

Ex-Nixon Partner in Hush-Hush Deal

By Jack Anderson

The Securities and Exchange Commission has been strangely reluctant to take action against a questionable multi-million-dollar Swiss bank deal that deeply involves one of President Nixon's former law partners, Randolph Guthrie.

The Federal Reserve, which advised the SEC on the Guthrie case, is also handling it with asbestos gloves.

Only U.S. Attorney Robert Morgenthau of New York City has shown any interest in investigating Guthrie's activities. But Attorney General John Mitchell, another former partner in the old Nixon law firm, has now fired Morgenthau.

Both the SEC and Federal Reserve have done everything possible to protect Guthrie by withholding vital facts from the public.

Nevertheless, fearful but authoritative government sources have revealed the essential elements of Guthrie's role in the multi-million-dollar manipulations.

Like most matters of high finance, the deal is complex. It began with an attempt by Liquidonics Industries, a firm with considerable debts already, to take over control of an older and wealthier firm, UMC Industries.

To finance the takeover, Liquidonics negotiated with another company, Studebaker-Worthington, whose \$47,500-a-year board chairman is Ran-

dolph Guthrie. The Nixon law firm, incidentally, collected \$484,859 in 1968 fees from Studebaker-Worthington.

When the financing couldn't be arranged, Liquidonics turned to a Swiss bank, the Banque de Paris et des Pays-Bas (Suisse) of Geneva. Guthrie has been counsel for the Swiss bank's interests for years—a fact that both the SEC and Federal Reserve tried to hush up.

Under Guthrie's guidance, the Swiss bank pulled off a deal with Liquidonics that if done willfully by an American bank would have been a violation of U.S. criminal laws.

\$40 Million

The Swiss bank soaked Liquidonics more than \$3 million in placement and other fees—legal, even in the U.S., but high. In exchange Liquidonics got a \$40 million loan from the bank, secured by the same UMC stock that Liquidonics was buying.

This use of UMC stock as collateral in advance of its actual purchase meant that 100 per cent of Liquidonics' Swiss bank financing, or close to it, was on a credit margin. If a U.S. bank willfully had given Liquidonics more than 20 per cent margin credit on such a deal, the bank would have been subject to criminal prosecution.

Irving Trust Company, the New York banking giant, also helped with the financing and, although its fees were fat, it

carefully required full compliance with SEC and Federal Reserve regulations. As it happens, Irving Trust is another client of the old Nixon law firm.

The SEC and the Fed, meanwhile, got wind of the enormous Swiss bank deal which openly skirted U.S. stock regulations. This raised a sticky question: could the manipulators avoid prosecution by using a foreign bank?

Stanley Sporkin, associate director of the SEC's Trading and Markets Division, went to the Fed's assistant director of supervision and regulation, Janet Hart, for advice.

Sporkin, a man with a good record for protecting the public, felt there were violations. Insiders say he was ready to tackle the case if given backing by the Fed.

What he got from the Fed, however, was the advice that the case might fail.

Regulation in Secret

The former Nixon law firm, all the while, was earning its fees. At a secret meeting in the Fed's plush Watergate branch, members of the firm sat down with Miss Hart, Sporkin and other officials. There, the regulators and the regulated did public business in private.

Whatever decisions were reached outside the public's earshot, the SEC made no formal effort to block the deal.

Sporkin's exploration of possible violations was aborted.

Now the results of the cop-out by the SEC and Fed are beginning to show up. A few days ago, Liquidonics sold out its controlling shares in UMC to the very same Swiss bank that financed the deal. Liquidonics took a \$16.6 million scalping, because its debts to the banks forced it to sell the UMC shares to the Swiss bank's subsidiary.

\$6 a Share Licking

The price was \$6 a share less than Liquidonics paid for them. This was a high price that the stockholders had to pay, because the SEC and Federal Reserve seemed more interested in protecting Nixon's former law partner than the public.

And lo, as the smoke cleared from this coup in UMC stock by the Swiss bank, there was the bank's U.S. counsel, Randolph Guthrie, as UMC's new chairman of the board. Another member of Nixon's old firm, H. Ridgely Bullock, also turned up as a director of UMC.

Note: It should be emphasized that President Nixon cut all his ties with his former law firm a year ago. He was paid in full for his share of the partnership, and his name was removed from the firm's stationery and door. Since he moved into the White House, he hasn't received a penny in profits from the firm.

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