

Many lost life savings in firm linked to CIA

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When the Hawaii investment firm of Bishop, Baldwin, Rewald, Dillingham and Wong went belly up last year, it seemed at worst that the company was running a fraud scheme, bilking hundreds of investors — including a Playboy model — of their life savings.

But suddenly CIA lawyers appeared at the courthouse and persuaded the judge to seal every scrap of evidence, and Ronald R. Rewald, one of the partners, said he had been recruited by the intelligence agency to run it as a front. Here is the second of a two-part series on the case.

By Jonathan Kwitny
The Wall Street Journal

HONOLULU — Although Bishop Baldwin opened shop in Honolulu in 1978, the firm advertised itself as "one of the oldest and largest" in Ha-

waii and said its investment savings accounts "have enjoyed an average growth of over 20 percent per year for well over two decades." It falsely claimed a long history of work for Congress and the White House.

The firm claimed in brochures to have two dozen offices ranging the world, but most of the addresses were just mail drops — executive "front" firms that agreed to rent Bishop Baldwin a prestige address with a telephone and telex.

Even the firm's name was a shallow hoax. The Bishops, Baldwins and Dillinghams are old-line aristocratic families in Hawaii. Mr. Rewald merely borrowed their names, adding them to his own and that of Sunlin (Sunny) Wong, a local real-estate agent who held 50 percent of the stock but who disclaims knowledge of

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With insolvency near, funds evaporated while security guards hauled files away

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the company. Observers have likened Mr. Rewald's phony use of prestigious names to starting a firm in New York City named "Rockefeller, Roosevelt, Rewald, Vanderbilt & Mellon." Mr. Rewald says the ploy was ordered by the Central Intelligence Agency.

Most shocking of all to have escaped CIA scrutiny — if indeed it did — was Mr. Rewald's 1976 theft conviction in a state court in Wausau, Wis. He and an associate were convicted of persuading two high school teachers to invest in sporting-goods stores under false pretenses. On conviction, Mr. Rewald was ordered to pay \$2,000 restitution and spend a year on probation. That same year he and his sporting-goods chain filed a voluntary bank-

ruptcy petition in federal court in Milwaukee; he listed personal debts of \$224,988 against assets of \$1,430.

The 41-year-old Mr. Rewald's transformation from Midwestern bankruptcy to Honolulu high roller was astoundingly swift. He says his flashy life was ordered up by the CIA so that he could mingle with — and spy on — wealthy foreign potentates. He acquired title to his first Honolulu home from former Cambodian Prime Minister Lon Nol, and he spread the word that the house was really a CIA-owned "safe house."

Because of its location as a stop-off point for most Pacific traffic, Hawaii is loaded with military and spy operations. Pointing out Soviet trawlers in port and offshore, and with U.S. electronic listening gear protruding from government buildings, lawyers in the Rewald case say they believe every

word uttered in their offices can be picked up equally well in Washington and Moscow.

It is common for generals, admirals and CIA officers to retire here, and many of them acknowledged that they still take on government assignments from time to time. So it is hard to be sure who is acting officially, and who privately.

The active-duty commander in chief of the Air Force's Pacific Command, Lt. Gen. Arnold W. Braswell, began associating with Mr. Rewald during an Air Force-backed operation to cure the alcoholism of a previous commander, retired Gen. Hunter Harris. Because General Harris trusted Mr. Rewald, whom he met at polo, General Braswell put Mr. Rewald in charge of getting General Harris hospitalized for alcoholism, according to General Braswell and others. Mr. Rewald used Bishop Baldwin funds to pay \$32,000 of General Harris's debts, according to court documents and interviews.

General Harris also got Mr. Rewald to donate to Lt. Col. James (Bo) Gritz's privately financed commando raid to search Laos for U.S. prisoners of war in 1982. Mr. Rewald used his advance knowledge of the widely publicized raid to convince potential investors he was with the CIA.

He hired for his staff people with a military-intelligence background, including the officer who gave General Braswell his daily intelligence briefing. General Braswell, 58, who gives his home as Minden, La., says he was discussing working for Bishop Baldwin when he retired last fall, a fact that was widely known at Bishop Baldwin.

Mr. Rewald lied that his clients all were multimillionaires, appearing to condescend to accept the money of smaller depositors. He never advertised for clients; they came by word of mouth.

Nella Van Asperen, a client whose family apparently lost about \$400,000 in the Bishop Baldwin bankruptcy, says what hooked her was her belief that Mr. Rewald was an important CIA figure.

The attractive, blond commercial artist, then single, first met Mr. Rewald in 1979, when she agreed to do some design work for a sporting-goods chain he was forming. Then, in January, 1980, she sought his help when trying to obtain political asylum for an Afghan who had surfaced in Hawaii after fleeing the Soviet invasion of his homeland. Mr. Rewald, she says, "had told me he was with the CIA, and I thought if anybody can help he could."

Mrs. Van Asperen remembers that Mr. Rewald "perked up" at the news and said the CIA wanted to see the Afghan. Following instructions worthy of a Graham Greene spy novel, she says, she escorted the Afghan to a designated table at an outdoor cafe, where she left him with Mr. Rewald — who was using the name "Anderson" — and two men unknown to her.

The Afghan — Abdul Shakoor Gardezy, now a jeweler in San Diego — remembers being asked a lot of questions about chemical weapons and Chinese arms. Then, he says, "Mr. Anderson" gave him a business card and told him to take it to the U.S. immigration office, where he would be given asylum. Mr. Gardezy says the immigration office seemed to recognize the card and gave him a long-term visa. He says he never heard from the "CIA" men again.

Robert Jinks, a Bishop Baldwin lawyer who now is a subject of the grand-jury investigations in the case, says through his lawyer that he was with Mr. Rewald at the Afghan's debriefing and adds that he considered himself to be working for the CIA at the

time.

"It's hard for me to believe someone would set all this up as a charade," says Mrs. Van Asperen, who eventually became Mr. Rewald's close friend — he kept her nude photo in his desk — and frequent luncheon date. (She says he always excused himself for what he said was his daily 3:30 p.m. CIA briefing; she also says he wasn't present when she posed for the photo.)

Mrs. Van Asperen invested the proceeds from a property sale with Bishop Baldwin, and when monthly checks from the interest began rolling in, she says, she never again let money "sit idle" in bank accounts but delivered it to Mr. Rewald. She later married, and her husband turned his savings over to the firm as well.

Her father, a retired Chicago businessman, invested — and lost — several hundred thousand dollars of retirement savings with Bishop Baldwin. Mrs. Van Asperen confirms that her parents now are living on Social Security and had to sell their house. She herself has had to return to work instead of staying home with her children as planned.

"I'm going after the CIA," she says. "I figure I own a tank somewhere in some Third World country that says 'Nella' on the side of it."

To help spread the word about the firm, Mr. Rewald hired a staff of consultants who were paid commissions for bringing in clients, often on top of handsome salaries. One major bank, Hawaii National, is being sued in federal court by three wealthy Indonesians who allegedly lost more than \$1 million with Mr. Rewald. They say the officer the bank assigned them, Richard Spiker, steered them to Bishop Baldwin, for which he was secretly working. Mr. Spiker later joined Mr. Rewald's full-time staff. The bank is contesting the suit. Mr. Spiker's lawyer says his client is commenting only for the grand jury.

More typical was the experience of Mary Lou McKenna, a former *Playboy* model who had retired to Hawaii because of devastating medical problems. At poolside in her apartment complex, she met the Bishop Baldwin bookkeeper, Jacqueline Vos. Mrs. Vos (who is divorced) learned that Miss McKenna (a divorcee raising three children) had put together a \$150,000 nest egg, mostly from insurance, to pay for living expenses and continuing therapy after her back had been broken.

Knowing all this, Mrs. Vos and Mr. Rewald persuaded Miss McKenna that her money would be safe with him, according to Miss McKenna and confirmed by Mrs. Vos. Miss McKenna says Mr. Rewald assured her "they were involved with the government, the CIA, that's why they had so many generals and FBI investing with them."

A lawyer on Mr. Rewald's staff arranged the sale of property Miss McKenna owned so that this

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money, too, could be invested in Bishop Baldwin. The lawyer, D. Alden (Dan) Newland, says he can't discuss Miss McKenna's case because of his lawyer-client relationship with Mr. Rewald. Miss McKenna says she thought Mr. Newland was acting as her lawyer and trusted him as such. She lost all. Broke and forced to give up therapy, she appears to be in great pain. She talks of suicide.

Mrs. Vos, now living under another name with relatives in Mesa, Ariz., acknowledges that commissions of up to 10 percent were credited to her for Miss McKenna's account and others that she brought in. But she says she left the commissions, and all her other savings, in a Bishop Baldwin account that was wiped out along with everyone else's. She says she feels "terrible" about what happened to Miss McKenna.

Some people were so impressed by the guaranteed high interest rates and assurances of FDIC protection that they borrowed money at lower commercial interest rates to invest in Bishop Baldwin. General Braswell and former CIA station chief John (Jack) Kindschi have said they did. General Braswell has filed a six-figure claim with the bankruptcy court. Mr. Kindschi, records indicate, also put in his mother's money — about \$150,000 — giving the family a total investment of about \$300,000.

Mr. Rewald says those accounts and two dozen others were just covers for funds the CIA was hiding on behalf of foreign rulers, but he doesn't offer any documentation for that contention.

The beginning of the end came last July 28, when the state Department of Regulatory Agencies suddenly subpoenaed all of Bishop Baldwin's books because of public queries over the alleged FDIC insurance.

A state official tipped off a local television reporter about the subpoena, and on Friday, July 29, the reporter went to the Bishop Baldwin office. With Mr. Rewald out, she stunned Mr. Newland with questions about the subpoena and about Mr. Rewald's bankruptcy in Wisconsin (which the authorities also had learned about).

Mr. Rewald was told of the interview upon his return to the office. That afternoon, a Bishop Baldwin check for \$140,000 was issued to Mr. Kindschi, converted into a cashier's check and sent to him. Mr. Rewald says Mr. Kindschi requested the money; Mr. Kindschi has denied this. But he cashed the check, and now the bankruptcy trustee in the case, Thomas Hayes, has sued Mr. Kindschi demanding the money back.

Also that Friday, Bishop Baldwin sent \$200,000 to Dana Smith, a Rewald lawyer. That check — which would have emptied Bishop Baldwin's account, even after a \$600,000 deposit earlier in the week by the Indonesian clients — was stopped by Mr. Hayes before it could be collected. Mr. Rewald also sent his wife and five children back to Wisconsin that day — without money, he says.

At about 4:30 p.m., Bishop Baldwin's security guards began removing files from the firm's offices. They took two dozen carton-loads and hid them. Meanwhile, Mr. Rewald checked into the Waikiki Sheraton hotel and, he has said, watched the television expose about his company.

The next afternoon at 4, the hotel's assistant

manager entered Mr. Rewald's room during routine rounds. She found blood on the walls and floor and Mr. Rewald lying against the bathtub, his wrists and forearms having been cut by a razor. He spoke coherently. Police removed him to a hospital, where doctors described the wounds as "superficial."

Meanwhile, Hugh Frazer, a general agent for Hartford Insurance Co., watched the TV expose in horror. He had put \$50,000 into Bishop Baldwin on the guarantee of one of his agents who worked part-time for Mr. Rewald. On Monday morning, when he called Bishop Baldwin and tried to get his money out, he was told that Mr. Rewald, from his hospital bed, had ordered all accounts frozen for 30 days. He filed a criminal complaint with the state Department of Regulatory Agencies and had his lawyers start bankruptcy proceedings.

Mr. Frazer's complaint, and another that police say Mr. Kindschi filed but that he has denied filing, are the only two criminal charges now pending against Mr. Rewald. But state and federal grand juries are investigating.

After a week of stalling the Honolulu police, the Rewald security men relinquished the files to a Rewald lawyer who brought them to U.S. District Judge Martin Pence, who gave them to the CIA. Mr. Rewald was remanded to prison on the largest bail in Hawaii history.

In February, his brother-in-law, Richard Loppnow, succeeded in lowering Mr. Rewald's bail from \$10 million to \$140,000, and Mr. Rewald was free. He says he can't talk about the case because it involves the CIA. "The way the court order reads, I can't even mention the three initials," he says. He now is back in Hawaii awaiting trial, which isn't expected soon.

Yet another curiosity in the case concerns the prosecutor himself. The U.S. attorney in Hawaii, Daniel Bent, turned the case over to John Peyton, an attorney who joined his staff just a few days after Mr. Rewald slashed his wrists. From about 1976 to early 1981, Mr. Peyton had been chief of the CIA's litigation section in Langley, Va. Before coming to the U.S. attorney's staff in Hawaii, he worked on the government's narcotics task force in Florida, which intelligence community sources say has been laden with CIA operatives. Despite that background, Mr. Peyton characterizes his current assignment in Hawaii as "pure, utter coincidence."

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