

The Rise and Stumbling of F

Financier Vesco

By Philip Greer

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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? "Anybody 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."

That 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 De-means, Vesco is an unimposing figure, except for sharp, light eyes that some have called mesmerizing. Just under six feet, with black hair combed straight back and a mustache that varies from debonair to scraggly, he is given to fits of anger and threats of violence. He bitterly resents implications that he is somehow involved with organized crime.

"He always says that if his name didn't end in a vowel, he wouldn't be in this kind of trouble," an associate said recently. "But if you suggest that he change his name he gets very angry and says he's proud of his heritage" (Italian on his father's side, Yugoslav on his mother's).

Reared in Detroit, he attended Wayne State University from 1952 to 1955, but left without graduating to take a job as a junior draftsman with the ill-fated Packard Motor Car Co. He soon left there, went through two other companies and wound up with Olin Mathieson Corp. (now Olin Corp.) in a newly begun aluminum extrusion division. A man who worked with him there recalls

"He was always trying to impress people. He had a friend who owned a Cadillac

with a telephone in the back. At quitting time, Bob would run out into the parking lot and get into the back of the car with the phone at his ear. Then he'd just sit there so that everybody else could walk by and see him."

In 1969, Vesco set himself up as a financial consultant and, through a series of transactions—which included buying a moribund company from Baron Edmund de Rothschild—created International Controls Corp. (ICC), a small New Jersey electronics company from which he launched his assault on the world of high finance.

Vesco's largely unsuccessful efforts to build a mammoth corporate enterprise and an equally unsuccessful flight at a European mutual fund—he lost \$200,000 of a \$270,000 investment—kept him traveling much of the time. While he has shown a strong attachment to his family, the upbringing of his three sons and one daughter has recently been left mostly to his wife, Pat.

Mrs. Vesco, whose car bears the New Jersey license number "1-PAT," is shortish and plain-looking, described by neighbors as extremely warm and friendly but somewhat overpowered by her husband's fast-paced life. The former Patricia Melzer of Troy, Mich., she married Vesco 20 years ago.

"Pat is a very simple woman, with very simple tastes," says a woman friend. "You've never seen a woman on whom great wealth is more wasted. She just doesn't care about all these fancy things."

At a shareholders' meeting of Investors Overseas Services in Toronto in June, 1971, Mrs. Vesco and her mother were seated down near the dais, where Vesco held forth from 10 a.m. until well past midnight. At one point, she left to bring back hamburgers. At another, she stood up and shook a fist at a shareholder who asked an accusing question.

The family relationship is considered by some observers to be inhibiting Vesco's nonstop efforts to outdistance the Securities and Exchange Commission and other government agencies. The chief problem is youngest son Bobby, who suffers from a learning disability and requires special teachers.

A few years ago Vesco, determined that Bobby would

attend the same private school as his brothers and sister, launched a drive to build a special wing on the school for children with similar disabilities. While he was hailed as a community leader for the successful effort, court papers filed earlier this year indicate that the land for the wing actually was purchased by International Controls, with a commitment from Vesco to donate it to the school.

Oldest son Danny, 19, is a student 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 an 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 there 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 \$150,000 (values in the area have been rising about 10 per cent 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 are 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-paced 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 the cash it needed to meet payrolls and other immediate expenses. John King, a Denver promoter of oil-drilling programs, who has since himself filed a bankruptcy petition, was the first to try but he failed. A number of European banks were approached, but they refused to involve themselves with IOS.

At about that time, VESCO was struggling with International Controls

Corp., trying to digest the takeover of Electronic Specialty Co. in 1970, a feat he accomplished over the strong opposition of Electronic specialty's management and to loud plaudits on Wall Street.

His first connection with IOS was in February, 1968, when he sold 50,000 shares of his stock in ICC to IIT, an international mutual fund run by IOS. Later that year, IIT bought more than \$5 million worth of bonds issued by an ICC subsidiary. In the course of these purchases, Vesco got to know C. Henry Buhl III, and heir to a General Motors fortune and investment manager of IIT.

When the search for a rescuer began, Buhl contacted Vesco, who dispatched Milton Meissner, a management consultant and long-time confidant, to examine the company. Meissner's report—that there was no real crisis at IOS, only a shortage of cash that could easily be remedied—convinced Vesco that here was his chance to wade into international finance.

A man with an eye for financial figures—"he sees things in a balance sheet that nobody else can spot," says an SEC staffer—Vesco devised a plan to acquire control of IOS using in effect, the company's own assets. He arranged a 15 million "line credit," of which only \$5 million was ever used and that was quickly backed by IOS itself once

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 6.6 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 1968, IOS signed a consent decree, which, among other things, prohibited it from any affiliation with companies under the SEC's jurisdiction, and the commission 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 suit to prevent the SEC from forcing him to testify since he was a director of an IOS 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. Then, according to subsequent court records, two things happened. One, Vesco made a secret \$200,000 cash 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 here charged, 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 18, 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

president's new-born grandson.)

Vesco has not been seen in this country since February. He defied a subpoena to appear before a grand jury investigating his campaign contribution and he did not appear for arraignment after he, Mitchell, Stans and former New Jersey political leader Harry L. Sears were indicted May 10 on charges of obstructing the SEC investigation.

Warrants have been issued as a result of both non-appearances and a third warrant was issued last month in Geneva, Switzerland. In November 1971, Vesco and two associates spent a night in a Geneva jail on charges of business fraud. After telephone calls from Mitchell to the U.S. embassy in Bern, the three were released on bail and left the country. They have never returned, although the charges were dropped when the suit underlying the investigation was settled out of court.

While authorities in two

countries try to get at him, Vesco has issued a series of statements from San Jose, claiming he can supply the "missing link" in the Watergate investigation.

While Vesco does not have the colorful style of Cornfeld, who was always surrounded by a harem of women and an entourage of camp followers, he has taken on many trappings of wealth (there are no estimates of his personal worth, nor has there been any direct proof that he has personally drawn funds from IOS). He travels the world in a private Boeing 707, he owns houses in Nassau and San Jose (the latter the residence of a former U.S. ambassador) as well as his family's home in Doonon. He flies from these cities to Beirut, Lebanon, Morocco, Hong Kong and other points and he uses some of the best legal talent available (Edward Bennett Williams of Washington for criminal cases and Arthur Liman of New York for the SEC civil suit).