John Marks has a long article in today’s WPost Outlook section titled ‘The CIA’s corporate shell game.’ While it contains enormous less specifics than is possible, it holds some that are new to me and is the longest treatment I’ve ever see on the CIA’s use of lawyers, limited to the proprietaries, however.

Later, after time for the deliverer of the morning paper to sleep, I’ll try to get copies for each of you. If I cannot it will be easier for JL to have xeroxed and.

What will now start the crazies howling is the account of Bud’s new partner’s earlier partnership in a firm handling CIA proprietary business. That firm is now Burwell, Hansen and Manley. Manley replaced Robert McCandless. You may recall he was co-counsel with Charles Shaffer to John Dean during Watergate. The firm is now Ostenwald and McCandless, moved from Bud’s offices in the Christian Science Bldg to 1707 H St, I’m sure an address I could find in my files with a little effort. It still does not persuade me Bud is CIA, no matter how easy the argument that what he has done can be interpreted as serving its interests. His mind and ego work in special ways.

My only surprise about the assets and proprietaries is that none of this came out earlier. I was cued in on the Aullen Co. in 1968 through address tracings. It was clear from these tracings that Aullen had to have been CIA by 1960. Thirteen years before exposure and much yet to be exposed, although I’ve had it written for several years. His in two parts: the early part is in COUP and was edited out for Frame-Up. The second part is in The Unimpeachment of Richard Nixon.

When I wanted Jim to do some address tracings for me several years ago I showed him how to use standard directories for this purpose. In time it was when Woodstein failed to send me xeroxes of the DC city directory so I could show them how to find what they didn’t want to find. Jim then did this for me at the library. He carried it further than I needed and by the established a whole standard of these things. Even news agencies with the arm proprietaries. In fact, a flack frigged of mine, whether or not in the service, twice shared offices. By means of this directory examination I was able to correctly pinpoint the CIA’s Washington Station and Hunt’s office there prior to his leaving the Agency’s formal employ.

Marks refers to a handcraft proprietary, Joseph Z. Taylor. This reminded me of The Wolf in N.O. Once she turned on and flashed a wallet full of charge cards. Many. She was then boasting. One was in the name of a small company dealing in art. It was her boast that she made money for “them.” Ordinarily it would not have been easy for a 21-year-old woman to have so many charge cards, less so in 1967 (when 20) and 1968, when I saw them in late June or early July. She then ticked off the names of other of “our” outfits in science and petrochemical “research.” She also took me to an isolated warehouse area in Jefferson Parish where the building were largely or entirely unmarked. I have pix somewhere. “Ours,” she said, perhaps fabricating, at which she was proficient.

But I do have trouble believing that without some help she could have acquired all those charge cards and in the names of businesses when clearly she hadn’t the money for any.

Reminds me also of John Christian, whose RKX book with Turner is due soon. At first I took him at how Morgan’s value, straight. But when he took from Hal Verb the p.r. Hal used to do so well for me and then arranged for nothing (Hal then improvised enough), what he did do made me apprehensive. The place in which he put me up. His changing of a press release I drafted told me he had no real news experience as he claimed. He chiseled in without what I would not say at a press conference and I had to silence him. I’ll never forget the look— in his eyes, not the rest of his expression. He took me to two middle-aged Ivy League lawyer types who had that typical look. He got refused to return or pay for 5,000 copies of 0 in NO. And the 500, still not returned. He performed on nothing and kept me tied up for a while. Even tried to set me up for a fall with Sam Banks on KGO-TV news. Oh, well....
The CIA's Corporate

By John Marks

JEFFREY A. Manley has his name on the door at Burwell, Hansen & Manley, but he is not allowed to use his own firm's Xerox machine. The problem, according to Manley, is that he doesn't have a government security clearance and the copier is located in a room full of classified documents. Manley, a mustachioed young Harvard law graduate, observes that a closed-circuit television system scans the law firm's reception room in downtown Washington and that the monitor is located in a part of the office he has never entered.

These extraordinary precautions at Burwell, Hansen & Manley exist because the firm shares office space with Southern Capital & Management Corporation and Southern Capital is what is known in the intelligence trade as a "proprietary." It is, in other words, a wholly owned and operated subsidiary of the CIA.

So far as is known, Southern Capital is the CIA's largest remaining proprietary. Its work in managing the CIA's $30 million investment portfolio is so secret that the Agency persuaded the Senate Intelligence Committee not to press for the company's actual name, instead calling it "The Insurance Complex."

For more than two decades, the CIA has made extensive use of proprietaries like Southern Capital to hide operations under the mantle of private enterprise. In order to incorporate and run this "business" empire, the Agency has relied on lawyers. Washington is a city of lawyers. Therefore, it is hardly surprising that the local bar brims with lawyers who perform secret services for the Agency's overlapping, interlocking network of front companies. The trail of lawyers leads from Southern Capital to more than 15 recently discovered proprietary in the Washington area alone. Some have been disbanded; others, like Southern Capital, are still active.

'Insurance Complex'

SOUTHERN Capital, our starting point, takes the CIA straight to Wall Street. It is the investment arm of an assortment of proprietary financial companies, located mainly in foreign tax havens such as the Bahamas, Bermuda, the Cayman Islands and Panama. Southern Capital was created in 1962 as a front insurance company to provide coverage for agents and equipment involved in covert operations — particularly those connected to CIA-owned airlines. "The Insurance Complex" then branched out into other entrepreneurial ventures. It received money from CIA insurance premiums, from deductions taken from secret agents' pay and — at least
Shell Game

By David Suter for The Washington Post
once in the past 10 years, according to a CIA budget specialist — from funds left over from the Agency's congressional appropriation.

By the late 1960s, Southern Capital had on hand between $25 and $30 million, which it invested in a mix of stocks, bonds and other securities — both foreign and domestic. During the early years, according to a former employee, investment decisions were made largely by the brokerage firm of Scudder, Stevens & Clark. (There is no evidence that the brokerage firm knew of the CIA tie.) But in either 1969 or 1970, an internal CIA study concluded that the Agency would receive higher profits if CIA experts decided what to buy and sell. A special CIA board of directors chaired by then General Counsel Lawrence Houston took over the selection of securities for Southern Capital.

On this committee — which was called the MH MUTUAL group — sat the CIA's chief of budgeting, the director of finance and the head of the office of economic research. This last member was particularly important, according to an inside CIA source, because he enabled Southern Capital to "draw on the advice of the CIA's economic research people. Any stockbroker would like 300 trained experts giving advice. If it was not a conflict of interest, it at least should have been offered to the public."

The proprietary's best earner was Eurodollar deposits

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places, and his stewardship illustrates how difficult it becomes to sort out the private interests of the proprietary managers from the "official" interests of the CIA. According to a former associate of Burwell, Hansen & Manley, Evans not only managed the CIA's portfolio but also ran an in-house investment club for people working in the office.

One of Evans' private law clients, a Miami man named Thomas R. Green, runs a string of air companies in Florida, Africa and the Caribbean. Africair, Green's holding company, is apparently not an outright proprietary, but managers from the "official" interests of the CIA. According to a former associate of Burwell, Hansen & Manley, Evans not only managed the CIA's portfolio but also ran an in-house investment club for people working in the office.

One of Evans' private law clients, a Miami man named Thomas R. Green, runs a string of air companies in Florida, Africa and the Caribbean. Africair, Green's holding company, is apparently not an outright proprietary, but it has done considerable business for the CIA. Marvin Evans now owns 15 percent of Green's Africair. Green served on the board of directors of Southern Capital.

One of Africair's largest subsidiaries is Pan African Airlines, based in Lagos, Nigeria. According to CAB records, the company makes 80 percent of its revenues from a single U.S. government contract for air service to remote outposts in West Africa. The CIA is a major participant in that contract, according to a State Department official who puts its value for the year at $575,000. Informed CIA sources report that Pan African was set up in 1962 in close cooperation with the Agency and is considered inside the CIA to be a covert "asset."

In 1978, Africair sought CAB approval to merge with Southeast Airlines, which flies in Florida and the Caribbean. In that filing, Africair noted its companies were making profits from their African operations at rates "more than adequate to cover" the losses it expected from Southeast. Africair received CAB approval, and thus profits received in large part from unpublicized CIA business were used to subsidize air service in Florida.

Neither Green nor Evans would return a reporter's repeated phone calls requesting information about the various intertwined relationships. Evans' phone was disconnected the day after the first attempt was made to contact him. Even a direct appeal to Africair's Washington lawyer, James Bastian (also the long-time attorney for the CIA's best known proprietary, Air America), asking him to seek a response from Evans and Green produced no reply.

Airline Connection

The PAN AFRICAN Airlines set-up is not isolated. The CIA has used its proprietaries to establish influence over many of the world's airlines, especially in the Third World. To see how this is done, it is necessary only to follow men connected to Southern Capital. Two of its directors have also served on the board of a related proprietary known as United Business Associates. During the mid-1960s, UBA had offices at 318 18th Street N.W. — with at least two other CIA fronts on the same floor.

A former UBA officer recalls that one of the company's biggest operations was a deal to finance a national airline for Libya, then a kingdom. "Our interest was to lend money for the purpose of controlling the airline," he says. "It was to offset the communists from moving in."

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The money — reportedly several million dollars — was to come from other CIA proprietaries, according to the ex-officer, and UBA had a plan to win over the Libyan government. "The way we set it up was like this: We had to offer them control over 20 percent of the stock of the corporation and we would lend them the money. Then we would have to put one of their natives alongside every American in a similar position. Talking about kickbacks, that's the name of the trade over there. That's how we covered the men of the cabinet... And if we ever called that note, they would have taken the franchise away."

UBA did not win the franchise, but neither did TWA, which was in at least indirect competition with the Agency's UBA, having prepared a feasibility study.

Why this great intelligence interest in airlines? Orvis Nelson, an aviation veteran who worked with the CIA to set up Iran Air in the early 1980s, explains: "If I were sitting in a position where I was curious about what was going on in troubled areas, there are two things I would be damned well interested in. The first is information. The second is transportation to get in and out, to get any information and, perhaps, to do some other air activities. You have mobility. You know who and what are going in and out. You know who people's associates are. You are in a position to move your people about."

Orvis Nelson, now 69 and still going strong, has set up 16 airlines in his time and has run his own supplemental carrier. Sometimes he has cooperated with the CIA — but he vehemently states he has never been under the Agency's control. He won't state which of his airline deals involved the CIA. He does say, however, that U.S. government involvement in foreign airlines is as great as ever.

Some of America's commercial airlines have worked closely with the CIA in the past. A retired CIA operative with 20 years of field experience recalls, "When we wanted something from Pan Am, we went right to Juan Trippe" (the corporation's ex-chief). In Panama, the former operative says, the Agency had a deal with Pan Am in the mid-1960s under which CIA men could rummage through baggage during transit stops. The airline even provided them with mechanics' overalls.

United Business Associates had other ways of getting information from foreign countries and planting agents in key places. An ex-employee remembers: "We were running airlines all over the world as a management concern. We would hire and place a manager into a company, and he would then report back to us as far as the financial records were concerned. In turn, we would report back to the investor." The investor was the CIA.

Similarly, in recent years the CIA has set up management consultative firms in the international energy field. An executive at one of Wall Street's most important investment banks confirms that certain consultative firms with ties to U.S. intelligence win governmental and private contracts in the Middle East as management experts and use these positions to gather secret economic intelligence. The investment banker reports that this data is then passed on, at least in part, to American companies in a position to profit from it.

- From the CIA's point of view, of course, the principal value of the proprietaries' penetration of international business comes from the knowledge and consequent lever-
and even the park police. It has also been able to influence Air Force issuance of lucrative Military Air Transport contracts.

Lawyers who have had ties with CIA proprietary firms also represented well-known figures in politically charged cases. Before Jeffrey Manley's arrival, the covering Burwell firm was known as Burwell, Hansen & McCandless. Robert McCandless resigned as a partner in 1973 in order to serve as co-counsel to John Dean in the Watergate proceedings. Jeb Magruder, another key witness against Nixon, aides in Watergate trials, had a lawyer, James Bierbower, who had served as vice president of Southern Air Transport, one of the CIA's largest air proprietary firms. To complete the circle, Bierbower worked out of the same offices in the mid-1960s as Southern Capital's Marvin Evans, and Evans later shared space with McCandless' firm.

(McCandless, when queried by a reporter, claimed he had not known of the CIA involvement with his firm. Bierbower refused comment, saying he could not talk about clients.)

"The lawyers lend an aura of legitimacy and protection in the proprietary world," an ex-CIA staff attorney notes. And it follows that the most prestigious lawyers afford the most legitimacy. The CIA has obtained the services of top-flight lawyers, as the path from Southern Capital shows. Two of the firm's officers have been lawyers in the Washington law firm of Purcell & Nelson. Four lawyers in Purcell & Nelson have served as directors or officers of CIA companies in at least seven instances.

There were retired generals such as LeRoy Clay and officers of such companies as American Airlines, Intercontinental Hotels, Bell Helicopters and Virginia Gentlemen distilleries. Southern Capital's two presidents have been the late Henry Koch, who was director of financing for the World Bank's International Finance Corporation, and Leigh Cramer, a retired vice president of the First National City Bank.

"You're dealing with your conservative element in the higher price bracket, for the most part," a retired CIA man noted. "Even so, you've got to run Agency security checks on them to make sure they're not supporting every radical cause on the street."

On occasion, these security investigations, which are carried out without the knowledge of the person concerned, can have unexpected consequences. An attorney whose firm set up proprietary boards for the CIA during the 1960s recalls that Agency sleuths turned up information that the firm's receptionist was a madam running a string of call girls. "The fact that our receptionist had a lot of phone calls was not unusual," the lawyer says, "but we were told she was a weak link and we ought to get rid of her."

Taciturn Crew

Most of the roughly 40 lawyers and outside directors contacted for this article did not want to talk about their involvement with the CIA — or about anything else for that matter. One lied about his CIA connection, but later admitted it. The lawyers tended to cite the attorney-client privilege as reason for their silence, even when they also had served as corporate officers. A few of the lawyers made impassioned pleas for anonymity, arguing that revelation of CIA work would do damage to their careers.

In view of this vulnerability, why did so many lawyers flock to the CIA's service? One former CIA official says the lawyers are drawn to proprietary work because they enjoy "a sense of intrigue that a lawyer doesn't get drafting a will." A knowledgeable lawyer cites a more practical reason that might have applied to some. "Working for the CIA can be important in the way you impress clients. It allows you to say, 'I'm in here tight on important national security matters.'"

The late Howard Hughes, whose companies held huge CIA contracts, apparently believed that CIA ties helped business. According to testimony of his former lieutenant,
The CIA's Shell Game
Robert Maheu, Hughes felt that "if he ever became involved in any problem with the government, it would be beneficial for him to be in a position of being a front."

Money is a practical motivation for those lawyers who are paid according to their normal fees schedule. The most often cited reason for cooperation with the CIA, however, was patriotism. Arlington lawyer L. Lee Bean explains his own involvement thus: "I had polio and I happened to be 4-F. I tried to get into the war in a crazy way. Then I was told by a dear friend of mine that, if I would work with the Agency, it was a way to help my country. It was the patriotic thing to do, I thought. I still do ... Regardless of what's happened to the CIA, on the whole it's done a good job."

The CIA has never had trouble getting the "front people" it wants. Retired General Counsel Lawrence Houston told a reporter that he had approached hundreds and hundreds of lawyers over the years and only met one who turned him down — and that man refused because the CIA wouldn't pay him enough. According to CIA sources, there is still no scarcity of eminent new recruits.

Willing Recruits

ONE OF this means that there was a huge conspiracy at the heart of the U.S. government or that lawyers or prominent establishment figures knew about illegal CIA activities — just that hundreds, if not thousands, of prominent outsiders were willing to work with the CIA. Within this context, the CIA was able to assemble a farflung commercial empire that feeds off its own earnings as well as government funds. Proprietary revenues from outside the CIA averaged over $30 million per year, according to the Senate report. That is money earned independently of Congress and not reflected in the CIA budget — which is secret anyhow.

Now, according to the Senate committee report, the large CIA airlines have been sold off, and Southern Capital is the last sizable profitable front. The Senate report does not state, however, that the CIA has unloaded the air proprie-

taries to companies and individuals with which it has long been closely connected and that the Agency will almost certainly be able to make continued use of these world-

wide assets.

Moreover, there is room for doubt about whether the Senate committee got even a close approximation of Southern Capital's operations or intertwined connections. According to two sources familiar with the committee's work, the staff conducted virtually no independent investigation, relying almost exclusively on records volunteered by the Agency. As one of the sources states with real bitterness, "Listen, the proprietary section of the report was done in the last month or two, and it was based on whatever the CIA told them .... The Agency wouldn't let them see, for example, the basic files on the air proprie-
taries."

As for Southern Capital, the Senate committee did find that "serious questions remain as to the propriety of using such a mechanism to provide insurance and retirement benefits for Agency employees." Nevertheless, the commit-
tee recommended that the company's investment programs be permitted to continue with some restrictions — which the CIA had already imposed on itself. Southern Capital will no longer buy stock in American companies, and it reportedly will not be used in support of operational activi-
ties.

The CIA refused, however, to answer a reporter's written questions on why the money currently invested by the CIA front cannot be put into non-controversial government bonds or why its payments cannot be made through regular Agency channels instead of through corporate cover.

The CIA has clearly not given up on Southern Capital. As the Senate report notes, the Agency has plans to establish within the Southern Capital complex several new corporate "shells" which can be "adapted to various new CIA missions."
PLUSH Washington law offices may seem far removed from the grisly and often illegal world of covert operations, but the CIA's proprietary companies can provide a connection. Take the experience of an Arlington law firm:

In the early 1960s, its senior partner, L. Lee Bean, was contacted by an old friend from his University of Virginia days named Robert G. Harper. Harper worked out of offices on 17th Street NW shared by the firm of Purcell & Nelson, and he secured the aid of Bean's firm in setting up two CIA proprieties.

One was called Zenith Technical Enterprises, and until 1964 it provided cover to the CIA's entire Miami station, which was the Agency's biggest installation anywhere outside of Washington. Zenith Technical was one of over 50 proprieties the CIA maintained in Florida alone for Cuban operations. From behind Zenith's cover, the CIA waged a secret war against Castro, featuring sabotage, crop destruction and numerous assassination attempts.

The other proprietary set up by Bean's firm became Anderson Security Consultants, Inc., located first in Arlington and then in a low modern building in Springfield. Anderson's ostensible function was to provide security services to private industry, banks and schools, but in fact its main job was to serve as the hidden operational arm in the Washington area of the CIA's Office of Security. The Senate Intelligence Committee deals with Anderson Security in its report, but calls it only "the Security Project."

Starting in 1967, Anderson Security tried to gather information and infiltrate Washington-area peace and civil rights groups — in order, the Agency later claimed, to provide advance warning of demonstrations that might threaten CIA buildings. Within the Agency, this domestic surveillance program was code-named "MERRIMAC." A few months after it began, CIA agents operating under it were instructed to collect information on who was contributing money to the targeted groups — a far cry from protecting buildings.

The Rockefeller Commission found that these MERRIMAC activities "exceeded the CIA's statutory authority."

Another Arlington lawyer, who helped Bean set up both Anderson Security and Zenith Technical, explains his current feelings: "As I look at it now, I see the potential evils, but where do you draw the line? How do you deal with Communists? You have to look at the framework of what things were like then."

Asked if he felt misused after creating companies involved in attempted assassination and illegal domestic spying, the lawyer replied, "Yes, very definitely. They traded on my patriotism. My loyalty to my country has been used improperly — all under the guise of 'we can't tell you anything because of the secrecy, but believe us, it's all for the good. We're the good guys; we're trying to help and you can help us.' I fell for it. I never dreamed that our little tiny action would end up this way... We do this as lawyers every day, never knowing what will be done with the legal entities we set up."

—JOHN MARKS