

# Vesco -- A Tycoon

By Robert E. Dallos  
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About a dozen years ago, Robert L. Vesco shared many of the problems of the up-and-coming young executive. He lived with his wife and children in a small rented home in Connecticut, fought for a seat on the often-late commuter trains into New York City and had as tough a time as any middle-class American supporting his family on \$200 a week as an engineer with Olin Mathieson Chemical Co.

But things have changed for Vesco. Today he does his commuting on his private Boeing 707, shuttling constantly among the Caribbean, South America and Central America and Europe's major capitals.

To make his travels more comfortable on the jet — it was refurbished at a cost of \$600,000 to suit his tastes — there's a sauna bath and a discotheque. So sophisticated is the plane's communication system — on which Vesco holds airborne conferences with his widely scattered associates — his administrative assistant, Donald A. Nixon (nephew of the President), has said jokingly that it puts Air Force One to shame.

## ASSETS

Vesco is a millionaire many times over, controlling enterprises which range from banks and hotels to liquor stores, gasoline stations, drug stores and automobile distributorships. He counts among his friends and business associates high government officials in at least half a dozen countries.

According to a former business colleague, Vesco likes to boast that he "keeps presidents waiting."

But now the mustachioed Detroit-born financier, who began his working career helping to design automobile grills, probably doesn't need that airplane sauna to bring him to a sweat. Vesco faces legal trouble in the U.S. and elsewhere.

## STOLEN

American authorities contend that the huge sums of money he controls are stolen, and that these funds hop borders almost as quickly as does his jet, making it difficult — if not impossible — to protect the American investors.

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## On the Run

The Securities and Exchange Commission, in investigating what it terms "one of the largest frauds ever perpetrated," has accused the former aluminum extrusion engineer of fleecing \$224 million from the mutual fund empire of IOS Ltd. once run by another flamboyant character, Bernard Cornfeld.

Vesco has also been indicted by a federal grand jury (among his codefendants: former Attorney General John N. Mitchell and former Commerce Secretary Maurice H. Stans) in connection with a secret \$200,000 cash donation to President Nixon's re-election campaign.

Investigators claim he contributed the money in an effort to impede the SEC investigation. So far he has not appeared to answer the charges against him.

Heads are still rolling. Last week SEC chairman G. Bradford Cook was forced to step down because of his alleged role in the case.

## SAFETY

Vesco's recent troubles have also put deep cracks in the wall of safety he built for himself in both the Bahamas and Costa Rica.

In the U.S., numerous public officials or their relatives have been linked to Vesco. One of the President's brothers, Edward, is said to have asked that Vesco's controversial campaign donation be made in cash. Mitchell, while attorney general, is reported to have tried to lend his influence to Vesco when the financier sought to take over a Lebanese bank. Mitchell also called the U.S. Embassy in Switzerland to help Vesco when he was jailed for a night. Former presidential assistant John Ehrlichman was visited by two Vesco aides and is said to have promised help in the Beirut deal, but Ehrlichman denies any such promise.

Besides employing young Nixon, Vesco also gave a job to Regina Cahill, daughter of New Jersey Governor William T. Cahill. Three other Cahill children were flown on Vesco's plane to Switzerland to visit their sister, the Los Angeles Times has learned.

## MYSTERY

But despite some of the notoriety that Vesco has gained in recent months, he still remains a mystery man.

Robert Lee Vesco was born on Dec. 4, 1935, in Detroit. His father was an auto worker. He was graduated from Case Technical School in Detroit in 1952 and married that same year, at the age of 17, to Patricia Melzer, who was a year younger.

After holding a series of engineering jobs, Vesco was hired in May, 1957, as an extrusion engineer at Olin Mathieson with a starting salary of \$750 a month.

The Times has learned that Vesco was fired from Olin Mathieson as "not compatible for requirement."

Vesco next set out on his own, selling aluminum storm windows in New Jersey. But that apparently didn't satisfy Vesco's quest for wealth.

#### JOIN

In the early 1960s, Vesco formed International Controls Corp. by joining together a group of small engineering and electronic firms. His rough takeover tactics twice resulted in

#### LIFE

Vesco also lived a much less flamboyant life style in court suits against him, once on charges that he "misled the market" in violation of securities laws.

Nevertheless, ICC's fortunes improved under the Vesco helm. Sales skyrocketed from \$7 million in 1967

to \$100 million in 1970.

Vesco gave all of his attentions to ICC. He had yet to start the international complex which has since generated so much controversy.

those days. At the start of his campaign to gain control of IOS, Vesco — who, unlike Cornfeld, is a staunch family man (he has four children)—would fly home from Geneva for a weekend for his son's Little League game.

Vesco's troubles didn't begin in earnest until he made his grab for IOS, the international mutual fund conglomerate.

He had dealt with the IOS complex in the early days of ICC when he floated a \$25 million issue of debt securi-

ties in Europe. \$7 million of which ended up with one of the IOS funds.

#### ROLES

In the summer of 1970, when IOS was hitting the skids, Vesco's role changed from debtor to creditor. He showed up in Geneva and, after others had failed, offered to help IOS with its cash problems by lending the crippled giant \$5 million immediately with another \$10 million to be forthcoming. The second payment never reached the IOS treasury.

Vesco stoutly maintains that during this period he had no intention of taking part in management of IOS. He also consistently denied knowing who was the purchaser of playboy Cornfeld's 5.5 million shares of IOS stock. (The SEC later declared in court that Vesco, himself, through a complex series of deals including the use of a Panamanian shell company called Linkink, was the "mystery" buyer of Cornfeld's IOS shares.)

By February, 1971, Vesco had become chairman of IOS which, though in dire straits, still boasted massive assets in stock, cash and real estate that together exceeded a billion dollars.

#### BANK

Vesco's financial machinations became all the more interesting when one fits another piece of the jigsaw puzzle into place. The \$5 million Vesco used to grab IOS had been borrowed from a bank in the Bahamas called Butlers Bank.

Butlers Bank, which controlled vast properties in Nassau, experienced serious financial troubles as the result of the loan to Vesco.

Vesco and his associates then bought out Butlers Bank and amalgamated it with Bahamas Commonwealth Bank which they had already bought.

#### FOOTHOLD

Now Vesco had gained his foothold in Nassau, putting him and his associates among the island's largest employers. (Vesco, incidentally, has resigned his executive posts with IOS and the bank, turning the positions over to associates. However, he still controls them.)

Through a subsidiary, General Bahamian Companies Ltd., the bank's holdings include a hotel and golf club, a chain of liquor stores and pharmacies, two automobile distributorships, a daily newspaper and a leasing company.

Bahamas Commonwealth Bank — according to the SEC — became the principal conduit for the cash allegedly diverted from the IOS funds. And although the Bahamas was gripped in a severe recession, BCB was the only institution on the island to write loans.

The bank inherited two existing political loans from Butlers Bank totaling about \$500,000 — one to prime minister and another to a bakery owned by his uncle. Then, after Vesco and his associates took over, the combine made numerous se-

cured loans, some requiring no down payment — to persons closely allied to Prime Minister Lyndon O. Pindling's Progressive Liberal party.

"Vesco became a needed factor in the Bahamian economy," says one close observer of BCB. "At a time when it was down, he was buying himself a position."

The BCB — which is located in a brand new building in downtown Nassau — purchased Bahamian government debt securities, financed a \$3 million takeover of a catering service company at Nassau and Freeport airports, financed a restaurant on Bay street valued at \$400,000, gave credit of \$3 million for two Boeing 707s purchased by Bahamas World Airways and loaned \$120,000 for the purchase of a travel agency.

#### HOME

Vesco watching has taken hold on the Caribbean island — by both natives and tourists. Though he used to be seen often around the island before his troubles mushroomed, Vesco now confines himself to this heavily guarded home in a remote section of the island when he isn't in Costa Rica.

His security force recently followed a U.S. Internal Revenue Service agent all over the island from the Vesco home to secure film the man had taken of the house, according to diplomatic sources. The guards also chased away an assistant U.S. attorney who had thrown a grand jury sub-

poena over the fence, hitting Vesco on the shoulder, law enforcement officials say.

From the days of his youth Robert Vesco wanted to be a prominent person and a wealthy one. "He wanted to be king of a country," says one man who used to work for him. But events of recent days might be a little more than even he bargained for.