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The Rise and Stumbling of Vesco

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NEW YORK—Three years ago, Robert L. Vesco was virtually unknown outside of a small Wall Street group that had watched his impressive rise in the world of corporate finance.

Today, he is a central figure in a drama that has produced the criminal indictments of two former Cabinet officers, the resignation of the chairman of the Securities and Exchange Commission, a continuing grand jury investigation here and congressional hearings in Washington.

Who is Robert Vesco?

"Nobody who knows Bob knows that he had to end up somewhere around the Watergate thing. It was made to order for him. The chance to buy something you want, the intrigue, the rubbing shoulders with big names. He lives on those things."

This was a former business associate. Here is a neighbor in Boonton, N.J.

He never made many friends around here. He was always coming and going, never spending much time at home. But when he was home, he was very close to his family. He's crazy about those kids and he gives them everything."

Born 37 years ago in Detroit, he attended Wayne State University from 1952 to 1955, but left without graduating to take a job as a junior draftsman. At Lehigh University in Bethlehem, Pa. Tony is 17 and daughter Dawn is 12.

Dawn's love of horseback riding indirectly triggered a local fuss. While expanding his property, Vesco decided to build a stable, and needed a change in township zoning laws. A court battle with neighbors resulted. Vesco's local lawyer Harry L. Sears, onetime Republican majority leader of the New Jersey state senate, who was indicted on May 10 along with Vesco, former Attorney General John N. Mitchell and former Commerce Secretary Maurice H. Stans on charges of obstructing a SEC investigation of Vesco's financial activities.

The family has remained in Boonton while Vesco moves among homes in the Bahamas, Costa Rica and other places some government agencies would dearly like to discover. The family members frequently meet on weekends, and the house have been reports they will move to Costa Rica this summer.

The family lives in a rambling ranch house on a winding country road. Bought six years ago, the house has had wings added and its property enlarged from one acre to about 80. People who have been in the house estimate its market value, exclusive of the land, at about $100,000 (values in the area have been rising about 10 percent a year). The property has a circular driveway, swimming pool and helicopter pad—from which Mrs. Vesco is known to have flown to New York for shopping when the roads were crowded. Court papers show that the parcel of land containing the helicopter pad actually belongs to ICC, not to Vesco.

While Mrs. Vesco is well known to her neighbors, Vesco himself has remained a sort of mystery man. Local newspapers are fond of following his activities—one of them had a reporter in federal court here every day at the beginning of the SEC's civil fraud trial—and each new government action produces big headlines.
Among many in the area, Vesco commands a kind of passive respect—as an entrepreneur who dares challenge the nation’s institutions.

It was his connection with IOS more than any of his previous efforts as a financial promoter that propelled Vesco into the spotlight.

Founded by Bernard Cornfeld, who is now in a Swiss jail, IOS developed from a small mutual fund operation to a sprawling complex of mutual funds, banks, insurance companies and real estate holdings. At its peak, IOS had about 2.3 billion in foreign investors’ money under its control while Cornfeld and his executives lived a flamboyant, jet-speed existence and constituted a dominant force in securities markets around the world.

In March, 1970, a financial crisis hit IOS, forcing Cornfeld from control and triggering a worldwide search for a “rescuer” who could provide the company with cash that could easily be funneled into companies controlled by associates—has bought a number of companies and reportedly made loans to companies connected to government officials. In Costa Rica, IOS lent $2.15 million to a company founded by Costa Rican President Jose Figueres. The SEC charged that $60 million has been placed in a dummy corporation there, but Vesco admits to investments of only $25 million. (While President Figueres maintains he hardly knows Vesco, a San Jose newspaper recently reported that Mr. and Mrs. Vesco were the godparents of the

Vesco moved in on terms that gave him an absolute veto over the company’s finances. (Former directors concede that the only board member to oppose the Vesco “loan” was Cornfeld, who predicted Vesco would “rape the company.”)

With that foothold, Vesco moved to consolidate his position and started a restructuring of IOS. Cornfeld’s 6.8 million shares of preferred stock—which elected two-thirds of the directors—was bought by a Panamanian company, which the SEC has charged, was a front for Vesco himself (the SEC said Vesco tried to use IOS money for that purchase, too, but was thwarted when several employees and a Swiss bank refused to go along. IOS managed mutual funds were cut away and assigned to a new company, Value Capital, Ltd. The banks were reorganized in International Bancorp, Ltd. The real estate and insurance holdings were also set up in separate companies, under the control of Vesco associates.

In March, 1971, the SEC, which has had investigations of IOS going since 1965, began to examine Vesco’s relationship with the company. In 1966, IOS signed a consent decree, which, among other things, prohibited it from any affiliation with companies under the SEC’s jurisdiction, and the commissioner wanted to determine whether Vesco, then chairman of International Controls, violated that agreement.

Vesco fought furiously against the probe, to the extent of a federal court to prevent the SEC from forcing him to testify since he was a director of a Swiss bank in Switzerland, which has strict laws on bank secrecy. He lost.

By the spring of 1972, the SEC probe was reaching its final stages. There were two subsequent court records, two things happened. One, Vesco made a secret $200,000 contribution to President Nixon’s re-election campaign, after a series of meetings between his agents and Nixon finance chief Maurice H. Stans and former Attorney General John N. Mitchell. In return, a federal grand jury hearing, meetings were set up with SEC officials so that Vesco could give his side of the case.

The second step, the SEC charged in a civil fraud action last Nov. 27, was the “looting” of $224 million in assets from the IOS mutual funds. The commission charged that Vesco arranged the sale of all the

marketable U.S. securities held by the mutual funds and funneled the money into companies he controlled. A preliminary hearing in the case ended on May 28, with a ruling due in late July.

Meanwhile, Vesco has set up dual headquarters in Nassau, The Bahamas, and San Jose, Costa Rica. In Nassau, where his activities are centered in the Bahamas Commonwealth Bank, he or companies controlled by associates—has bought a number of companies and reportedly made loans to companies connected to government officials. In Costa Rica, IOS lent $2.15 million to a company founded by Costa Rican President Jose Figueres. The SEC charged that $60 million has been placed in a dummy corporation there, but Vesco admits to investments of only $25 million. (While President Figueres maintains he hardly knows Vesco, a San Jose newspaper recently reported that Mr. and Mrs. Vesco were the godparents of the