Larry, If I read a sneaky mind (Newsday's 10/10/71 on Rebozo), it is not just that he had to do with that stolen IBM stock and then behaved mysteriously with it (which is inpart in Hank Messick's Lansky and about which he was deposed). It is also that the approximate timing of the heist from Hutton is the right time if my interest in hot paper is considered. My, my, what a small world this might be. I don't and can't keep up with such things, but I suspect if no other cases impelled the hot-paper dealers to seek markets outside the U.S., this one should have. Thanks, HW 3/17/73

Rebozo's bank sold stolen stock

This is the fourth in a series of stories developed by an investigative team of Newsday. The articles explore matters of public policy and private concern in connection with investments and activities of former Sen. George A. Smathers (D-Fla.) and Charles G. (Bebe) Rebozo, and their relationships with President Nixon.

Special from Newsday

Charles G. (Bebe) Rebozo sold 900 shares of stolen International Business Machines Corp. stock, being held by his bank as security for a business loan in 1968, after a Federal Bureau of Investigation agent assigned to the case visited the bank and examined the loan file.

Later, in a civil suit, Rebozo testified that the FBI agent had never mentioned that the stock was stolen. But both Rebozo and the vice chairman of his bank said the FBI visit was a factor in their decision to call the loan, a decision that resulted in the sale of the stock.

Rebozo sold that stock in two transactions weeks after a New York insurance company said it had circulated serial numbers of the stock certificates to more than 600,000 banks and financial houses throughout the world. The stock had been stolen from the vaults of E. F. Hutton & Co., a New York brokerage firm.

The stock had been used in part to secure a $195,000 loan to Charles L. Lewis, an Atlanta businessman. Lewis had been brought to the bank for the loan by his business associate, Washington lobbyist W. A. Jernigan, who is also a close friend of both Rebozo and former Sen. George A. Smathers, a Florida Democrat.

Part of the money from the stock sale was used by Lewis to pay off the Rebozo bank loan. Lewis put the rest into his account at the bank. The insurance company, which had to reimburse Hutton & Co. $284,850 for the 900 shares, is now suing the bank for the money.

Rebozo sold 600 shares to cover the loan on Oct. 8, 1968, about a week after the first visit from the FBI. He sold the remaining 300 shares on Oct. 31, 1968, but only after he had written Lewis a letter in which he said:

"Everything thus far has worked out well for both of us and if I receive any further information with respect to the matter involving the certificates, I will let you know immediately. With warm personal regards. Sincerely, C. G. Rebozo."

Rebozo has refused to be interviewed about the transaction, but has testified in the civil suit that it "must have been in reference to the inquiries made (by FBI agents), because this is Oct. 23. I called the loan around the 7th or 8th. I believe I called it immediately after the first FBI visit."

Eight persons, including some with underworld ties, have been indicted on charges of transporting the stolen securities across state lines and six of them have pleaded guilty.

Jernigan and Rebozo are longtime members of a group of Florida Democrats known as the "goon squad," who supported Smathers in his political campaigns.

The deal had its beginnings in 1967, when Jernigan obtained a large number of land parcels from Major Realty Corp. The land was heavily mortgaged and little cash was required in the transaction. Lewis owned Micron Corp., whose shares were worth about a tenth of a cent each. They pooled resources, with Jernigan giving Micron part of his heavily mortgaged property and Lewis giving Jernigan 16,000 shares of Micron stock worth about $16.

Lewis traded Micron's still-mortgaged

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land and stock in some of his companies to a small insurance company in Alabama for paid-up life insurance policies of $214,911 and $206,948. Jernigan gave the insurance company nearly all of the rest of his land and a check for $47,587.50 (which bounced) for policies with face values of $250,722 and $150,433. To prove that the land was valuable, Jernigan showed an appraisal that appeared to be from a reputable company in Atlanta, but the appraiser later swore that his signature had been forged.

In June, 1968, they obtained loans of nearly $285,000 on the insurance policies and Lewis used some of the money to set up offices for Micron and another firm in Atlanta and lease space in Newport Beach, Calif. They planned to sell parts to Aerodox Inc., a huge Florida defense contractor for which Jernigan had been a lobbyist.

But they needed more money and Lewis' New York lawyer, Martin Fox, said he knew a man who would lend it to them. Fox said the man was a "Mr. Sturgeon," who wanted to raise money on his 900 shares of IBM stock but could not take a loan in the United States because he lived in the Bahamas. "Sturgeon" later proved to be the group of men who were indicted. Fox was among those who pleaded guilty.

Fox proposed that Lewis obtain a loan of $195,000 on Sturgeon's stock, then valued at $304,875, and give $120,900 of the money to Sturgeon, who would repay the entire loan at 7.5 per cent interest and get his stock back. Lewis was to repay his share to Sturgeon at 10 per cent interest. If the bank called the loan, Sturgeon either would pay it off in cash or order the shares sold to pay off the loan and Lewis would send him the balance of the money left from the sale.

Jernigan has said he called Rebozo to see if he could make the loan and that Rebozo, after consulting others in the bank, agreed.

On July 30, 1968, a courier brought the stock to Lewis and Jernigan, who were arranging the loan with a loan officer at the bank when Rebozo joined the group. Rebozo did not ask Lewis for any credit history, even though Lewis was a stranger to him and the loan was so large that another bank had to participate in it.

The stock certificates were still in the name of Hutton & Co., though, and banks require that those obtaining loans on stock must be owners of the stock. So Rebozo said Lewis would have to transfer the shares to his own name. Lewis, who admittedly did not own the stock, signed a federal form saying he was the actual owner and authorized Rebozo to turn it in to IBM to get substitute certificates.

The bank then gave Lewis cashier's checks totaling $115,000 and $5,900 in cash and opened an account in his name for the rest of the loan. Lewis gave the cash and checks totaling $120,900 to the courier for Sturgeon on the same day.

Rebozo has said he later began to worry about the stock and made telephone calls to check it, including one to President Nixon's brother, Donald, in California. Donald Nixon has said he remembers Rebozo calling to ask him to check out someone at the Newport Beach Bank, but does not recall the name of the person or what he found out.

Rebozo later said he gave such a large loan to a stranger because "I was relying solely on Jernigan's word about (Lewis') integrity."

On July 31, the day after the loan was made, Rebozo called IBM's stock transfer bank in New York to urge speed in issuing substitute certificates in Lewis' name. The old certificates, with numbers directly traceable to Hutton & Co., were turned in and new ones, with new serial numbers, were issued.

While the balance of Lewis' account at Rebozo's bank was falling to about $10,000, the theft of the stock was discovered and the insurance company sent out a circular about the stolen certificates.

When the FBI agent appeared at the bank, he told Rebozo that he was checking on some stock certificates and asked to see the Lewis loan file. Rebozo said later that he had told the agent about telephoning to check on the stock and that the agent complimented him "about the effort that we went to see that it was all right."

Soon after the visit by the agent, Rebozo and Thomas Wakefield, Rebozo's attorney and the vice chairman of the bank, decided to call the loan. The sale of the first 600 shares brought in $11,258.56 more than was needed to pay it off, and Rebozo put the extra money into the Lewis account.

Officials of Hutton & Co. say that if they had known that 300 shares of the stock remained in the vaults of Rebozo's bank in late October, 1968, they could have taken steps to recover them. When the remaining shares were sold in mid-November, a check for $91,574.36 was deposited to Lewis' account, giving him a total of $164,454.38 from the sale of the stolen stock.

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