

W Post
10-15-B

Bebe Rebozo Said to Cash Stolen Stock

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Charles G. (Bebe) Rebozo, President Nixon's close friend, cashed \$91,500 in stolen stocks in 1968 after he was told by an insurance investigator it was stolen, the investigator's sworn statement and other records in a Miami court file indicate.

A lawyer for Rebozo conceded the investigator visited Rebozo but said Rebozo "flatly denies" the investigator told him the stock was stolen.

The \$91,500 in securities represented 300 of the 900 shares of International Business Machines Corp. stock that federal prosecutors say was stolen by the Mafia in 1968 from the vaults of E. F. Hutton & Co., a New York stock brokerage firm.

The stock came into Rebozo's possession when it was offered as collateral for a loan from Rebozo's bank, Key Biscayne Bank in Florida.

In a civil suit filed against the bank by Hutton, Rebozo said in a deposition that he gave the loan at the request of an old friend, Walter A. (Jake) Jernigan.



Bebe Rebozo: denies he knew

The loan was given to a friend of Jernigan's.

In a deposition taken under oath, George H. Riley Jr., an insurance investigator with Continental Insurance Cos., said, he attempted to tell Rebozo the stock was stolen in October, 1968, but Rebozo twice canceled the appointments.

During this time, records in the court file show Rebozo was in the

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process of selling 600 of the 900 shares of stock and of receiving the proceeds of the sale.

Riley said that when he finally met with Rebozo and told him the 900 shares was stolen, Rebozo claimed he had already sold them.

However, the records in the court file show Rebozo did not sell the remaining 300 shares until more than a week after Riley's visit.

After the visit, Riley filed a report on the interview with his head office in New York. In it, he said Rebozo "did not talk freely" and Riley suspects Rebozo was aware the transaction was "shady."

Eight persons, four of them identified by prosecutors as members or associate members of the Mafia, were indicted in 1970 for conspiring to steal the stock. Except for a defendant who is a fugitive from justice and another who was placed in an insane asylum, all were convicted the following year.

When the indictments were announced, the Justice Department's Organized Crime Strike Force in Miami said no evidence had been developed that Rebozo was involved in the plot or was aware the stock was stolen.

Rebozo, born in 1912 in Tampa, Fla., of Cuban parents, had been in a succession of small businesses, beginning with a gasoline station and tire recapping business. Later, he operated laundromats and a small loans company.

Since Mr. Nixon became President in 1969, Rebozo has shown up frequently in his financial and personal affairs. He visits Mr. Nixon at his Camp David retreat, at his San Clemente home, and at the Bahamian island owned by Abplanalp.

Rebozo was recently in the news as the recipient of \$100,000 in cash said to be a campaign contribution from Howard Hughes to Mr. Nixon. However, the cash was delivered in 1969 and 1970, when Mr. Nixon was not in a campaign.

Rebozo's home in Key Biscayne is adjacent to Mr. Nixon's two homes, which were purchased with the help of Rebozo's lawyer and officer in his bank, Thomas H. Wakefield.

Abplanalp also serves as a director of Rebozo's bank in Key Biscayne.

The bank, chartered by the state and insured by the Federal Deposit Insurance Corp., opened its doors March 10, 1964, with Rebozo as chairman, president, and a stockholder. It is the only bank on the island.

Why this particular bank was chosen to give the loan that was secured by the stolen IBM stock is a mystery.

The borrower, Charles L. Lewis, had no account at the Key Biscayne Bank. An Atlanta investor, Lewis also had no business or residence in Miami.

Rebozo said in his disposition in the civil court file that he was told that the reason Lewis wanted the loan from his bank was that he planned to open a business in Miami and wanted to establish a banking "connection" there.

However, Lewis never did open a business in Miami.

The story of the loan transaction, as told by the participants in their depositions in the court file, began when Jernigan called Rebozo and asked if he would give a \$195,000 loan using stock as collateral to his friend and associate, Lewis.

The idea behind pledging stock as collateral for a loan, as Lewis did to get a loan from Rebozo's bank, is not

unlike the idea behind a home mortgage loan or a car loan.

If the borrower defaults on his payments, the bank can sell the stock, home, or car to pay off the loan. The procedures for obtaining such loans also are not dissimilar, bankers say.

The borrower normally visits the bank and makes out an application. He states the reason he wants the money. Normally, the bank requires that the applicant live in the area and have an account at the bank.

It was not until after the criminal case was completed in late 1971 that Riley's deposition was entered in the civil suit court file. The contents of the deposition have never been previously reported.

Asked what he would do if there were evidence that Rebozo was told the stock was stolen before he sold it, Dougald D. McMillan, chief of the Strike Force, said:

"If we have evidence of a federal criminal offense involving anyone, we will pursue it, and if warranted, present the evidence before the grand jury."

Federal law provides a fine of up to \$10,000 or a prison term of up to 10 years, or both, for anyone who knowingly stores, sells, disposes of, or accepts as collateral for a loan securities in interstate commerce that have been stolen or unlawfully converted.

Rebozo is Mr. Nixon's close friend. Based on publicly known transactions, he is Mr. Nixon's second-biggest benefactor, after their mutual friend, Robert H. Abplanalp.

The bank checks the applicant's credit, usually through a credit bureau. It also checks to make sure the collateral—home, car, or stock—is legally the property of the applicant.

If all the requirements are met, the borrower is notified and comes in for his money.

These procedures are familiar to anyone who has taken a bank loan. They differ markedly from those used by Rebozo, the court papers indicate.

After Jernigan proposed the loan to Rebozo on the telephone, Jernigan and Lewis visited the bank on July 30, 1968. Within several hours, the court documents indicate, they applied for the loan, gave the stock as collateral, and received the money through a checking account opened in Lewis' name the same day.

The \$195,000 loan was payable at \$10,000 per quarter or on the demand of the bank. The interest rate was 7½ per cent per year.

A copy of the loan application filled out by a bank loan officer shows some spaces were left blank, including "recommendations of loan committee."

The copy of the application lists as collateral 900 shares of IBM stock computed at \$338.75 per share, or a total of \$304,875.

Wakefield, Rebozo's lawyer and an officer in the bank, said in his deposition in the court file the loan committee had given tentative approval to the loan a week earlier in a telephone poll. He said the committee did not know at the time exactly what type of collateral was being offered to secure the loan.

The loan application lists as the purpose of the loan, "Business needs—(Nationwide A/L) & buy out other party." Nationwide Airlines was a

small airline of which Lewis was an officer.

Although the Federal Reserve Board, which regulates stock loans, says loan officers must be aware of the purpose of a loan, Rebozo said he had never heard of the airline listed, and he said he did not ask the name of the other party who was to be bought out.

Lewis swore in a Federal Reserve form that the statement made on the loan application was the true purpose of the loan, but he later acknowledged in his deposition that the money was not used for this purpose. Instead, Lewis said, he gave most of the money to representatives of "Henry Sturgeon," who, according to prosecutors, turned out to be fictitious.

Lewis said Jernigan was aware the money was going to Sturgeon rather than for the purpose Lewis had claimed, but the bank was not.

The testimony of Rebozo and others involved indicates no check was made on Lewis' background through a credit bureau. Instead, Rebozo said, he called Lewis' office in Atlanta to verify that he had an office.

After the money was given to Lewis, Rebozo said he felt he should make additional checks. He called F. Donald Nixon, the President's brother, because he lived in Newport Beach, Calif., where Lewis said he had another office, Rebozo said.

Rebozo said he asked the brother to "check the local bank out there to see if there was anything wrong with this fellow. And he phoned, checking back in Newport Beach."

Rebozo did not say what, if anything, Donald Nixon reported back, nor why he called Donald Nixon instead of the bank in Newport Beach.

Donald Nixon, a vice president of Marriott Corp., the hotel and restaurant chain, did not return a reporter's telephone calls.

The only other information Rebozo said he had about Lewis was that he had been introduced by Jernigan, who vouched for his reputation. Rebozo said he did not have Jernigan cosign the note obligating Lewis to repay the loan.

When a bank gives a mortgage loan, it determines that the house is legally the property of the borrower by having a lawyer or title insurance company search the land records covering

the house. If the collateral for a loan is a car, the bank requires a bill of sale or title certificate.

When stock is used as collateral, the ownership normally is self-evident, because the stock certificates list the owner's name and address on the face.

The name of the owner is not always listed. Sometimes the certificates are issued in the name of the stock brokerage house that ordered them. The brokerage house keeps the stock until the owner orders it sold.

When stock is issued in this form, it is called "street name" stock. Street name stock may be requested by a stock brokerage customer if he intends to sell the stock quickly or wishes to conceal his ownership of it. If he buys the stock on credit, it must be in the street name.

Whatever the reason, bankers and stock brokers say, a customer who owns street name stock and wants to use it as collateral for a loan invariably transfers it to his own name before he presents it to the bank.

The reason is that it is difficult for a bank to tell who is the owner of the stock if it is in street name. Some banks, such as Bankers Trust Co. in New York, say they refuse to give any loans for street name stock. A vice president for security at the bank says the risk that the stock is stolen is too great.

Other banks, such as Chase Manhattan Bank in New York, say they will accept street name stock only if the borrower is a long-standing customer and if he presents evidence that the stock is his.

This evidence may be a letter or transfer slip saying the stock was transferred to the customer from the

broker. The bank can then call the broker to verify that the transfer took place. This is done by citing the customer's account number listed on the transfer form.

The stock that Lewis offered as collateral for the \$195,000 loan from Rebozo's bank was in street name, the name of E. F. Hutton. Rebozo said he noticed this fact, but he said the only evidence he asked for or obtained that Lewis was the owner of the stock was Lewis' statement that he owned it.

Lewis said in his deposition that he was never asked if he owned it.

Rebozo said he also noticed that the

stock had been issued two years earlier, and he said he asked Jernigan how Lewis had obtained it. Jernigan said he got it in a stock swap. Rebozo said he never asked the name of the person with whom Lewis had swapped the stock.

"It was of no concern," he said. "Swap stock, people do it all the time, and they swap value for value."

Rebozo said he accepted the stock and had it transferred to Lewis' name. The next day, however, Rebozo said he had second thoughts about the stock, and he or Wakefield made calls to IBM and Hutton.

Rebozo said he also called James M. Crosby, chairman of Resorts International, Inc., which owns a gambling casino on Paradise Island off the coast of Nassau in the Bahamas.

He said he called Crosby, a friend, to get help in checking out the stock. Resort International owns Intertel, an investigative agency.

Rebozo said Crosby called IBM to determine if the stock was stolen.

Wakefield said he asked a man at Hutton if he thought the stock certificates sounded counterfeited, based on Wakefield's description over the telephone of the color of the certificates and the appearance of the signatures.

Wakefield said the man, whose name he did not know, said the securities sounded as if they were genuine.

An IBM employee said in a deposition in the court file that he checked to see if the stock was stolen and reported to Rebozo that it was not.

Thomas P. Lynch, executive vice president of Hutton, said there was no way for IBM to know whether the stock was stolen. He said this was because Hutton did not know at the time it was missing.

Lynch said Hutton and other brokerage houses do not count the stock in their vaults daily. Between checks, he said, stock may be taken without anyone knowing.

For this reason, he said, the only way a bank can tell that a borrower owns street name stock is to ask him for his account number with the broker and to call the broker.

"He (Rebozo) did everything except what he was supposed to do," Lynch said.

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Lynch said it also is unusual for a bank to give such a large loan on street name stock.

Two of the country's largest banks, First National City in New York and Chase, said they would consider a \$195,000 loan to be large and would take unusual precautions when giving it.

The two banks' assets of \$37.3 billion and \$28.1 billion, respectively, compare with \$7.7 million for Rebozo's bank in 1968. (Because of the loan's size, Rebozo's bank shared it with another Miami bank.)

The Hutton firm eventually discovered that the stock was stolen, and the FBI traced it in early October to Rebozo's bank. Lynch said it was traced from IBM records showing the bank had the stock transferred to Lewis' name.

Prue C. Clinkscales, an FBI agent, visited the bank and looked at its file on the loan, but according to Rebozo, Clinkscales praised him for making checks on the stock.

"I asked him if there was anything wrong with the stock," Rebozo said, and Clinkscales replied, "We don't have any knowledge of that; we were just asked to see your files."

Attempts to determine if Clinkscales knew the stock was stolen, and if so, why he did not tell Rebozo, were unsuccessful. Agent Clinkscales told a reporter he had no comment and would not listen to any questions.

Rebozo said that "immediately" after the visit from Clinkscales, he decided to cancel the loan.

Asked why, he said, "Actually, from the beginning some of the directors didn't like the loan. They thought that since the man didn't live and work in our community, and since the fact that it was in street name originally, and we had to go through all this effort to do it . . . I had gone on the assurances that he was going to establish a busi-

ness in Miami, and expected him to maintain a compensating balance in accordance with general banking procedures. And the combination of circumstances that ensued dictated it would be prudent to call the loan."

Wakefield noted that a state banking examiner had criticized the bank for making such a large loan to someone outside the bank's geographic area.

"I said, couple that (the FBI inquiry) with what the bank examiner's comments had been, I thought we ought to call the loan," Wakefield said.

If Rebozo had canceled the loan and it had been repaid from Lewis' own funds, there would have been no loss to Hutton. But a telegram from Rebozo to Lewis dated Oct. 7, 1968, shows Rebozo gave Lewis two days to come up with the money.

Lewis said in his deposition that he told Rebozo he could not get the money "in the period of time that he was willing to give us (Lewis and his business associates)."

Rebozo was not asked in his deposition why he allowed Lewis only two days to pay off the loan.

Whatever the reason, Lewis did not come up with the cash. Rebozo decided to sell the stock that had been put up as collateral, causing the loss to Hutton, which owned the stock.

Rebozo sold 600 of the 900 shares, producing \$196,984, which was enough to pay off the loan. He continued to hold the remaining 300 shares.

Records in the court file show the first batch of stock was ordered sold Oct. 8, 1968, and the check for the proceeds was dated Oct. 17.

Riley, the insurance investigator, said in his deposition that he visited the bank on Oct. 12 or 13, after he was asked by his New York office to determine if Rebozo's bank had Hutton's stock. Hutton was insured by Riley's company.

Riley said he told the bank's loan officer he was there to investigate some stolen securities, but the officer said only Rebozo could discuss the matter.

Riley said he made appointments with Rebozo for Oct. 14 and 17, but each time they were canceled.

"On at least one occasion," he said, "his (Rebozo's) secretary stated that he was busy, and it was during the time of the Nixon campaign, and this was the excuse; that he was too busy to see me," Riley said.

The second appointment was canceled the day the check for the proceeds of the first 600 shares of stock was issued.

Five days later, Riley met with Rebozo. Riley said he told Rebozo at this meeting on Oct. 22 that he wanted to determine if the bank had the stolen stock.

Riley said Rebozo told him he already had given all the information to the FBI. However, Riley said Rebozo did show him the certificate numbers of the stock as they appeared before the stock was transferred to Lewis' name.

The questioning of Riley in his deposition continued:

Q. Did you tell Mr. Rebozo at that time that the stock had been stolen or was missing from E. F. Hutton & Co.?

A. Yes, sir.

Q. Can you recall exactly what you told him?

A. As I previously stated, I advised Mr. Rebozo that I was investigating the theft of nine 100-share certificates from the vaults of E. F. Hutton & Co. in New York.

Q. Did you advise him of the numbers of the certificates that you were investigating?

A. Yes. And the numbers corresponded to the numbers he gave me.

The next day, Riley wrote in a report to his New York office that Rebozo claimed he already had sold all the stock.

The report was supported by a deposition of Riley's superior, who said Riley gave him an oral rundown on the interview after it took place.

In the report, Riley said, "It should be pointed out that I do not believe

Mr. Rebozo was giving me all the information available to him, and he would not go get his file . . . This would appear to me to be a shady deal, and I suspect that Mr. Rebozo is aware of this and did not want to become involved, which accounts for his reluctance in his discussion with me. He did not talk freely, and the information that was obtained was difficult to extract."

Asked in his deposition why Rebozo would not get his file on the loan, Riley said, "I can say that Mr. Rebozo didn't even want to give me the time of day, let alone get his file."

Asked in a telephone interview if prosecutors were aware of his testimony, Riley, an insurance investigator 20 years, said not to his knowledge. He declined to discuss the case further.

Rebozo did not return repeated telephone calls from a reporter. Rebozo's lawyer, Alan G. Greer, told The Washington Post that Rebozo "flatly denies" having been told the stock was stolen. Greer said Riley met with Rebozo, with only Rebozo and Riley present, and that Riley did not say the stock Greer said Riley met with Rebozo, was stolen.

The court files show that a day after Riley's visit, Rebozo wrote to Lewis to ask him if he wanted the remaining 300 shares of stock sold. The letter enclosed Lewis' note, marked "paid," meaning Lewis no longer was under obligation to the bank.

The letter to Lewis closed this way: "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."

Asked in his deposition what this meant, Rebozo said, "That must have been in reference to the inquiries made (by the FBI)."

The remaining 300 shares were ordered sold Oct. 31, more than a week after Riley's visit to Rebozo. The check was dated Nov. 13.

Rebozo's lawyer, Greer, said in a telephone interview that the stock was sold by "the bank," not by Rebozo. However, the court file shows that the slip confirming the sale, the receipt for the securities, and the check with proceeds of the sale were all marked to the attention of Rebozo.

The money from the sale, \$91,574, was credited to Lewis' account at Rebozo's bank. On Dec. 16, Lewis withdrew most of the money from his account, a copy of his bank statement shows.

This was nearly two months after Riley said he told Rebozo the stock was stolen.

Lewis said he gave \$120,000 of the total cash he received from the loan to representatives of the fictitious Sturgeon. He said he used the rest in business ventures.

None of the money was recovered, and the insurance company reimbursed Hutton for its loss in December.

In May, 1970, the insurance company sued the bank in an attempt to recover the money. The bank later sued Hutton and Lewis, and Hutton sued the bank. These separate actions are all part of the same case.

The insurance company's complaint, 1½ pages long, said only that the bank had illegally converted the stock to its own use when it changed the name on the stock certificates to Lewis'. The complaint, and the legal case, did not deal with Rebozo's subsequent sale of the stock after Riley said he told Rebozo it was stolen.

U.S. District Court Judge James L. King, who was appointed by President Nixon in 1970, ruled in favor of the bank last year. The actions by Key Biscayne Bank against Lewis and Hutton were withdrawn.

"We tried the case on a narrow legal issue, conversion," John R. Hoehl, the Miami lawyer who presented the case for the insurance company, said in an interview. Conversion is an act that deprives someone of his property.

"It backfired on us," Hoehl said. "We felt we didn't have to show what they should have done" to determine whether the stock was owned by Lewis.

A transcript of the one-day trial Jan. 24, 1972, shows Judge King shut off discussion of procedures normally used by banks to determine if street name stock is owned by a loan applicant. He compared such testimony to a witness giving an opinion in a car accident case on who was negligent.

Judge King said this was up to the In 1963 and 1964, Judge King, then a Miami lawyer, was a director of Miami National Bank when it was indebted through a mortgage to the Teamsters Union pension fund.

Judge King's fellow directors included Lou Poller, later named as unindicted coconspirator with Meyer Lansky for allegedly skimming profits from a Las Vegas hotel; Alan M. Kornbluh, who has acted as trustee on a teamster mortgage and is Poller's son-in-law; and Arthur A. Desser, a friend of former Teamster President James R. Hoffa.

Judge King said he was not aware of the Teamster mortgage at the time he was a Miami National Bank director. "If I had known of any Teamster involvement, I would not have served," he said.

The Key Biscayne Bank case was appealed June 7, 1972, to the Fifth Circuit Court of Appeals in New Orleans. The Appeals Court recently sent the case back to Judge King for a more explicit, written opinion.

The stolen stock, according to the original criminal indictment, had been given to Lewis' lawyer, Martin Fox of New York, by mobsters Joseph (Joe Black) Lamattina and Daniel Mondavano.

They obtained the stock from Jacob (Jake the Mace) Maislich, the indictment said. Maislich pleaded guilty in another stolen securities case involving Anthony (Fat Tony) Salerno and Gilbert (Gil the Brain) Beckley.