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US aide linked to Vesco

SEC not told of extensive dealings with financier by Allen

By Brian McTigue and Fred Strasser
Special to The Globe

WASHINGTON - At 10 a.m. on May 27, 1972, a helicopter landed in an open field behind the Boonton, N.J., home of financier Robert L. Vesco. Out of the aircraft, which Vesco had chartered from Interstate Helicopters, Inc., stepped Richard V. Allen, then a White House adviser to President Richard M. Nixon on international economic affairs and now President Ronald Reagan's national security adviser.

It was Allen's first meeting with Vesco, a flamboyant figure who six weeks earlier made an illegal \$200,000 contribution to Nixon's election campaign, evi-

dently hoping the White House would halt a burgeoning investigation of his financial dealings by the Securities and Exchange Commission (SEC).

Ninety minutes later, Allen retraced his steps down the curving road that passed Vesco's horse stable and climbed aboard the helicopter for a 45-minute return trip to his Manahawkin, N.J., weekend home. Vesco billed the flight to one of the companies whose assets he was skinning.

Allen would describe his meeting that Saturday as a "social occasion," nearly six months later when he testified at the SEC's probe into Vesco's affairs - an inquiry that left the New Jersey financier a

fugitive, charged with looting \$224 million from American investors.

An investigation for The Boston Globe has uncovered Allen-Vesco connections including Vesco-paid helicopter rides, a flight on Vesco's private jet, records of phone calls to Allen's offices from Vesco's private, line and reports of direct Allen dealings on behalf of Vesco.

Moreover, sworn depositions made by Allen and others to the SEC conflict with other Allen statements on his relationship with the financier.

This new information, established through examinations of documents and interviews, including one with Vesco, shows a more direct and extensive relationship between Allen and Vesco than



RICHARD V. ALLEN
Adviser to Nixon, too

has previously been reported and demonstrates that Allen, both in and out of office, utilized high-level national security contacts in Vesco-related matters.
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Allen did not disclose to the SEC that he rode on a helicopter chartered by Vesco to that first meeting with the financier, though SEC investigators say it is a fact that would have been relevant to their inquiry. Allen did not volunteer it in his sworn deposition Nov. 7, 1972, although he was ordered to detail all of his dealings with Vesco and his knowledge of Vesco-controlled companies. Nor did Allen disclose in his deposition that he tried to establish an "international business district" in the Azores Islands, which The Globe investigation shows, Vesco would have used to headquarter his major operations beyond the reach of US law.

In addition, a close comparison of Allen's sworn statements with other evidence shows he did not tell federal investigators the complete story of his ties to Vesco, withholding information on his role in several of the financier's designs, including an attempt to influence the SEC investigation. Some of that information concerned Allen's tie to Vesco while Allen was a White House official.

Allen refused to be interviewed by The Globe.

This new information about Allen's ties to Vesco comes at a time when some Reagan appointees have come under fire for past business practices before joining the Administration. Last week, CIA operations chief Max Hugel resigned after allegations of stock market manipulation were published in the Washington Post. That same day, it was revealed that his boss at the CIA, William Casey, had been charged by a federal judge with knowingly misleading investors in raising \$3.5 million for a now-defunct New Orleans company.

At the very end of the presidential race last fall, Allen resigned from the Reagan campaign after an article in the Wall Street Journal alleged that he used White House influence during the Nixon Administration to obtain clients for his private consulting firm, and that while on Reagan's staff, Allen maintained a relationship with Nissan Motor Co., Ltd., maker of Datsun automobiles. The Journal said letters showed that Allen leaked confidential information about Nixon White House deliberations on US export-import policies to a Japanese business associate with close ties to his country's prime minister. After Reagan officials conducted their own investigation, after the election, Allen was brought back to take his present post as Reagan's national security adviser.

Vesco's rise from obscurity

By the time of Allen's meeting with him in 1972, Vesco had risen from obscurity to head a worldwide financial empire. Using a small New Jersey tool-manufacturing company as his springboard, in 1970 he gained control of Investors Overseas Services (IOS), a giant Geneva-based mutual-fund complex. The SEC had barred IOS from US activity in 1967, after judging its lack of external controls a danger to investors and American capital markets. Through a chain of companies controlled through IOS, Vesco moved \$224 million of invest-

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a country willing to let them carve out a zone where they could establish "laws suitable for them ... a combination of Monaco and Switzerland." With its proposed international banking facilities - to be controlled by Vesco - the district was to become a mechanism for Vesco to move the millions of dollars he was draining from investors. In short, the district was to be a minstate beyond the reach of all the world's troublesome regulatory authorities.

The first Allen-Vesco meeting

Allen's first meeting with Vesco and Cerny took place May 27, 1972, while he was still assistant to President Nixon for international economic affairs. Allen described it as an informal gathering. Cerny testified Nov. 2, 1972, to the following recollection:

SEC: Did Mr. Allen describe what sort of services he proposed to render on that occasion?

CERNY: I think they were just discussing the international business-district concept, and I think Mr. Allen had some background familiarity in that area, also. That was the prime area of discussion.

Allen deepened his relationship with the Vesco organization only a few weeks after the Boonton meeting.

Cerny was then looking for security personnel for the Vesco organization. His handwritten notes regarding that search, obtained by The Globe from the SEC through the Freedom of Information Act, indicate that on June 13 Allen, - utilizing his White House intelligence contacts - suggested that Cerny approach White House staff member John J. Caulfield, of the Watergate "plumbers" fame, and Col. Richard K. Brown, a top Pentagon intelligence official.

Brown, who according to the Cerny notes had a background in "CIA dummy corps" - corporations operated by the agency - ran the Pentagon's secret Special Plans Branch. In an interview, Brown said he has known Allen since 1969, when Allen was a senior staff member of the National Security Council.

Several days after Allen apparently made his suggestion about Caulfield and Brown, Cerny met with Brown in a Washington hotel. Brown described the encounter as "sort of a blind situation ... sort of spooky," a word used in the intelligence community to describe spy-related activities. The Vesco lawyer was looking for someone who could make "discreet travel arrangements," he said, "... which I presume were similar to several classified [government] operations I was involved in, which I can't discuss."

Cerny's notes of the meeting show Brown named "Dick Allen" as a personal reference and as among the "top Washington people" he worked with. The notes also show he disclosed to the lawyer his past involvement with "CIA dummy corps" and his current work in the Special Plans Branch with "secret slush funds" and "international monetary transfers" - clearly areas of keen interest to Vesco.

Brown refused to discuss this work with The Globe because it was "intelligence business," but he asserted Allen had never been "officially involved" in the monetary transfers or slush funds.

In any event, Brown said he never heard from the lawyer again. That November, he retired from the Special Plans Branch and became

tors funds out of the United States into banks controlled abroad.

Vesco's alleged theft slowed after the SEC filed suit against him in November 1972. Within three months, he left the country ahead of four criminal indictments and has been a fugitive since.

A link between Allen and Vesco was first disclosed in Mother Jones Magazine during the presidential campaign last year, when Allen was Reagan's senior foreign-policy adviser.

At the time, Allen conceded the accuracy of reports that he had met and traveled with Vesco while still on the Nixon White House staff, and that he later acted as a \$10,000-a-month consultant to Howard Cerny. Cerny, a Washington lawyer, was one of Vesco's closest aides. Allen later told the New York Times, however, that he had never consulted for Vesco or any of his companies. He told several newspapers that his work was only for Cerny, and that it included exploring "the possibility of an unregulated financial district in the Azores Islands."

In fact, Allen went further than merely advising Cerny on the feasibility of such a district, which he claimed was his role in his SEC deposition. Also in 1972, Allen submitted a formal proposal for an international district in the Azores to the Portuguese government, according to his partner in the business proposal, Norman Bailey. Bailey, an independent consultant on national security, said in an interview with the authors that he wrote the proposal for the district, where he said he assumed Vesco would "set up headquarters for IOS." Bailey said Allen, stressing his friendship with the island's leading businessman, Viscount Do Botelho, approached him on the proposal.

Yet when SEC investigators asked Allen about IOS and possible business districts, he replied in his deposition: "It was my understanding that IOS, as such, was in no way involved in the discussions I was undertaking."

He did not mention the Azores proposal.

The evidence that Allen was involved with IOS includes:

- Cerny, testifying before the SEC five days before Allen, said Allen was "a consultant to IOS and its affiliated companies."

- In a recent telephone interview from the Bahamas, a few weeks before he left his home-in-exile there, Vesco told The Globe that he recalled Allen had been "a consultant" helping search for an IOS international headquarters. Vesco added that he had traveled with Allen to the Azores in June 1972, in part to see how well the islands might serve as the location for the headquarters.

- An internal Vesco organization document obtained by The Globe shows that IOS was the cornerstone for a business district proposal in the Dominican Republic, a plan with which Allen was also connected. A well-placed source in Vesco's circle said that, because of Allen's involvement in the plan, he must have seen this blueprint, which shows IOS controlling the district.

Laurence Richardson, a former top Vesco lieutenant, described the business-district proposal as follows: Vesco and Cerny were seeking

European sales manager for Lockheed, selling aircraft services to foreign governments.

In his SEC testimony on Vesco-related matters, Allen did not mention any role he might have had in connecting Brown to Cerny.

Casey meeting arranged

Allen also utilized national security contacts to arrange a meeting between Cerny and Casey, the SEC's chairman at the time and now director of the CIA.

Casey, in an interview with the authors while he was in private practice after he left the SEC, said that soon before his meeting with Cerny he had made the acquaintance of Allen as a "strategy, defense, national security expert" at the National Strategy Information Center, a New York military-security institute, where Allen lectured and Casey served on the board of directors.

The meeting Allen arranged took place in early September, shortly after he received the first of six \$10,000 checks from what was marked as Cerny's "special account." Allen testified his consulting firm had a \$10,000-a-month retainer with Cerny. Casey, who had rebuffed several earlier attempts by Cerny to meet with him, said he was not told Cerny would raise the subject of Vesco. "Dick Allen was going into business with him and he asked me if I would see him. . . . it was just a courtesy to Dick," Casey said.

In the meeting, which Allen attended, Cerny pressured Casey to end the SEC's year-long probe of Vesco. Although directly relevant to the SEC inquiry, Allen withheld the existence of the meeting from commission investigators when he testified several months later.

The meeting came to light in late 1973, when former GOP national chairman Leonard Hall provided federal prosecutors with details of Cerny's earlier, unsuccessful attempts to have

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KEY REAGAN ADVISER LINKED



ROBERT VESCO ... still wanted in \$224-million fraud case



LAURENCE RICHARDSON - Top Vesco aide

him arrange a meeting between Cerny and Casey, Hall's former law partner. After it became known that Allen had set up a meeting between Cerny and Casey, he was interviewed by US attorneys then prosecuting former Nixon Attorney General John Mitchell and former Commerce Secretary Maurice Stans. The two men were indicted for their alleged role in Vesco's attempt to blunt the SEC investigation by making an unreported \$200,000 contribution to Nixon's re-election - a violation of federal campaign finance law. Both were acquitted on charges of obstruction of justice and perjury. Vesco is still at large and under indictment on the same charges.

The prosecutors would not comment on their interview of Allen.

Shortly after the meeting, which Allen told the Washington Post left him "terribly embarrassed," he moved his consulting firm into Cerny's offices.

Allen's other omissions to SEC

There are several other omissions in Allen's SEC testimony that tie him more closely to Vesco.

- The first was another Vesco-paid helicopter trip on Aug. 14 to New York City from a field near the financier's New Jersey corporate headquarters.

- The second, two days later, was a flight on Vesco's Boeing 707 from the Dominican Republic to Nassau. Allen did not tell the SEC of the flight, though he did tell the agency that he met with Vesco in Nassau regarding a possible international business district in the Dominican Republic. They then flew to Newark.

- A third, related omission was a visit to the Dominican president, Joaquin Balaguer, at which Allen was introduced by Louis Gonzalez, an influential Dominican-based Latin American businessman and friend of Balaguer. Gonzalez, according to a source with first-hand knowledge of the Dominican scenario, was busily at work on Vesco's district plan.

Allen, the source said, met with Gonzalez at Gonzalez' New York home before the trip, and flight logs obtained by The Globe show they flew together on Vesco's 707 from the Dominican Republic to the Nassau meeting with Vesco. But Allen told the SEC it was Nassau "where I met the individuals from the Dominican Republic for the first time." Gonzalez died in 1973.

Gonzalez' name surfaced in the press only two weeks before the trip, when a Wall Street Journal report implicated F. Donald Nixon, the President's brother, in a Dominican-based scheme to run up the price of stock in a mining company.

Donald Nixon traveled to the Caribbean nation with the plan's central figure, John Meier - formerly Howard Hughes' second-in-command and now being held on an unrelated murder charge. Gonzalez, who worked with Meier on the deal, eventually received \$15,000 for his role in securing mining concessions from the Balaguer government, according to SEC records.

Federal officials involved in litigation against Vesco have said Allen's failure to testify to the full extent of his knowledge is significant. Had they known the range of his involvement with Vesco and his companies, they say they would

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SEC not told of Vesco links

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have scrutinized his possible role in Vesco's violation of securities and campaign-finance laws. Under federal law it is a crime to knowingly misrepresent or to make any false or misleading statements while under oath that would be material to an investigation.

Also missing from Allen's disclosures of his Vesco ties is a series of 13 phone calls to his offices from the Vesco organization. Records of these calls were put into evidence during the Mitchell-Stans Watergate trial in 1974.

The first of those calls was placed from Vesco's corporate headquarters in Fairfield, N.J., to Allen's White House office June 15, the day Cerny interviewed Col. Brown and six weeks prior to Allen's departure from government on Aug. 1, 1972.

Subsequent calls (before and after Allen's SEC testimony) were placed from Vesco's International Controls Corp., a key subject of the SEC probe, and from Vesco's private phone, located on the credenza behind his desk. These calls were to Allen's consulting firm after he left the White House.

The birth of Allen's consulting firm itself was full of Vesco connections: Its original directors and shareholders included a law partner of Cerny's. Others involved were Cerny's law clerk and Washington attorney Bernard Fensterwald.

Fensterwald also figured in the SEC inquiry. Justin Feldman, an attorney for one of Vesco's corporations, said in an interview that Cerny told him that Vesco had a top SEC official "tailed" and investigated, and that the private detective's report of the surveillance was in Fensterwald's possession. Feldman told SEC lawyers about the report on the SEC's chief of enforcement, Stanley Sporkin - whom Vesco considered his archenemy. When they questioned Cerny about it, he claimed lawyer-client privilege and refused to answer. Sporkin is now chief legal counsel at the CIA, again working for Casey.

Among their run-ins, Vesco clashed with Sporkin's Enforcement Division in 1971 over a deal Vesco aide Laurence Richardson said in an interview with *The Globe* drew in Allen.

In that deal, Vesco was eager to acquire a Lebanese casino-banking complex known as Intrabank, whose board of directors, through a quirk of international finance, included a representative of the US Agriculture Department. When the SEC learned of Vesco's design on the company, it put out a government-wide warning that he was under investigation. The State Department followed, adding that Vesco was suspected of underworld ties.

Without a change in the government's attitude toward Vesco, he stood little chance of taking over the Lebanese conglomerate. Vesco aide Richardson, who kept a card with Allen's name and White House number in his telephone file, said in an interview: "There's no question he [Allen] helped in Intrabank." Richardson wrote Allen's name in his appointment book - which *The Globe* obtained from evidence in the Mitchell-Stans Watergate trial - on dates both before and after Allen left the White House. Richardson recently told *The Globe* that he made the notations in connection with the Intrabank deal.

"The contacts were made through [Nixon's domestic affairs adviser John] Ehrlichman and Allen," Richardson recalled. He said he did not speak to Allen himself, however, and did not remember after eight years exactly what Allen might have done. Former US officials involved with the Lebanese company could not confirm Richardson's allegation. In any case, Vesco's efforts did not succeed.

The SEC's civil suit against Vesco, which slowed down the looting of four US-based mutual funds, was filed Nov. 27, 1972. In an unprecedented action, an SEC member personally appeared in federal court, seeking an injunction to stop what he called "one of the largest securities frauds in history." Vesco was spiriting \$224 million out of US banks to banks he controlled in the Bahamas and Luxembourg, it was argued in court.

Despite the publicity surrounding the case, Allen continued his connection with Vesco until at least Feb. 5, 1973, a few months before Vesco fled the country. That day, Allen took his last trip aboard the financier's helicopter, leaving Vesco's corporate headquarters as the lone passenger on a 20-minute flight to Newark Airport.

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