Ex-Vesco Aide Indicted on Fraud

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LOS ANGELES, Oct. 23—Thomas P. Richardson, an associate of the fugitive financier Robert Vesco, and four other men were indicted by a Federal grand jury today for allegedly conducting a massive stock short-selling plan in which some of the nation's most prestigious universities, several brokerage houses, and other investors lost more than $14-million.

Short-selling is the practice in which a person sells stock he does not own in the expectation that the price will go down in the future, enabling the seller to profit by later buying the same stock at a lower price before returning it to the owner of the original stock. In a bear market, short sellers can theoretically make a profit, but, government attorneys charge, the defendants in this case ran into a bull market.

In a 94-page, 46-count indictment, the now defunct T. P. Richardson and Company was accused of a systematic short-selling scheme involving stock that at times exceeded $25-million in value. The company was a socialled third-market broker—one that matches buyers and sellers, predominantly institutions, of large blocks of stock without using the machinery of a stock exchange.

According to Stephen V. Wilson, an Assistant United States Attorney who presented the indictment, the victims in the alleged fraud included Harvard University, which lost $532,500; Cornell University, $374,450; Carnegie-Mellon University, $347,800; Yale University, $245,775, and Columbia University, $48,150. New York's Bowery Savings Bank lost $881,075, the Government charged.

Additionally, the indictment charged that a number of brokerage firms including Edwards & Handley, and L. F. Rothschild, both of New York, and the North American Equity Corporation, Los Angeles, a subsidiary of the Equaity Funding Corporation, lost a total of more than $3-million.

Mr. Wilson estimated that the universities lost a total of about $11-million in the scheme, because they were unable to obtain stock from the Richardson company and thus were unable to trade it at a time of peak values early this year.

According to knowledgeable sources, the company, founded in 1968, was profitable until mid-1974, when generally poor stock market conditions affected it along with other securities companies, and then publicity regarding Mr. Richardson's as-

Continued on Page 56, Column 1

Continued From Page 51

sociation with Mr. Vesco became known and scared off some of the firm's institutional clients.

Mr. Richardson was identified during Senate hearings last summer as the owner of a private jet aircraft that carried weapons and prostitutes to Mr. Vesco, who fled to Costa Rica to evade prosecution of stock manipulation and other charges.

Eugene Bill temporary receiver from T. P. Richardson & Company, Inc., had charged that according to his investigation, Mr. Richardson, who is 36 years old, lived lavishly and charged the costs to the company, adding a further drain on its resources.

Besides the personal jet, Mr. Bell said that company funds had been used to acquire a 44-foot fishing boat, a 42-foot pleasure boat, $180,000 worth of antique furniture for Mr. Richardson's home in the suburb of Bel Air here, and to lease a fleet of 11 luxury cars, including five Rolls Royces, three Cadillacs, a Maserati and a Ferrari.

Mr. Bell alleged that the company began selling on a wide scale in November, 1974, based on the expectation that the nation was on the threshhold of a severe economic depression and that stock prices would continue to fall.

For a while, the temporary receiver of the company said, the fund profited from its short-selling transactions. But, he continued, in January, 1975, an upturn in the stock market quickly wiped out the paper profits and losses began to mount. Then the company allegedly began a series of manipulations and issuance of fraudulent checks in an effort to meet its obligations.

In addition to Mr. Richardson, who lives in Los Angeles, also named in the indictment were Thomas C. Thomas Jr., 41, treasurer, of Los Angeles, Kevin Kelley, 37, of West Newton, Mass., a vice president in charge of the Boston office and a trader specializing in institutions in that area; John E. Kelley, 37, of Newport Beach, Calif., also a vice president and trader. Joseph C. Werba, 39, of Waldwick, N.J., formerl president of the Wells Fargo Security Clearance Corporation, a subsidiary of San Francisco's Wells Fargo Bank, who allegedly participated in the scheme, was also indicted. The defendants were charged with conspiracy, fraud, mail fraud and for allegedly violating seveal provisions of the Securities and Exchange Act of 1934.