in Hawaii who later became a company consultant, and Jack Rardin, also a former CIA station chief there. Kindschi, who was given back \$175,000 of his investment by Rewald just before the bankruptcy, agreed to return that money last week and stand in line with other creditors.

Other investors included retired Gen. Arnold Brasswell, former commander of the Pacific Air Forces; Gen. Hunter Harris, former vice commander of the Strategic Air Command, and Robert W. Jinks, a California businessman who has

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done work for the CIA, according to his attorney, Rodney A. Klein.

In a lawsuit joined by 13 other investors, Jinks said Rewald told him "that the CIA had started the Bishop, Baldwin operation to infiltrate international banking operations in order to discover transfers of capital to and from communist countries." Jinks, who invested \$500,000 in the firm,

said the office had a direct phone line to the CIA. He also said he and Rewald had visited Hong Kong to assess the impact of a takeover of the colony by China when Britain's 99-year lease ends in 1997.

Jinks told the BBC that a financial investment firm provided an ideal cover for intelligence gathering. "We could hardly knock on doors and say, 'I'm from the CIA, please tell me all you know,'" he said.

Rewald's \$671 million suit, filed in federal court in Hawaii, said the CIA "established an operating budget for Bishop, Baldwin of several million dollars, and the agency used Bishop, Baldwin checking accounts and reimbursed Bishop, Baldwin and its agents and employees their expenses for agency work . . . ."

"The CIA put money into Bishop, Baldwin and directed Bishop, Baldwin in the use of such CIA funds," Rewald said in the suit, adding that company accounts also were used "to shelter monies of highly placed foreigners."

Rewald said in the suit that the CIA "gave assurances that protection would be provided" against investigations by other government agencies, but the CIA's multiple schemes "created increased risk and likelihood of covert operations being discovered . . . , especially in those operations which may or may not have violated various laws."

Klein, Jinks' attorney, said he is relying on novel legal theories to establish the CIA's liability. But, he said, "If Jinks and Rewald were running this 'Ponzi' scheme and knew it was going to collapse, they sure as heck wouldn't have recruited friends and family and put their own money into it."

"We've got overwhelming stuff to prove the [CIA] connection, and that's just the garbage they left behind," Klein said. "The CIA was probably Bishop, Baldwin's best customer in arranging whatever financial gains Bishop, Baldwin intended to get for its investors, mostly through sales of arms and other materials to foreign countries."

Smith, Rewald's lawyer, said the CIA should be forced to share liability for the bankruptcy with Rewald, who he said has about \$2 million in assets tied up in the litigation. Smith said his client needs access to the company documents the CIA has under court seal to defend himself.

Tess Black of Honolulu, widow of a retired Air Force colonel, invested all her insurance money, \$82,000, in Bishop, Baldwin after her husband and two sons were killed in a skydiving accident.

Black said she had been assured by a friend "that one of the things the company did was fund CIA operations. I thought if the government was concerned with it, that would be fine . . . that it was like buying savings bonds. I got involved in something that's much larger than I'm capable of handling. If you're going to play with the big boys, you've got to have the money to do that."

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