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# Tracing Vesco Money Through

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MADRID, — The president of a Bahamas bank controlled by Robert L. Vesco, the American financier under investigation in the United States for a \$224 million securities fraud, paid \$1.3 million for stock in a near-bankrupt Spanish company which closed down this week after firing 1,300 employees for lack of working capital.

According to sources familiar with the transaction, payment for treasury stock in Confecciones Gibraltar, S.A., a ready-to-wear manufacturer in southern Spain with a troubled financial and political history, was arranged last November in Madrid by Norman Leblanc, board chairman of the Bahamian Commonwealth Bank of Nassau, the Bahamas, and Dr. Milton Meissner, another close Vesco associate. They had, sources said, Vesco's approval.

Both Leblanc and Meissner are codefendants in the massive fraud suit filed against Vesco late last year by the Securities and Exchange Commission. The SEC charged Vesco and a number of associates with diverting millions of dollars from Investors Overseas Services, Ltd., the international mutual fund organization.

At the time the Confecciones deal was made, Vesco had sold control of IOS for \$5.7 million to a Madrid-based group of Spanish aristocrats related by marriage to Generalissimo Francisco Franco, Spain's chief of state, and Cuban exiles with extensive financial interests in the United States, Spain, Costa Rica, Mexico and the Bahamas.

The Madrid group, however, cancelled the IOS purchase last December after the SEC action. The consortium was pressured by the Spanish government, which feared the political consequences of an international financial scandal involving Franco's relatives.

But by that time, Leblanc was already committed to

make the \$1.3 million payment to Confecciones' new management, which was acting as his front. He declined, however, to make a further payment of \$1.8 million as called for in his contract with Confecciones because the IOS purchase had been rescinded, according to sources.

Most of the \$1.3 million, however, was funneled out of Confecciones and went to pay off bank debts of politically powerful Spanish investors in the firm, the sources asserted. It was not used as working capital for Confecciones, which even then was having trouble meeting its payroll, electricity bills and social security quotas for its workers.

The sources explained that Confecciones was used as a convenient conduit to pay influential Spaniards who had obtained the Spanish government's approval for the IOS purchase, and who promised Vesco not only freedom to operate in Spain but also a Spanish passport. The sources said

that Vesco, who traveled frequently to Spain last year in his private jet, used a Costa Rican passport. He spends much of his time in Costa Rica.

The actual disbursements, the sources said, were not made by Leblanc, but by Dr. Rafael Diaz-Balart, a Cuban exile who resides in Madrid and was said to have put together the IOS package. Paradoxically, Diaz-Balart, the former brother-in-law of Cuban Premier Fidel Castro, reportedly manages the fortune of former Cuban dictator Fulgencio Batista. Diaz-Balart was not available for comment.

Because of his association with members of Franco's family and Costa Rican President Jose Figueres, Vesco was treated with unusual deference during his visits to Spain. Last October Prince Gonzalo y Borbon, a member of Spain's royal family, accompanied him to a private audience with Franco which was

later shown on Spanish television. Shortly afterward he met with U.S. Ambassador Horacio Rivero to tell him about the IOS sale and to express his faith in Spain's favorable investment climate.

The closing of Confecciones could become embarrassing for the Spanish government, which encouraged its founding in the late 1960s to employ workers displaced by Spain's boycott of British-held Gibraltar. The state-owned Banco de Credito Industrial has lent the firm \$5 million to keep it going. It has survived mainly on contracts from German, Dutch and English clothing firms and contracts for Spanish armed forces uniforms.

Already six dismissed workers have been arrested for protesting the closing. Spanish newspapers have reported that the plant may be auctioned if a buyer cannot be found within three months. During that time the unemployed workers will receive social security payments.

## Spain