

NY Times . NOV 27 1973  
2 Agencies Explain  
End of Drug Inquiry  
With Link to Vesco

By WALLACE TURNER

Two Federal agencies are developing preliminary answers to the question of whether they halted a narcotics investigation when it led to Robert L. Vesco, the controversial financier.

The Bureau of Customs position is that information alleging that Mr. Vesco would provide \$300,000 financing for a 100-kilogram heroin smuggling scheme came in just after the bureau's antinarcotics responsibilities had been transferred to another agency on July 1.

The Drug Enforcement Administration, which assumed responsibility for antinarcotics work from the Customs Bureau, said that the man who gave it the information about Mr. Vesco was being misled by Canadian underworld figures, who meant to victimize him, and had become "hard to handle" about payment of expenses.

Both agencies, as well as the Secret Service, have been under pressure from the Senate Permanent Subcommittee on Investigations, headed by Senator Henry M. Jackson of Washington, to explain why they did not pursue the tips about Mr. Vesco from Frank Peroff, the government service. An article about the investigation appeared in The New York Times Sunday.

Mr. Vesco has been a matter of public interest in recent months because of his relation-

Continued on Page 36, Column 1

Continued From Page 1, Col. 7

ship with the Nixon Administration. He has been indicted on Federal charges along with two former Nixon Cabinet members, for instance, and the President's nephew, Donald A. Nixon, is employed as a Vesco aide.

#### Interviews With Officials

In interviews with The New York Times, top officials of both Customs and the drug agency explained their positions and gave no indication that they had tried to explore the chain of their underworld contacts to determine whether Mr. Vesco actually was involved in the heroin case.

The result of the drug agency's handling of the matter destroyed Mr. Peroff's usefulness as an agent after he had been used successfully to seize huge sums of counterfeit money and 25 kilos of heroin, as well as to bring about the arrest of eight drug smugglers.

His career as an undercover worker for the D.E.A. came to an end in a Canadian court early this month when he was identified by a Royal Canadian Mounted Police constable as the source of information leading to the arrest of Conrad Bouchard, 42, leader of a Canadian underworld group.

Agents of the Senate subcommittee have interviewed Mr. Peroff and confirmed the basic elements of the bizarre story he has told them. The story, which provides a rare insight into the way law enforcement agencies deal with their underworld sources, is this:

When Mr. Peroff owned a small airline charter service, some of his customers were underworld figures, among them Mr. Bouchard.

Late in 1971, Mr. Bouchard, now 42, was arrested in Canada on charges of preparing a huge heroin smuggling scheme, and Mr. Peroff had no further contact with him.

#### 'Back in Business'

Early in 1973, Mr. Peroff said, he met by chance on a Roman street a man who told him Mr. Bouchard was free on bail and "back in business." Within a few weeks the Canadian's couriers called Mr. Peroff from Rotterdam and asked him to get hotel rooms for them in Rome.

The couriers eventually gave \$450,000 in counterfeit United States fifties and one hundreds to Mr. Peroff. He said it was not of particularly good quality, but that he could have realized as much as 80 per cent of its face value, had he decided "to move" the entire batch.

Possession of the money worried Mr. Peroff, he said. "I couldn't give it back, and I figured somebody had followed them and knew I had it," he said. "I figured I might get bagged any time."

Mr. Peroff delivered the counterfeit money to the United

States agents in Rome. Agents in Paris told him the couriers were not in Europe just to deliver the counterfeit money, but really were on a narcotics run. With Mr. Peroff's help, the French police arrested eight smugglers and seized 25 kilos of heroin.

#### Assignment in U. S.

After this, the Bureau of Customs narcotics intelligence branch persuaded Mr. Peroff to return to the United States to help penetrate the Bouchard group.

A narcotics agent in Customs was assigned to be Mr. Peroff's control.

Mr. Peroff was supplied on occasion with a leased Lear jet plane that he could pass off as being leased by himself. But one of the pilots was a Federal agent. And when the plane landed in Montreal, it and its occupants and everyone they met were under close surveillance.

By then Mr. Peroff and his family were living in an apartment on the outskirts of San Juan, Puerto Rico, and he was in constant contact with Bureau of Customs agents there and in New York.

#### Dispute on Expenses

By April he and Customs were in conflict over his contention that payment of his expenses was below what he had actually spent from his own funds.

After a meeting between Mr. Peroff and Customs Commissioner Vernon D. Acree in Washington, a payment of several thousand dollars was made to Mr. Peroff.

As the days of spring passed, the plot from Mr. Bouchard that Mr. Peroff relayed to his control agent began to take form around the availability of the airplane that the Canadian group believed Mr. Peroff controlled.

The plane was to fly to Europe, pick up the heroin, and fly back to the United States or Canada. Mr. Peroff said American agents had told him they wanted "the deal to come down in the United States" so they could arrest the smugglers.

At the end of June, the Customs Bureau lost more than 500 narcotics agents to the new Drug Enforcement Administration. Among the agents moved was Mr. Peroff's control. And Mr. Peroff moved with him.

In the last days of June, Mr. Vesco's name came into Mr. Bouchard's conversations for the first time, according to Mr. Peroff's account. This detail was confirmed by D. E. A. and Customs officials.

#### Recording Cites Vesco

Then, on either July 2 or 3, by which time the reports were going to an entirely new set of officials in an entirely new agency, Mr. Peroff recorded a conversation in which Mr. Bouchard said that Mr. Vesco was to supply the \$300,000 that the deal would require.

On July 8, Mr. Peroff re-

corded another conversation where Mr. Bouchard implicated Mr. Vesco, and also Norman LeBlanc, a Canadian who is one of Mr. Vesco's close associates in the operation of the Bahamas Commonwealth Bank in Nassau.

No other evidence exists that implicates either Mr. Vesco or Mr. LeBlanc in Mr. Bouchard's schemes.

On July 16, at the request of his agent, Mr. Peroff came to New York. But contrary to instructions, he brought his family. The D.E.A. officers who met him accused him of trying to load the cost of his family's transportation onto the Government account. He denied this.

The Peroffs moved into an airport hotel. Mr. Peroff was by then distrustful of D.E.A.'s intentions about pursuing the Vesco matter. One thing that upset him was the refusal of D.E.A. to provide a plane and agent-pilot to enable him to go ahead with the arrangement worked out with Mr. Bouchard. By then the plan called for Mr. Peroff to fly to San Jose, Costa Rica, pick up the money, fly to Europe to meet Mr. Bouchard, pick up the heroin, and fly back to North America.

#### Peroff's Complaint

"They said why didn't I fly down commercial," Mr. Peroff said. "Don't they know that would get me killed? They think some guy is going to give me \$300,000 in a suitcase and let me try to walk it through security searches and Customs? I got no plane when I get to San Jose, I get no money. I get shot."

So, on July 18, Mr. Peroff thought of Archibald Cox, then the special Watergate

prosecutor, but could not reach him. He thought of calling J. Fred Buzhardt Jr., the President's counsel.

Agents of the Senate subcommittee have validated Mr. Peroff's story that he had more than a dozen telephone calls to and from the White House.

He also set off the alarm within the Secret Service protection detail at the White House. When he had been involved with Secret Service over the counterfeit money many months before, a check of his background had been made.

#### Control Agent Intercedes

Mr. Peroff said he was asked then about a Justice of the Peace fugitive warrant issued against him in 1972 in Florida over some checks issued by a company in which he was partner. He said the agents had accepted his explanation that the checks were passed during his absence after having been pre-signed.

At noon on Sunday, July 22, two New York detectives took him into custody on the Florida warrant. He was in jail until Wednesday.

Michael Armstrong, Queens District Attorney, confirmed that Federal agents had helped Mr. Peroff gain release, and also that one of them had said Mr. Peroff was a witness in a narcotics matter involving Mr. Vesco.

Mr. Peroff said the agent had told him, "We'll get you out if you do what we tell you." Pursuant to this agreement, Mr. Peroff went to Canada and tried to create problems about finance and other details that would wreck the smuggling plan.

Mr. Peroff said he was surprised that Mr. Bouchard ac-

cepted these conditions and aid that at noon the following day he would have the arrangements made. Mr. Peroff said that at 10 A.M. next day, "the Monties came and told me to pack to leave and they put me on the plane without a chance to call Bouchard."

He was met in New York and allowed to call, but found Mr. Bouchard's phone out of order. He said that when he reached Mr. Bouchard later, the Canadian was outraged "because he thought I had run out on him." Mr. Peroff said that acting on agents' instructions, he told Mr. Bouchard that the leasing company had repossessed the Lear jet.

#### 'End of the Big Case'

Early in August, Mr. Peroff moved his family into a residential hotel in Manhattan and began quarreling with D.E.A. and Customs over whether he was to be paid what he felt was due him.

About Oct. 1, Mr. Peroff came into contact with the Senate subcommittee and told his story under questioning by the committee staff.

Toward the end of October he was reached by the Royal Canadian Mounted Police from Montreal and offered a payment if he would help them penetrate the Bouchard group once more.

After some vacillation, on Friday, Nov. 2, Mr. Peroff flew to Montreal, introduced an undercover policeman into the Bouchard group and provided the information that led to the arrest of Mr. Bouchard on Sunday, Nov. 4.

Mr. Peroff returned to New York that same night and at the request of the mounties, security guards from D.E.A. lived with the Peroff family for the next 10 days.

On Tuesday, Nov. 6, a mounted police constable testifying at a bail hearing held for Mr. Bouchard in Montreal identified Mr. Peroff as the source of information about Mr. Bouchard. Photos were shown of Mr. Bouchard's presence at an airport, which was contrary to his bail requirement when he was freed after his narcotics arrest in 1971.

#### 'As Hot as a Man Can Be'

"That made me as hot as a man can be," Mr. Peroff said. His protests to D.E.A. were met with an offer of \$500 and suggestion that he relocate. He refused and would not sign the receipt that was requested, so he did not get the money. At noon on Nov. 13, his D.E.A. guards were withdrawn.

"After all, we could not be expected to guard a man who had made charges against us to the Senate subcommittee," said George Brosan, a top official of D.E.A. who is directing the investigation of Mr. Peroff's charges.

Mr. Peroff has since left New York. He said he is in contact with the Senate subcommittee, but has had no recent direct contact with Customs or the D.E.A.

Mr. Brosan said he was hazarding the guess that really Mr. Bouchard was just lying to Mr. Peroff about Mr. Vesco's involvement as financial backer for the heroin smuggling scheme. Mr. Brosan also said he was not in D.E.A. when these matters occurred. He was in Customs.

Mr. Brosan said he thought Mr. Bouchard really wanted to have Mr. Peroff and his plane available so he could use the plane to escape from Canada if his trial on the earlier narcotics charge went against him.

But he really had no hard evidence of this, Mr. Brosan said. He said the investigation of Mr. Peroff's dealings with D.E.A. was about 75 per cent complete.

It included service of a grand jury subpoena on Mr. Peroff before he left New York where he was questioned by one of the assistant United States Dis-

trict Attorneys while investigators from Customs and D.E.A. listened. His tape recording of the Bouchard conversations were taken and copies of them returned to him.

The investigation also included a Canadian Mountie's asking Mr. Peroff while he was in Canada, "What did you tell the Senate down there?"