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Financier's Offer to Nixon

New IRS Probe Reported

New York

The Internal Revenue Service is investigating an offer made in 1972 by Italian financier Michele Sindona to contribute $1 million to the Committee to Re-Elect the President, according to information obtained from government sources.

Sindona is the largest single shareholder in the troubled Franklin National Bank.

The IRS, it is said, wants to know whether the contribution was ever made and where Sindona, an international banker who controls an empire of banks, holding companies and other interests, planned to obtain the funds.

The offer was made public during testimony in the Mitchell-Stans trial earlier this year. Maurice H. Stans, former chairman of the re-election finance committee, told the court that Sindona wanted only anonymity in return for the gift but that he refused to accept it because the gift was offered on Nov. 2, 1972, a few days before the presidential election and well after the April 7 deadline requiring disclosure of all political contributions.

The testimony aroused interest within financial and government circles in the political connections of Sindona, whose methods of doing business have been cloaked in secrecy and who was relatively unknown in this country before he purchased a 22 per cent interest in Franklin National Bank in July, 1972.

Indeed, some of the focal personalities featured during the weeks after Franklin's troubles became public this spring form a mosaic of interrelationships with the Nixon administration.

Besides Sindona, they include Harold V. Gleason, who was recently replaced as chairman of Franklin National and has assumed the post of executive vice chairman; James E. Smith, controller of the currency, and David M. Kennedy, former Treasury Secretary under President Nixon and now financial adviser to Sindona.

President Nixon's old law firm, Mudge Rose Guthrie & Alexander, is also involved.

The troubles of Franklin National, the largest bank in the country ever to totter on the brink of collapse, were first made public in mid-May.

On June 20, the bank announced a management shakeup and Gleason was replaced by Joseph W. Barr, a Democrat who served in the Treasury Department during the administration of President John F. Kennedy and was secretary of the Treasury during the last month of the Johnson administration.

Gleason, during his many years with Franklin, which once ranked as the 20th largest bank in the nation, had close ties with the Nixon administration.

In 1969, the trust department of Franklin handled the sale of Mr. Nixon's New York apartment and made the President a 150 per cent profit, with Gleason, according to a source, playing a key role in the transaction. Mr. Nixon paid $126,000 for the Fifth avenue residence in 1963 and shortly before the sale, he himself had put a published value on it of $166,860.

It was sold for $315,000, the largest profit that had ever been made on an apartment in that particular building.

Gleason's son, Harold Gleason Jr., is an attorney at Mudge Rose Guthrie & Alexander, the firm in which Mr. Nixon and former Attorney General John N. Mitchell were partners until they went to Washington in 1969. Mudge Rose is also counsel for Sindona's company, Fasco International Holding S.A., through which Sindona made his million-share investment in Franklin, and Franklin has recently turned over some of its legal affairs to the law firm.

Franklin's former law firm, Kaye Scholer Fierman Hayes & Handler, abruptly resigned when the crisis was announced in May because the firm said it had not been consulted about the bank's statement detailing the foreign exchange losses.

A source close to Franklin said the senior Gleason had arranged the November, 1972, meeting between Stans and Sindona so that the Italian financier could make the contribution offer.

The source said Sindona

told associates he wanted to give the money to "show his faith in America."

At the time, the Federal Reserve Board was investigating Sindona's acquisition of Franklin to see if his company, Fasco International, "controlled" the bank in the official sense. Such a determination by the reserve could have forced Sindona to divest himself of several commercial companies that Fasco owned in the United States.

Under the Federal Reserve Board's regulations, Sindona, because he owned more than five per cent, but less than 25 per cent, of Franklin and also sat on the board of the bank's parent company, the Franklin New York Corp., created "a rebuttable presumption of control" over the bank. If he could not successfully "rebut" this presumption, then the Fed would have designated Fasco International a bank holding company and a complex of legal difficulties could have ensued for Sindona.

Fasco International, during 1972 and 1973, was wholly owned by its parent company Fasco A. G. of Liechtenstein, which in turn owned three American companies — the Oxford Electric Corp. (Recently renamed the Seaport Corp.), Argus, Inc., and the Interphoto Corp. which is owned by Argus. Since provisions in the federal Bank Holding Company Act are designed to prevent common ownership of banks and industrial or commercial firms, Sindona could have found himself in violation of the law if he continued to own both the bank and the other companies.

MICHELE SINDONA

HAROLD GLEASON

More repercussions in troubled bank

Whether due to the persuasive powers of Sindona and his attorneys or not, the Fed did not issue a document asserting that Sindona has indeed created a "rebuttable presumption of control" and after two years of investigation into the matter still appears no closer to a decision.

The Fed argues that its regulations under the bank holding act are only administrative procedures and even though a presumption of control has been created under the regulations, it does not bind the Fed to act.

The lack of action on the part of the Fed surprised and angered some financial experts.

"Mr. Sindona quite definitely exercised control over Franklin," said Arthur T. Roth, the banker who built Franklin up from a tiny Long Island bank but was ousted in what he calls a "palace revolution" in 1970 — two years before Sindona bought into Franklin.

"Mr. Sindona brought officers into the bank, he caused Franklin to get involved in the massive foreign exchange trading from which their losses stemmed, traveled around with Gleason, and generally delegated authority," said Roth, who has been critical of Gleason and the bank management since he was ousted.

Representative Wright Patman (Dem-Tex.), chairman of the House Banking Committee and a constant critic of the Federal Reserve Board, also expressed disgust with the laxity of the board on the Franklin National Bank issue.

"There is no question that there has been an undue delay in determining whether Fasco International should be made a bank holding company," he said in an interview.

"It is obvious the Federal Reserve just did nothing."

New York Times

This is an extra - do not return.

Original article in NYT, same date, is by Lucinda Franks and is about twice as long, most of the additional material following the end of the SFC version. Could copy it from that point on, if you should want it.

Sindona's lawyer is Randolph Guthrie of Mudge Rose Guthrie & Alexander.