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Title: Declaration of Plaintiffs' Counsel, Tony Avirgan and Martha Honey v. John Hull, Rene Corbo, et al.

Author: n/a

Pages: 308

Agency: n/a

RIF#: n/a

Subjects: n/a

Source: Brenda Brody

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CIVIL ACTION NO. 86-1146-CIV-KING

TONY AVIRGAN)
MARTHA HONEY,)
)
Plaintiffs,)
)
v.)
)
JOHN HULL, RENE CORBO,)
et al.,)
)
Defendants.)
_____)

AND

CIVIL ACTION NO. 87-1545-CIV-KING

TONY AVIRGAN)
MARTHA HONEY,)
)
Plaintiffs,)
)
v.)
)
FELIPE VIDAL SANTIAGO,)
RAUL VILLAYERDE, et al.,)
)
Defendants.)
_____)

DECLARATION OF PLAINTIFFS' COUNSEL

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)	
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Civil Case No. 87-1545-CIV-KING

DECLARATION OF PLAINTIFFS' COUNSEL

Plaintiffs' counsel of record hereby declare as follows:

Plaintiff Tony Avirgan and his wife, Plaintiff Martha Honey, are American journalists based in Costa Rica. Plaintiff Avirgan was injured in the bombing of a press conference held by Nicaraguan contra leader Eden Pastora, at a jungle camp in La Penca, Nicaragua on May 30, 1984. Several people were killed and many wounded. Avirgan also suffered injury in his business as a free-lance television cameraman, employed at the time by ABC Television News. All of Avirgan's equipment was destroyed by the

bombing.

On May 29, 1986, Avirgan and Honey filed a lawsuit in the United States District Court for the Southern District of Florida against 29 Defendants. Plaintiffs allege that these Defendants have been members of a federal criminal racketeering enterprise that has engaged in a long-term pattern of racketeering, and that Plaintiffs' damages and injuries resulted from this activity.

The Plaintiffs' claims are made under the Racketeer Influenced and Corrupt Organizations Act, Pub. L. 91-452, Title IX, 84 Stat. 941, as amended, 18 U.S.C. 1961 - 1968 (hereafter "RICO"). Under the civil provisions of RICO, Plaintiffs' counsel, the Christic Institute, is acting as a private attorney general to remedy a serious pattern of criminal violations of a wide range of federal and state criminal racketeering laws--including political assassination, gun-running and drug trafficking--that have been undertaken by "the Enterprise" for some thirty years. The Enterprise's pattern of racketeering activity has been divided into "ventures," comprising several closely interrelated segments, each encompassing a particular time period and geographical region, including: Cuba, Southeast Asia, Iran\Libya, Nicaragua and Iran during a later period.

Thus far in this case, discovery has been restricted at the demand of the Defendants to the period between December 1982 and

November 29, 1986, and to specific subject areas.¹ This declaration is filed in support of Plaintiffs' motion for leave to file an amended complaint, Plaintiffs' motion to lift the above-described temporary subject matter and time period restrictions on discovery, and Plaintiffs' application for a continuance of the proposed June 29, 1988 trial date.

This court filing serves three purposes: (1) to support Plaintiffs' argument that proper and reasoned discovery must be expanded beyond the four-year time period and narrow subject areas initially imposed by the Court, by demonstrating that the pattern of racketeering activity of the Defendants in furtherance of their Enterprise is wide-ranging in scope, continuous and operative over a thirty-year period; (2) to provide specificity to the allegations set forth in the proposed amended complaint, in the event it is determined that probable cause specificity is required to support Plaintiffs' claims; and (3) to outline the evidence and potential evidence obtained to date in order to

¹The Court has entered an order temporarily restricting Plaintiffs' discovery to the period of December 1982 to November 1986 and to the following subjects:

- (1) Central America
- (2) the purchase or sale of military equipment, weapons or explosives supplied or to be supplied to one of the Central American countries or to persons operating in those countries;
- (3) transactions in illegal drugs, including the receipt and disposition of income therefrom;
- (4) the creation and operation of the Neutrality Act enterprise alleged in the amended complaint;
- (5) any actions taken by any of the defendants, including but not limited to the La Penca bombing, resulting in or causing injury to the plaintiffs.

--Order Establishing Limitations and Guidelines for Discovery, July 30, 1987.

demonstrate that members of the Enterprise caused injury to the Plaintiffs through their pattern of racketeering.

Plaintiffs, by and through their counsel, have provided below a history of many, but not all, of the racketeering activities of the Enterprise as recorded in a variety of public records and sworn testimony. In addition, Plaintiffs' counsel have set forth in this declaration many of the allegations against the Defendants, based on a good faith belief that such allegations are true and could be proven by a preponderance of the evidence if Plaintiffs are allotted broader discovery by the Court, and Defendants are compelled to respond in good faith to Plaintiffs' discovery requests.

As is demonstrated in the motion to lift discovery restrictions, the Defendants have been entirely unforthcoming in response to Plaintiffs' discovery requests. To allow Plaintiffs to obtain compliance with Plaintiffs' discovery demands, and to permit Plaintiffs to undertake discovery outside the temporary limitations imposed by the Court, the June trial date must of necessity be continued.

THE CUBAN VENTURE

The criminal racketeering enterprise consisting of the Defendants and other individuals can be traced to approximately 1959, the time of the revolutionary overthrow of Cuban dictator Fulgencio Batista. It is at this time that the Enterprise began paramilitary operations against Cuba, in violation of the U.S. Neutrality Act, and engaged in political assassinations and other criminal racketeering activities. This venture of the Enterprise was undertaken in conjunction with an already existing criminal operation, composed of an organized crime syndicate and U.S. Government officials, on information and belief acting in their private capacity. The goal of the Cuban venture was the overthrow of Castro's government.

Before the rise to power of the present government in Cuba and the ouster of former President Fulgencio Batista, an interstate and international criminal racketeering syndicate operated in the U.S. and Cuba. This operation, comprising key American organized crime figures, engaged in murder, narcotics trafficking and gambling, and was headed by Meyer Lansky. Santo Trafficante, Jr., ran its Cuban operations out of Havana.² Trafficante forged close ties with Batista, who provided protection for the criminal activities of the organization in return for a percentage of the proceeds from the organization's

²Henrik Kruger, The Great Heroin Coup (South End Press, 1980), pp. 141-152; M. Gosch and R. Hammer, The Last Testament of Lucky Luciano (Little Brown & Co., 1974), pp. 417-418.

gambling, narcotics and prostitution enterprises.³

On January 1, 1959, Fidel Castro overthrew Batista and forced those in Trafficante's organization, including many Cubans, to flee the country.⁴

Plan to Overthrow Castro is Launched

After the fall of Batista, members of the above-described criminal syndicate began discussions with then-Vice President Richard Nixon, who, on information and belief, was acting in his private capacity on a means to remove Castro from power in Cuba. Trafficante and his criminal syndicate agreed to work with Nixon and several of his associates to develop a foreign military expeditionary force, to be launched from the United States against the people and property of Cuba. This agreement was entered with the full knowledge and understanding that such activity would constitute a criminal violation of the United States Neutrality Act, numerous other federal criminal statutes, as well as state statutes prohibiting murder, arson, assault and kidnapping.

After a meeting with Fidel Castro in Washington in April 1959, Nixon wrote in a memorandum that Castro was "either incredibly naive about Communism or under Communist discipline"

³ Kruger, supra, pp. 141-142.

⁴ Many of these Cubans, trained by Trafficante in the business of organized crime, emigrated to the United States, with at least a quarter of a million moving to Florida, where Trafficante maintained his headquarters. Kruger, supra, p. 142.

and had to be dealt with accordingly.⁵ Subsequently, in 1959, a secret criminal operation was organized to remove Castro from power.⁶ To implement this plan, expatriate Cubans were recruited and sent to one of two secret military training bases established for this purpose--one south of Miami, Florida,⁷ and the other in Guatemala.⁸ These expatriate forces later became known as the 2506 Brigade.⁹ Enterprise associate Carl Jenkins was hired to supervise the paramilitary training of the force in Florida, and to recruit others to join the operation.

This criminal operation was designed to allow the expatriate Cubans to re-enter Cuba covertly and establish centers of guerrilla resistance to the Cuban government. Launched from U.S.

⁵ Richard Nixon, Six Crises (paperback ed., 1962), pp. 416-417; William Blum, The CIA: A Forgotten History (Zed Books, Ltd., 1986), p. 216.

⁶ Peter Wyden, Bay of Pigs--The Untold Story (Simon and Schuster, 1979), p. 19; Warren Hinckle and William Turner, The Fish is Red--The Story of The Secret War Against Castro (Harper & Row, 1981), pp. 45, 59-60.

⁷ Wyden, supra, pp. 45, 142, 143; Hinckle and Turner, supra, p. 20. The Justice and State Departments were pressuring President Eisenhower and Vice President Nixon to move this base out of the country as it constituted a violation of the Neutrality Act. Wyden, supra, p. 45.

⁸ The Guatemalan training base was named Camp Trax and was located near Retalhuleu, Guatemala. Hinckle and Turner, supra, p. 66; Wyden, supra, pp. 35, 46. Other bases, used generally for more specialized training, were located in Key West and New Orleans, Wyden, supra, pp. 85-86, and near Phoenix, Arizona. Hinckle and Turner, supra, p. 65.

⁹ Early in the Brigade's history, it was known as the Cuban Brigade. The Brigade's title was changed in honor of Number 2506, the first man to die in training at the Guatemalan base. Wyden, supra, p. 51.

territory, these forces would mount terrorist attacks against the economic infrastructure of Cuba, thereby disrupting the new government's economy.¹⁰ The operation would later include a plan to assassinate Fidel Castro.¹¹ The goal of these criminal activities was to terrorize the civilian population of Cuba, and to convince the citizenry that the new government could neither protect them from international acts of violence nor provide an adequate economic base for the nation. Under the plan, the loss of popular support for Castro would then pave the way for Batista's return to power, and for the re-establishment of Trafficante's racketeering operation in Cuba.

In January and March 1960, Vice President Richard Nixon, on information and belief acting in his private capacity, met with a number of associates to discuss the assassination of Fidel Castro, and the probable effect on Cuba of the disappearances of Fidel Castro, his brother Raul Castro and their associate, Ernesto "Che" Guevara.¹² Such so-called "5412 Committee

¹⁰House Select Committee on Assassinations, the Final Assassinations Report (Bantam Books, 1979) (hereafter Assassinations Report), pp. 118-119; Wyden, supra, pp. 69, 75-86.

¹¹Assassinations Report, supra, p. 122; Hinckle and Turner, supra, p. 20; Report of the Select Committee to Study Governmental Operations with respect to Intelligence Activities, Alleged Assassination Plots Involving Foreign Leaders, S. Rep. No. 465, 94th Cong., 1st Sess. (1975) (hereafter Alleged Assassination Plots), p.74.

¹²Kruger, supra, pp. 143-144, 154; Wyden, supra, p. 24-25; John Ranelagh, The Agency: The Rise and Decline of the CIA (Simon and Schuster, 1987), pp. 337, 356. As early as December 1959, steps were taken to assassinate Castro when CIA Director Allen Dulles, on information and belief acting in his private capacity as an associate of Nixon, approved a memorandum stating

Meetings" were, on information and belief, a guise for secret meetings between Nixon and his associates to plan this criminal operation. Those involved agreed that if the criminal operation were ever exposed publicly, it would be represented as purely the creation of Santo Trafficante and Fulgencio Batista.

To finance this operation, Richard Nixon and other members of the endeavor, on information and belief, agreed to use the color of their authority as officials of the United States Government corruptly and unlawfully, by diverting funds appropriated by the U.S. Congress for foreign intelligence gathering; commingling such unlawfully diverted funds with the income generated through the criminal activity of Trafficante's organization; and laundering these funds through foreign and domestic banks, in violation of the federal banking and currency laws of the United States.

Operation 40: Political Assassination and Terrorism

The secret "low-intensity conflict" forces of Cuban exiles, including the unit supervised by Carl Jenkins, continued their paramilitary training with the goal of overthrowing the Cuban government.¹³ During this period, these units began "Operation 40," a program which involved carrying out terrorist acts against

that consideration should be given to "the elimination of Fidel Castro." Id. at 345, 790 n. 81; Church Committee, Alleged Assassination Plots Involving Foreign Leaders (W.W. Norton, 1974), p. 92.

¹³Hinckle and Turner, supra, pp. 40, 52.

the Cuban population launched from the U.S., including murder, arson and kidnapping, all in violation of the U.S. Neutrality Act. This terrorist force had, among its missions, the assassinations of various Cuban leaders,¹⁴ the policing of the Cuban anti-Castro movement to keep it free of more liberal anti-Castro groups, and the eventual establishment of a secret intelligence force within Cuba after the anticipated overthrow of Castro.¹⁵

Operation 40, in approximately 1960, was supplemented by a political assassination unit, which was formed specifically to locate and murder Fidel Castro, Raul Castro and Che Guevara. This plan was part of a broader scheme to kill foreign leaders known as "Executive Action," with the cryptonym "Z-R Rifle."¹⁶ On information and belief, Richard Nixon, in his private capacity, determined that this political assassination unit would be recruited from among Trafficante's associates within Operation 40, so that any action on the part of this unit, if revealed, could be attributed to organized crime.

Toward this end, Robert Maheu, an associate of billionaire

¹⁴Hinckle and Turner, supra, p. 76.

¹⁵New York Times, January 4, 1975, p. 8; Hinckle and Turner, supra, p. 52.

¹⁶Ranelagh, supra, pp. 357-358; G. Robert Blakey and Richard N. Billings, The Plot to Kill the President, (Time Books, 1981), p.54; Wyden, supra, p. 110.

Howard Hughes,¹⁷ on information and belief met with Nixon and his representatives between May and October of 1960, to discuss the formation of a political assassination unit. Maheu was hired to recruit organized crime members from the United States to carry out the assassinations.¹⁸ In early September 1960, Maheu hired John Roselli, a well-known organized crime figure operating in Las Vegas and Hollywood, to develop the assassination plans. Maheu and Roselli met with Roselli's superior, Sam Giancana, a Chicago organized crime leader, and Santo Trafficante, Jr., both of whom were then enlisted to orchestrate several plans to assassinate Castro.¹⁹ Thus, by September 1960, an assassination capacity was in place that included the joint efforts of Richard Nixon and his associates and members of the criminal syndicate described above.²⁰

Members of the Operation 40 assassination team included Defendants Rafael "Chi Chi" Quintero and Raul Villaverde.²¹

¹⁷Wyden, supra, p.42; Hinckle and Turner, supra, p.35; Brian Freemantle, CIA (Stein & Day, 1983), p.228; Alleged Assassination Plots, supra, p.75.

¹⁸Wyden, supra, pp.38-42; Hinckle and Turner, p.34; Brian Freemantle, supra, p.228; Alleged Assassination Plots, supra, pp. 74-75.

¹⁹Wyden, supra, pp. 42-44; Hinckle and Turner, supra, p. 36-37; Freemantle, supra, p. 229-232; Alleged Assassination Plots, pp. 75-90; P. Lernoux, In Banks We Trust (Anchor Press, 1984), p. 107; Ranelagh, supra, p. 356; Blakey and Billings, supra, pp. 53-54.

²⁰Ranelagh, supra, p. 345.

²¹Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition and House Select Committee to Investigate Covert Arms Transactions with Iran, Joint Hearings

Other members of the assassination team were: Luis Posada Carriles (aka Ramon Medina),²² Felix Rodriguez (aka Max Gomez),²³ Frank Fiorini (aka Frank Sturgis),²⁴ Ricardo Chavez,²⁵ and Joaquin Sanjenis, who directed Operation 40 for almost ten years, until his death.²⁶ These Cuban exiles were placed under the supervision of E. Howard Hunt.²⁷

The Operation 40 team began training in political assassination in 1960.²⁸ However, the low-profile, guerrilla-

(hereafter Iran-Contra Hearings), Testimony of Felix Rodriguez, May 27, 1987, pp. 231-243. Jonathan Marshall, Peter Dale Scott & Jane Hunter, The Iran-Contra Connection (South End Press, 1987), p. 38. Raul Villaverde was also part of the Bay of Pigs assault. Wyden, supra, pp. 192, 222.

²² Posada, arrested in Venezuela for the terrorist bombing of a Cubana Airlines Flight 455 from Trinidad to Cuba in 1976 that killed all 73 people aboard, escaped from a Venezuelan jail in 1986 and took part in illegally supplying arms to the Nicaraguan contras from Ilopango air base in El Salvador. Hinckle and Turner, supra, pp. 323, 324; Marshall, Scott and Hunter, (hereafter "Marshall"), supra, p. 37.

²³ Rodriguez, a member of the Defendant's Enterprise in many of its ventures, discussed below, became a major player in the illegal contra resupply operation. Marshall, supra, p. 130.

²⁴ Kruger, supra, p. 145. Frank Fiorini was one of the 1972 Watergate burglars. Ranelagh, supra, p. 389.

²⁵ Marshall, supra, p. 38. Chavez would become involved in later ventures of the Enterprise, described below.

²⁶ Hinckle and Turner, supra, pp. 307-308, 310.

²⁷ Hinckle and Turner, pp. supra, 74-77; Kruger, supra, p.144; Wyden, supra, p. 32. Other members of the Cuban exile community who participated in the attacks on Castro and Cuba include Manuel Artime, Orlando Bosch, Felipe de Diego and Rolando Martinez. Kruger, supra, pp. 144-145.

²⁸ Hinckle and Turner, supra, pp. 52-55; New York Times, January 4, 1975, p. 8; Charles Ashman, The CIA-Mafia Link (Manor Books, Inc., 1975), pp.91-114.

infiltration strategy of Operation 40 was replaced with a plan for a full-scale military invasion of Cuba, to be staged at the Bay of Pigs.²⁹ The Operation 40 assassination team participated in the invasion, with the intent of establishing a small sabotage and assassination unit in Cuba.³⁰

JM/WAVE: Shackley and Clines Join the Enterprise

After the failure of the Bay of Pigs invasion in April 1961,³¹ the criminal operations against Cuba were resumed, in

²⁹Hinckle and Turner, supra, p. 308. Defendant Hector Cornillot, another Bay of Pigs veteran, was trained in demolition techniques. Cornillot, later a member of Orlando Bosch's MIRR, a non-governmental anti-Castro group specializing in domestic bombing of businesses in Cuba, was convicted in the bombings of the Mexico Tourist Department, Air France and three businesses in Los Angeles. Marshall, supra, p.45; Hinckle and Turner, supra, pp. 317-318.

³⁰Ranelagh, supra, pp. 358-359; Wyden, supra, 75-77; Ashman, supra, p. 112.

³¹The criminal joint venture of Operation 40 trained a special sub-unit of Operation 40, to dress in the uniforms of the Cuban military forces, go ashore into Cuba at the time of the Bay of Pigs invasion and stage a military attack upon the United States naval base at Guantanamo Bay, pretending to be a full-scale attacking force of the Castro Government. This plan was designed to deceive the officials at Guantanamo Bay into believing that they were under attack by Cuban troops so that they would request that the U.S. Marines be called in to defend them in order that President Kennedy, also being deceived, would do so, resulting in direct U.S. military assistance for the Bay of Pigs invasion, which Kennedy was otherwise reluctant to provide. However, the sub-group of Operation 40 secretly assigned to stage the fake Cuban Government attack against Guantanamo Bay utterly failed in its mission, when fearing their plan had been discovered by the Castro Government, never carried out the fake attack. Hinckle and Turner, supra, pp. 80-88.

continued violation of the U.S Neutrality Act.³² The operations relied primarily on Operation 40 team members, who carried out acts of sabotage and assassination.³³ The assassination program, re-established in November 1961, was a secret adjunct to Operation Mongoose, a broad criminal effort to overthrow Castro that was headed by Edward Lansdale. The program of raids and sabotage was operated out of an expanded Miami base called JM/WAVE, which was headquartered on the south campus of the University of Miami, using an electronics firm as a cover.³⁴ From this base, the paramilitary operations of the assassination team of Operation 40 were again launched against Cuba.³⁵

The man who directed Operation Mongoose from the Miami base was 34-year-old Defendant Theodore G. Shackley, who was head of station at JM/WAVE from February 1962 until 1965.³⁶ Shackley directed approximately 300-400 Americans and 4000-6000 Cuban exile operatives in JM/WAVE operations, which included hundreds

³² Assassination Report, supra, p. 120; Hinckle and Turner, supra, p. 110.

³³ Hinckle and Turner, supra, p. 53; Alleged Assassination Plots, supra, pp. 142-146.

³⁴ Hinckle and Turner, supra, p. 113-118 and Chapter 4, generally; John Prados, Presidents' Secret Wars (Quill, paperback ed., 1986), p. 211. For an extensive discussion of Operation Mongoose, Alleged Assassination Plots, supra, pp. 139-164.

³⁵ Hinckle and Turner, supra, pp. 110-117; Alleged Assassination Plots, supra, pp 139-140; Thomas Powers, The Man Who Kept the Secrets: Richard Helms and the CIA, (Knopf, 1979), p. 148.

³⁶ Hinckle and Turner, supra, pp. 114, 135; Kruger, supra, pp. 145-146.

of sabotage raids inside Cuba. Shackley also directed, on information and belief in his private capacity, a range of criminal activities, including a series of assassination attempts against Castro.³⁷

During this period, Defendant Thomas Clines worked under Defendant Shackley's direction as a case officer for Operation 40.³⁸ Clines directly supervised many of the Cuban exiles, including Defendant Rafael Quintero.³⁹ Felix Rodriguez and Defendant Raul Villaverde were also operatives on this project.⁴⁰ Another member of the Enterprise, Edwin P. Wilson, worked under Defendant Clines and met Shackley during this time.⁴¹

JM/WAVE, under the direction of Defendant Shackley, developed numerous infiltration teams that ran sabotage missions into Cuba, contaminating Cuban exports, sabotaging imports into the country, and executing commando raids against Cuban railroads, oil and sugar refineries and factories. JM/WAVE

³⁷Kruger, supra, p. 146; Peter Maas, Manhunt, (Random House, 1986), p. 27.

³⁸Marshall, supra, p. 29. For details of the assassination and criminal activities of the Miami station, Alleged Assassination Plots, pp. 139-64.

³⁹Defendant Quintero was part of the advance team sent into Cuba before the Bay of Pigs invasion. His case officer at that time was Carl Jenkins. After the failed mission, Defendant Clines became Quintero's case officer. Maas, supra, p. 65.

⁴⁰Miami Herald, October 23, 1986; Washington Post, October 24, 1986, cited in Marshall, supra, p. 28; Alleged Assassination Plots, supra, pp. 74-130.

⁴¹Prados, supra, p. 370.

involved daily violations of federal and state laws, including the U.S. Neutrality Act.⁴²

JM/WAVE also focused on schemes aimed at assassinating Castro⁴³, devising at least 33 assassination plans.⁴⁴ Shackley ratified the ongoing activities of the assassination unit of Operation 40, and incorporated this force into Operation Mongoose. In fact, Defendant Shackley participated in physically delivering arms to members of the assassination unit with full knowledge and intent that the weapons would be used in assassinations. According to a Senate Report, Shackley helped load a truck with rifles, handguns, explosives and radios for John Roselli.⁴⁵ Defendant Clines participated in supervising these activities under Defendant Shackley. These assassination operations were beyond the scope of any lawful authorization.⁴⁶ In addition, the assassination program renewed contacts with organized crime figures, including Maheu, Giancana and Roselli; and Defendant Shackley maintained a close relationship with Santo

⁴² Prados, supra, p. 211.

⁴³ Prados, supra, p. 212; Joan Didion, Miami (Simon and Schuster, 1987), pp. 88-89.

⁴⁴ Ranelagh, supra, p. 386. For various assassination attempts on Fidel Castro, Powers, supra, 149-152. Defendant Shackley testified before the Church Committee on May 6, 1976: "'Assassination' was part of the ambience of that time...." Final Report of the U.S. Senate Select Committee to Study Governmental Operations with respect to Intelligence Activities, Book V, p. 14, quoted in Didion, supra, p. 97.

⁴⁵ Marshall, supra, p. 35, citing Alleged Assassination Plots, supra, p. 132.

⁴⁶ Freemantle, supra, pp. 253-259.

Trafficante.⁴⁷

The criminal operation also involved narcotics trafficking; and in 1963 several Mongoose participants were charged with smuggling narcotics from Cuba into the United States.⁴⁸ The continued participation of known criminals in this operation and the revelations of drug smuggling were the primary reasons that JM/WAVE was closed down in 1965.⁴⁹

When JM/WAVE was terminated, Shackley and his staff left for Southeast Asia. Subdivisions of the criminal operation remained in Miami, consisting of a highly trained army of approximately 6000 ultra-right wing Cuban exiles, closely allied with organized crime. That association led to the formation of terrorist groups such as Alpha 66 and Omega 7, and the continued illegal trafficking of narcotics.⁵⁰

⁴⁷ Alleged Assassination Plots, *supra*, pp. 74-130. Ranelagh, *supra*, p. 383; Kruger, *supra*, pp. 146. In the summer of 1963 a raid on Cuba took place that was financed by weapons dealer William Pawley. Besides Pawley, the crew consisted of Trafficante associate John Martino and Cuban exiles, including Rolando Martinez. There is evidence that Trafficante and Giancana helped plan the raid. *Id.*, pp. 131, 146.

⁴⁸ New York Times, January 4, 1975, p. 8; Marshall, *supra*, pp. 37, 135-136.

⁴⁹ New York Times, January 4, 1975, p. 8.

⁵⁰ Kruger, *supra*, p. 207; Marshall, *supra*, pp. 125-134.

THE SOUTHEAST ASIAN VENTURE

In 1965, after Operation Mongoose was terminated, Defendants Theodore Shackley and Thomas Clines shifted to Laos, scene of a large covert war that ran from 1960 to 1973. Shackley served, in his official capacity, as the CIA's chief of station in Vientiane to gather foreign intelligence information. On information and belief in his private capacity, Shackley supervised secret criminal operations in Laos until 1969. Clines operated, in his official capacity, under Shackley's direction as the base chief in Long Tieng, in northern Laos.⁵¹ Clines, on information and belief in his private capacity, functioned as Shackley's deputy, supervising the criminal activities of the Enterprise.

The principal activity of Shackley and Clines in Laos was to organize, fund, and direct a secret criminal army composed of Hmong (or Meo) tribesmen. This army, with bases throughout northern Laos, was directed by Shackley and Clines to fight the communist Pathet Lao insurgent forces inside Laos.

The leader of the clandestine army was a Hmong general named Vang Pao, who was also a major opium supplier in Laos.⁵² Vang Pao supported General Phoumi Nosavan in the three-way civil war that broke out in 1960 between the Laotian right-wing under

⁵¹ Christopher Robbins, The Ravens: The Men Who Flew in America's Secret War in Laos, (Crown Publishers, Inc. 1987), p. 125.

⁵² Alfred W. McCoy, The Politics of Heroin in Southeast Asia, (Harper & Row, 1972), pp. 248-249.

General Phoumi, the neutralists under former Prime Minister Souvanna Phouma, and the leftist Pathet Lao. In exchange for his support, Phoumi sent money and arms to Vang Pao. Vang Pao was also backed by Shackley and Clines, who provided his army with air support. By 1968, Vang Pao's Hmong army grew to 40,000 soldiers, including 12,000 Thai mercenaries.⁵³ Vang Pao's officers and agents of Shackley and Clines flew to scattered Hmong villages offering guns, rice, and money in exchange for recruits.

The Enterprise Supports Opium Trafficking

The Hmong tribesmen were historically opium poppy farmers,⁵⁴ and with the support of the Enterprise, Vientiane, Laos became the center of the heroin trade.⁵⁵ Defendants Shackley, Clines, and Richard Secord, in order to secure support for their paramilitary operations against the Pathet Lao, on information and belief helped Vang Pao gain control of the opium trade in Laos by carrying out a selective program to suppress trafficking

⁵³ John Prados, Presidents Secret Wars: CIA and Pentagon Covert Operations from World War II Through Iranscam, (Quill/William Morrow, 1986) pp. 282, 289, 293.

⁵⁴ In 1963, the Anthony Poshepny went to Laos as chief advisor to Vang Pao. Prados, supra, p. 272; McCoy, supra, p. 266. Poshepny ignored prospering heroin factories along the Mekong River, and allowed Laotian officers to use U.S.-supplied facilities to manage the drug traffic. Shackley, on information and belief, assigned Edgar "Pop" Buell, to the Plain of Jars, where he helped improve Hmong techniques for planting and cultivation opium. Id., p. 267.

⁵⁵ Kruger, supra, p. 146.

by Vang Pao's principal opium competitors. On information and belief, Defendant Secord not only supervised, but personally participated in dropping airborne incendiary devices on the jungle caravans of Vang Pao's opium competitors from short take-off-and-landing aircraft. Secord on information and belief, also oversaw and authorized the transport of raw opium by Vang Pao's tribesmen in paramilitary aircraft from the mountain opium fields of the Hmong tribe to locations where it could be processed into morphine base, later to be processed into "China White" heroin. These operations helped Vang Pao establish monopoly control over the heroin trade in Laos.

Defendant Secord acknowledges that he "was in charge of all the tactical air operations" during the covert operations in Laos.⁵⁶ Under Secord's supervision, several hundred aircraft operated out of six bases throughout Thailand and Long Tieng, in northern Laos.⁵⁷ After the Corsican mafia's "Air Opium" charter airlines were shut down by Laotian officials in 1965, the planes under Secord's control became the only air transport available in northern Laos. Secord's planes airlifted rice, the Hmong's most important subsistence crop, to Hmong tribesmen, allowing them to

⁵⁶ "Playboy Interview: General Richard Secord," Playboy, October, 1987.

⁵⁷ David Truong, "Running Drugs and Secret Wars," Covert Action Information Bulletin, Number 28, Summer 1987, p. 4. Under the supervision of Air Force Major Harry C. "Heinie" Aderholt, landing strips for Air America were constructed throughout the Hmong-controlled territory. McCoy, supra, p. 270.

increase production of their traditional cash crop--opium.⁵⁸ According to several sources, these planes flew opium from mountain villages near the Plain of Jars to Gen. Vang Pao's headquarters in Long Tieng. Hmong villagers in the area west of the Plain of Jars claim that their 1970 and 1971 opium harvests were bought up by Vang Pao's officers and flown to Long Tieng on Secord-controlled UH-1H helicopters.⁵⁹ The U.S. Drug Enforcement Agency (DEA) Far East regional chief was convinced that these planes were used to transport opium.⁶⁰

In 1967, Shackley and Clines, on information and belief, caused Vang Pao to be given financial backing to form his own private airline, Xieng Khouang Air Transport Co., which he used to transport opium and heroin between Long Tieng and Vientiane.⁶¹ Shackley, on information and belief also assisted in providing financial support for the construction of a Pepsi-Cola bottling plant in the Vientiane region, which was used as a front for the purchase of chemicals vital to the processing of heroin. This bottling plant, protected by General Ouane Rattikone, former commander-in-chief of the Laotian army, became one of the most active heroin factories in Laos, with South Vietnamese Air Vice-Marshall Nguyen Cao Ky purchasing large shipments and smuggling it

⁵⁸ McCoy, supra, p. 283.

⁵⁹ McCoy, supra, p. 263.

⁶⁰ Jonathan Kwitny, The Crimes of Patriots: A True Tale of Dope, Dirty Money, and the CIA (W.W. Norton & Company, 1987), p. 51.

⁶¹ McCoy, supra, p. 278.

to South Vietnam through the air force.⁶²

In 1968, on information and belief, Shackley and Clines arranged a meeting in Saigon between criminal enterprise associates Santo Trafficante, Jr. and Vang Pao, in order to set up a heroin smuggling operation from Southeast Asia to the United States. As discussed above, Shackley and Trafficante were close collaborators in Miami, in the Enterprise's low-intensity military operation against the government of Cuba. And Trafficante was in fact in Saigon in 1968.⁶³ On information and belief, at the meeting in Saigon, Vang Pao agreed to supply opium to Santo Trafficante, who in turn transported the illegal substance to the United States for distribution by associates of the Enterprise. Vang Pao was rewarded with a portion of the profits.

Some of the heroin produced in Laos and, on information and belief, transported by agents of Shackley, Clines and Secord, was eventually sold to American soldiers in Vietnam, resulting in addictions that remained with many of them when they returned home to the United States. Much of the heroin was exported to the U.S. market, contributing to a severe heroin addiction epidemic that spread throughout the society in the late 1960s and 1970s.

In 1970, Vang Pao opened a highly profitable heroin laboratory in Long Tieng, long-time headquarters of both Vang Pao

⁶² McCoy, supra, pp. 186-87, 248.

⁶³ McCoy, supra, p. 212.

and Shackley's and Clines' operations in northern Laos.⁶⁴

Assassination Programs

In addition to his opium trafficking operation, Vang Pao carried out an assassination program, on information and belief under the auspices of Theodore Shackley and Thomas Clines. Partially funded by Vang Pao's opium income, the program eliminated civilian functionaries and supporters of the Pathet Lao, as well as Vang Pao's rival opium warlords. On information and belief, Defendant Shackley brought Defendants Rafael "Chi Chi" Quintero and Rafael Villaverde, along with Felix Rodriguez, to Laos, to train members of Vang Pao's Hmong tribe to perform assassinations against Pathet Lao leaders and sympathizers.

Quintero was a trained sniper and explosives specialist for assassinations, who had operated in the Enterprise's Cuban venture and continued in Southeast Asia as well as in the later Enterprise operations.⁶⁵ Rodriguez, who had also been involved with Defendants Shackley and Clines in the Enterprise's earlier sabotage and assassination operations against Cuba, was in close contact with Defendant Secord and Donald Gregg, currently national security adviser to Vice President George Bush, in Laos

⁶⁴ McCoy, supra, pp. 244, 281.

⁶⁵ Deposition of Milton Gene Wheaton, March 1-3, 7-8, 1988, (hereafter "Wheaton Deposition"), pp. 270-271.

during this period.⁶⁶ A CIA officer in Vietnam, speaking to a group of Green Beret officers, claimed that Theodore Shackley "had been responsible for 250 political killings in Laos."⁶⁷

On information and belief, Defendant John Singlaub, in his private capacity, also oversaw political assassination programs in Laos, Cambodia, and Thailand. Singlaub served in his official capacity as Chief of the Military Assistance Command, Vietnam--Studies and Observation Group (MACV-SOG), between May 1966 and August 1968.⁶⁸

Defendant Shackley was transferred to Saigon in 1969, where he served in his official capacity as the CIA's chief of station in South Vietnam until 1972.⁶⁹ Clines joined Shackley in Saigon at this time.

Shackley and Clines directed "Operation Phoenix." in Vietnam.⁷⁰ The operation was designed to "neutralize"--to assassinate or imprison--non-combatant Vietnamese civilians known or suspected to be collaborating with the National Liberation Front (NLF), the leftist insurgency in South Vietnam. Civilian

⁶⁶ Steven Emerson, Secret Warriors: Inside the Covert Military Operations of the Reagan Era (G.P. Putnam's Sons, 1988), pp. 124-125.

⁶⁷ Robbins, supra, p.130.

⁶⁸ Prados, supra, p. 248; Eagle Magazine, February 1984.

⁶⁹ Frank Snepp, Decent Interval: An Insider's Account of Saigon's Indecent End Told by the CIA's Chief Strategy Analyst in Vietnam (Vintage Books, 1978), pp. 12-13.

⁷⁰ Fred Branfman, "South Vietnam's Police and Prison System: The U.S. Connection," Uncloaking the CIA, Howard Frazier, ed. (The Free Press, 1978), p. 112.

targets included South Vietnamese town mayors, clerks, teachers, business professionals, and educated persons who contributed to the actual or potential civilian infrastructure of the NLF. Under the Phoenix program, such civilians were assassinated without judicial procedure or even provision of public evidence.

In 1971, CIA Director William Colby told a Senate hearing that Operation Phoenix killed 20,587 Vietnamese suspects and imprisoned another 28,978 between August 1968 and May 1971. The South Vietnamese government itself claimed responsibility for murdering some 41,000 Vietnamese during the same period of the program.⁷¹ One former U.S. Phoenix agent testified to Congress that Operation Phoenix became "a sterile depersonalized murder program...It was completely indiscriminate."⁷²

Operation Phoenix was declared to be a totally unlawful operation following the 1971 congressional hearings that exposed the program. However, political assassinations in Southeast Asia under the direction of Shackley and Clines continued until 1975.⁷³

In 1971, Congress ordered the U.S. military to arrest and prosecute any U.S. citizen conducting assassinations in Vietnam. Following this order, one of the assassins, on information and belief, hired by Shackley, Clines, and the Enterprise, a Mr.

⁷¹Victor Marchetti and John D. Marks, The CIA and the Cult of Intelligence (Alfred A. Knopf, 1974), p. 246.

⁷²Branfman, supra, p. 114.

⁷³Branfman, supra, p. 119, for continuation and acceleration of Phoenix program after 1972.

Reaux, was arrested and charged with first degree murder by United States authorities in Vietnam.

In 1972, Defendant Shackley left Southeast Asia to become the head of the CIA's Western Hemisphere operations until the fall of 1973.⁷⁴ It is during Shackley's tenure in this position that Track II, the criminal operation to engineer a coup against Chile's popularly elected president, Salvador Allende, was conducted. Allende was murdered in September 1973, and a military coup was executed. Shackley, on information and belief acting in his private capacity, had overall responsibility for these efforts.⁷⁵

Shackley was appointed head of the CIA's East Asian Division in 1973.⁷⁶ On information and belief, between September 1973 and April 1975, the Enterprise, led by Shackley and Clines, stole thousands of tons of U.S. weapons, ammunition and explosives from South Vietnam, and unlawfully transported them to Thailand. On information and belief, Daniel C. Arnold and Jerry Barker Daniels, operating on behalf of the Enterprise, hid the stolen military hardware at the Udorn Air Force Base and other locations inside Thailand for later criminal use by the Enterprise.

⁷⁴ Robbins, supra, p. 517.

⁷⁵ Kruger, supra, p. 146, 151 n.30, citing T. Branch and G. Crile III, "The Kennedy Vendetta," Harper's, August, 1975.

⁷⁶ Robbins, supra, pp. 517-518.

NUGAN HAND AND AUSTRALIA

Between September 1973 and April 1975, Defendants Shackley, Clines, Secord and Quintero, on information and belief siphoned off a percentage of the funds derived from the opium profits of Vang Pao, that were not required for the Enterprise's assassination operations in Southeast Asia. On information and belief, they transferred this money to a secret bank account at the Nugan Hand Bank located in Sydney, Australia.

Enterprise associate Ed Wilson's former business partner Frank Terpil linked the Defendants and the Enterprise to the Nugan Hand Bank in a 1983 interview:

The significance of Miami is the drug syndicate. That's the base. Shackley, Clines, the Villaverde brothers, Chi Chi Rodriguez--⁷⁷all the people that I hired to terminate other people, from the Agency, are there. They get involved in the biggest drug scandal going on, which is whitewashed [the "Tic-Toc" scandal in Miami]. Who is the guy behind the scandal? Clines. Who's the boss of Clines? Shackley. Where do they come from? Laos....Where did the money come from? Nugan Hand. The whole goddamned thing has been moved down there....Clines was running drugs.... The pilot of the plane in Asia was Dick Secord, a captain in the Air Force....What was on the plane? Gold! Ten million bucks at a time, in gold. He was going to the Golden Triangle to pay off warlords, the drug lords....Now what do you do with all the opium?...You reinvest it in your own operations....Billions of dollars--not millions--billions of dollars.⁷⁸

⁷⁷Defendant Rafael "Chi Chi" Quintero, or Felix Rodriguez, or possibly both. Rafael and Defendant Raul are the two Villaverde brothers likely meant here.

⁷⁸Interview with Frank Terpil by journalist Jim Hougan, conducted in 1983, quoted in part in "The Australian Heroin Connection," Covert Action Information Bulletin, Summer 1987: No. 28, p. 8.

Terpil explained that the opium was then sold in Singapore, Hong Kong, and New Delhi. The money from those sales was laundered through banks including Nugan Hand.⁷⁹

The Nugan Hand Bank was founded in Sydney in 1973 by Australian attorney Francis John Nugan and American Michael Jon Hand.⁸⁰ Hand, in his official capacity, was a member of the U.S. Special Forces in Laos under Defendants Shackley and Clines during the Enterprise's Southeast Asian venture,⁸¹ and, on information and belief, Shackley played a major role in the establishment of the Nugan Hand Bank.

A number of investigations have revealed strong ties between Nugan Hand and Defendants Shackley, Clines and Quintero. According to one source, Shackley had a "long, close relationship with the Nugan Hand Bank;"⁸² another identifies Shackley as "a Nugan Hand character."⁸³ An Australian Government investigation report calls Shackley a leading figure who is "relevant to a proper understanding of the activities of the Nugan Hand

⁷⁹ Id.

⁸⁰ In a previous business partnership between the two -- Australian and Pacific Holdings, Ltd.--four of the original shareholders listed a Secord-controlled airline's address as their own, and two other shareholders were otherwise connected to the Enterprise. Lernoux, supra, p. 66.

⁸¹ Commonwealth of Australia-New South Wales Joint Task Force Report on Drug Trafficking, 1983 (hereafter "JTF"), pp. 665-691.

⁸² James A. Nathan, "Dateline Australia: America's Foreign Watergate?" Foreign Policy, Winter 1982-1983, p. 183.

⁸³ Kwitny, supra, p. 97.

group."⁸⁴ Shackley, Clines and Quintero all transacted unspecified business with Hand and the bank. Clines is known to have deposited millions of dollars in Nugan Hand, on information and belief acquired in the Enterprise's Southeast Asian venture; and he apparently lost about one million dollars in the bank's collapse.⁸⁵

The Nugan Hand Bank grew throughout the 1970's, and eventually had offices, affiliates or addresses in 13 countries, including the United States, the Cayman Islands, Hong Kong, Taiwan, the Philippines and Thailand. Yet according to Jonathan Kwitny, who has written a book on the bank's activities, "The Nugan Hand Bank never did any banking."⁸⁶ It did, however, amass large sums of money over the course of its seven-year existence. The bank collected, moved, and disbursed money, but downplayed legitimate investment operations, seeking instead to profit primarily from illegal and shady dealings.⁸⁷ But when investigators started looking seriously into its activities in early 1980, Michael Hand declared that the bank was insolvent.⁸⁸

Nugan Hand attracted depositors by providing such illegal services as shielding income from tax liability, moving it overseas and laundering funds gained from illegal activity. The

⁸⁴ JTF, quoted in Kwitny, supra, p. 293;

⁸⁵ JTF, supra, p. 824.

⁸⁶ Kwitny, supra, p. 143.

⁸⁷ Kwitny, supra, p. 29.

⁸⁸ Kwitny, supra, p. 29.

bank offered unusually high interest rates, and promised its investors absolute safety and secrecy. Bank records reveal that when the bank invested in legitimate instruments like money markets, it made less interest than it regularly paid its clients. An investigation by the Hong Kong liquidator's office concluded that from 1976 to 1980, Nugan Hand lost \$7.9 million in trading securities.⁸⁹ But for exclusive services such as money laundering, the bank charged unusually high fees--usually 22 percent.⁹⁰

Money From Drug Trafficking

Hand's relationship with Enterprise members during the Vietnam War no doubt acquainted him with many of the region's major opium producers and distributors. As a member of the U.S. Special Forces in his official capacity, from 1964 to 1967, Hand was intimately involved in the Southeast Asian venture of the Enterprise, where he worked with the Hmong army of Enterprise associate Vang Pao, presumably assisting in their training in paramilitary warfare.

Nugan Hand took deposits from and laundered money for many of the largest drug traffickers in Asia and Australia. Many investigators have concluded that the bank actually facilitated drug smuggling operations, by transferring funds within Australia

⁸⁹ Kwitny, supra, p. 165.

⁹⁰ Lernoux, supra, p. 74. Australia and most of the other nations in which Nugan Hand operated have strict laws regulating export of funds and exchanging funds into other currencies.

and overseas. The Commonwealth-New South Wales Joint Task Force (JTF) Report concluded that Nugan, Hand and some of their employees were involved in procuring drug money and that "by 1977, Nugan Hand was well established in drug activity."⁹¹ Similarly, the Australian Royal Commission inquiry revealed that the bank regularly moved money from Australia to points in Southeast Asia, to cover the cost of heroin shipped to Australia and on to the United States and other points.⁹² One of the several Australian government inquiries found that the bank was linked to at least 26 separate individuals or groups "known to be associated with drug trafficking."⁹³ One Australian mobster appears to have used the bank in his dealings with Enterprise associate and organized crime figure Santo Trafficante, Jr.⁹⁴ Trafficante likely became involved with Nugan Hand through Shackley, as he had worked closely with Shackley and the Enterprise in Miami, and then in Southeast Asia, where he established a substantial opium network.⁹⁵

The opium-generated profits from the Southeast Asian venture of the Enterprise were, on information and belief, laundered through the Bangkok branch office of the Nugan Hand Bank. The

⁹¹ JTF quoted in Kwitny, supra, p. 235.

⁹² Lernoux, supra, p. 75.

⁹³ R.T. Naylor, Hot Money and the Politics of Debt (Simon and Schuster, 1987), p. 318.

⁹⁴ Lernoux, supra, p. 75.

⁹⁵ Kruger, supra, p. 146.

individual responsible for physically carrying the illicit funds for deposit, or "bag-man," for these money transfers, on information and belief was Jerry Barker Daniels. On information and belief, Daniels functioned under the supervision of Daniel C. Arnold, who was operating at the behest of Defendants Shackley and Clines.

After April 1975, the Enterprise, on information and belief established a conduit in Iran, into which a portion of the opium-generated profits from the Southeast Asian venture could be deposited from a branch office of the Nugan Hand Bank. The purpose of this Iran-based fund was to finance a new venture of the Enterprise in Iran.

In early 1975, Richard Armitage, working for Enterprise associate Erich von Marbod as civilian attache to the U.S. Department of Defense in South Vietnam, on information and belief established, in his private capacity, this financial conduit in Tehran at the direction of Shackley and Clines. After the fall of Saigon in April, Armitage, still working in his official capacity under von Marbod, became a Defense Department consultant for Vietnamese Refugee Affairs, requiring frequent trips to Bangkok, Thailand. From this post, Armitage, on information and belief acting in his private capacity, maintained contact with fellow members of the Enterprise, specifically Daniel C. Arnold and Jerry Barker Daniels, and, on information and belief, supervised the transfer of the Enterprise's profits both to the Nugan Hand Bank and to the financial conduit he

established in Tehran.

In 1977, Nugan Hand opened an office in Chiang Mai, Thailand, a city on the edge of the Golden Triangle whose economy is based on opium. Hand personally selected Australian Neil Evans to represent the bank in Chiang Mai.⁹⁶ According to Evans, Nugan Hand and the U.S. Drug Enforcement Administration rented adjoining offices from a Nugan Hand investor and shared a receptionist. The U.S. DEA continues to rent its offices in the same building.⁹⁷ During Evans's seven-month tenure as the bank's representative in Chiang Mai, Hand directed him to take in \$2.6 million in deposits from six major drug dealers.⁹⁸ John Owen, who worked out of Nugan Hand's Bangkok office at the same time, confirms, "There was nothing there but drug money. I'm quite sure that's what [Evans] was there for. Mike Hand sent him."⁹⁹

Connections with the Enterprise

A number of Nugan Hand's activities fall outside normal operating procedures for a merchant bank. For example, John Owen's correspondence file contains lengthy reports for the Sydney office, directed to Michael Hand, detailing troop

⁹⁶ Kwitny, supra, pp. 208-209.

⁹⁷ Kwitny, supra, p. 215.

⁹⁸ Kwitny, supra, p. 213.

⁹⁹ Kwitny, supra, p. 216. The Joint Task Force deleted the entire chapter of ten pages on Nugan Hand's activities in Thailand from its report before releasing it to the public. Id., p. 206.

movements and other military and political developments in Cambodia, Laos, Vietnam, and Thailand.¹⁰⁰ The bank's roster of officials and other staff who previously held high positions in the CIA or the U.S. military is extensive.¹⁰¹

The bank arranged arms sales with several nations, including Indonesia, Thailand, Malaysia, Brazil, and Ian Smith's regime in Rhodesia.¹⁰² In one instance, Michael Hand, on information and belief operating on behalf of the Enterprise, collaborated with Ed Wilson in supplying forces in Angola with weapons, including a 1976 shipment of approximately 3,000 guns and 10 million rounds of ammunition.¹⁰³

By 1979, Defendants Shackley and Clines were meeting with Hand frequently, on Enterprise-related business. For example, Hand tried to negotiate a deal for "oil-industry parts" on behalf of the Enterprise company American Petroleum Institute

¹⁰⁰ Kwitny, supra, p. 210.

¹⁰¹ These include: Adm. Earl P. Yates: the bank's president for a time and former chief of staff for Asian and Pacific strategic planning; Gen. LeRoy J. Manor: co-directed the Nugan Hand (N.H.) Manila office, after retiring as chief of staff for U.S. Pacific Command; Gen. Edwin F. Black: president of N.H. Hawaii office; Gen. Erle Cocke, Jr.: ran N.H. Washington office; William Colby: performed legal services for the bank and was CIA director 1973-76; Walter MacDonald: consultant for the bank and was a former deputy director of the CIA (for economic research); Guy Pauker: bank consultant and longtime CIA adviser; Dale Holmgren: ran N.H. Taipei branch and worked for CIA proprietary airline Civil Air Transport; Robert Jantzen: hired to run Bangkok office but quit after learning of drug connections and was former Bangkok CIA station chief. Kwitny, supra, pp. 13-14.

¹⁰² Lernoux, supra, p. 72.

¹⁰³ New York Times, "North's Aides Linked to Australia Study," March 8, 1987, p. 30.

Distributors (API), originally set up with the aid of Wilson. Clines served as president of API and Shackley was a consultant;¹⁰⁴ Defendant Quintero and Operation 40 member Ricardo Chavez were also officers of the company.¹⁰⁵ In late 1979, Maurice Bernard (Bernie) Houghton, a drug runner and close adviser to Hand who had many connections with the U.S. intelligence community,¹⁰⁶ met with Defendants Clines and Quintero and Ed Wilson in Geneva to work out a scheme to re-issue \$22 million worth of Libyan letters of credit.

Houghton has been described as "the mysterious puppetmaster" behind the Nugan Hand Bank.¹⁰⁷ He functioned as Michael Hand's mentor and apparently recruited key staff members for the bank.¹⁰⁸ One intelligence officer who worked out of the U.S. Embassy in Bangkok, Allan Parks, also remembers Houghton as a civilian drug smuggler who flew C-47 cargo planes between Thailand and Australia during the Vietnam War: "There's no doubt about it, he'd fly anything...The Golden Triangle, that's where he got his opium from."¹⁰⁹ In 1979, Houghton swindled at least \$10 million from unsuspecting U.S. employees and armed services personnel in Saudi Arabia, taking in cash in return for worthless

¹⁰⁴JTF, supra, p. 736.

¹⁰⁵Maas, supra, p. 223.

¹⁰⁶Kwitny, supra, p. 59.

¹⁰⁷Kwitny, supra, p. 13.

¹⁰⁸JTF, supra, p. 795.

¹⁰⁹Kwitny, supra, p. 59.

certificates.¹¹⁰ Houghton reportedly used Nugan Hand's short-lived Saudi Arabian branch to finance some of the Enterprise's Middle Eastern arms deals.¹¹¹ In 1980, after Nugan's death and the bank's collapse, Defendant Clines helped Houghton flee Australia for the Philippines. Houghton was also likely involved in some way in the military sales to Egypt then being effected by the Enterprise through Clines, Secord, Shackley, von Marbod and Wilson.¹¹²

The Enterprise Helps Topple Australia's Labor Government

In 1975, Defendant Shackley and the Nugan Hand Bank, on information and belief helped bring about the ouster of Australian Prime Minister Gough Whitlam.¹¹³

In 1972, Whitlam ushered in Australia's first Labor Party government in over two decades.¹¹⁴ In 1975, Whitlam's opposition mounted an attack against him based on a scandal involving two of his ministers. Commerce International, a Belgian company with ties to Edwin Wilson, was involved in the scandal.¹¹⁵ In 1981, Joseph Flynn claimed that under Edwin

¹¹⁰ Kwitny, supra, p. 261.

¹¹¹ Lernoux, supra, p. 73.

¹¹² Kwitny, supra, pp. 334-335.

¹¹³ Kwitny, supra, pp. 97, 135.

¹¹⁴ Kwitny, supra, p. 131.

¹¹⁵ Phillip Frazer, "Dirty Tricks Down Under," Mother Jones, February-March 1984, pp. 14-52.

Wilson's direction, he helped create some of the evidence used to ensnare Whitlam's ministers, and that Michael Hand had paid him.¹¹⁶

The opposition parties in Parliament made a major issue of the scandal, threatening to block passage of the government's budget. On November 2, 1975, Whitlam publicly accused the CIA of subsidizing his opposition, and named National Country Party chief Doug Anthony as a collaborator. The next day, the Australian Financial Review reported that the super-secret U.S.-Australian "space study station" in Australia, known as Pine Gap, was actually a CIA electronic intelligence facility. The article also identified Richard Stallings, former director of Pine Gap and friend of Anthony, as a CIA agent. Pine Gap's true function shocked not only the Australian public, but also top government officials, including the Prime Minister. By November 7, 1975, the covers of three more CIA agents had been blown in the press.¹¹⁷

In his official capacity, Shackley was CIA deputy director of operations at the time. He was reportedly paranoid about the Labor Party.¹¹⁸ Shackley responded by sending a "biting and threatening" message to the Director General of the Australian Security Intelligence Organization (ASIO) on November 8, 1975.

¹¹⁶Nathan, supra, p. 177. Wilson was working during this period in his official capacity for Task Force 157. Marshall, supra, p. 39.

¹¹⁷Kwitny, supra, pp. 135-136.

¹¹⁸Kwitny, supra, p. 131.

Shackley's cable was a drastic step that received great speculation in the Australian press.¹¹⁹ A mere three days after Shackley issued his threats, Whitlam was deposed by Australia's Governor General, in an unprecedented constitutional maneuver. Shackley's actions likely played a major role in Whitlam's downfall.¹²⁰

Nugan Hand's Fall And Subsequent Cover-Up

When Francis Nugan was found, shot dead in an apparent suicide, in January 1980, associates of the Nugan Hand Bank and members of the Enterprise proceeded to cover up their activities. Hand immediately rushed back from London and called an emergency meeting of the bank's directors. He then directed a massive document-shredding operation.¹²¹ Many documents were carted off and hidden; Houghton took one travel case full and left it in Edwin Wilson's office in Geneva.

In March 1980, two months after Nugan's death and just prior to the collapse of the Nugan Hand Bank, Ricardo Chavez, acting as a cover for Defendant Clines, bought London Capital

¹¹⁹Kwitny, supra, p. 136. The text of Shackley's cable is reprinted in Kwitny, supra, pp. 137-138.

¹²⁰Kwitny, supra, p. 140.

¹²¹Kwitny, supra, p. 39. Houghton's lawyer, Michael Moloney, told everyone present, "I am fully aware of what has been going on. You all face jail terms of up to 16 years."

Securities.¹²² The JTF confirms that Chavez was operating for Clines: "It was a close relationship, particularly between Clines and Quintero ... many of the business partnerships and dealings so far as Quintero and Chavez were concerned were little more than nominee situations for Clines."¹²³

Later, probably in April 1980, Clines and Quintero appeared at Wilson's Geneva office and asked to see Houghton's travel case. They eventually looked through the contents and removed a single sheet of typed paper; Secord's name was discussed and Clines said at one point, "We've got to keep Dick's name out of this."¹²⁴

Numerous ties, some known and others based on information and belief, existed between the Nugan Hand Bank and Defendants Shackley, Secord, Clines and Quintero. The bank was clearly involved in illegal paramilitary operations and drug trafficking, two areas of racketeering activity in which the Enterprise frequently engaged.

¹²²An Australian investigation into the Nugan Hand Bank later reported that Chavez held a \$325,000 account with the Bank. Kwitny, supra, p. 318.

¹²³JTF, supra, p. 827; p. 763. Noting ongoing relationships, the JTF reports, "Since that time [1961] Clines, Quintero, and Chavez have remained close in terms of Agency activity, private business, and social enterprises." Id., p. 664.

¹²⁴JTF, supra, p. 744.

IRANIAN/LIBYAN VENTURE

Following the fall of Saigon in April 1975, Theodore Shackley and his associates in the Enterprise shifted their operations to the Middle East. Beginning in 1975 and continuing until the fall of the Shah of Iran in February 1979, the Enterprise worked closely with SAVAK, the Shah's secret police, to assassinate Iranian opponents of the Shah. Between 1975 and 1982, the Enterprise also operated in Libya, often on operations related to those in Iran. Defendants Theodore Shackley, Thomas Clines, Richard Secord and Rafael Quintero were integrally involved in the Enterprise's operations in Iran and Libya. Non-defendants Edwin P. Wilson and Erich von Marbod also played key roles in the Middle East. It is during this time that Shackley and Clines, through the Enterprise, set up an "off-the-shelf" covert operations capacity.

The Enterprise Moves to the Middle East

In 1975, Defendant Shackley was stationed in Washington in his official capacity as CIA associate deputy director in the Directorate of Operations--second in command of clandestine operations. During 1975 and 1976, Defendant Clines was also stationed in Washington, in his official capacity as the head of CIA operations training.¹²⁵ Shackley and his associates in the Enterprise relied heavily upon former CIA agent Edwin P. Wilson

¹²⁵Maas, supra, pp. 7-9.

as their key operative in Iran and Libya. Wilson had close relationships with Defendants Shackley and Clines, dating back to the Enterprise's Cuban venture in the early 1960s. He also had ties to Defendant Secord and to Erich von Marbod.

Wilson had been operating in Iran since 1974, officially as an agent for the super-secret Naval Intelligence Task Force 157 (TF 157).¹²⁶ Thomas Clines had arranged for Wilson to move from the CIA to TF 157 in 1971, enabling him to continue operating in his private capacity on behalf of the Enterprise.¹²⁷ During this period, from 1971 to 1975, Wilson remained in regular contact with Defendant Shackley.¹²⁸

Wilson had operated "proprietary companies" for the CIA since 1964, and the Enterprise wanted to use similar proprietaries for its operations.¹²⁹ Wilson operated many commercial fronts, including World Marine, Inc. and Maryland Maritime, Inc.¹³⁰ He also founded Consultants International, which Wilson claims functioned only as a private business.¹³¹

¹²⁶ Sworn Statement of Edwin P. Wilson, December 17-18, 1987 (hereafter "Wilson Statement"), p. 25. Note: The Wilson Statement, which deals with information prior to the timeframe limitations set by the Court, will be provided to Defendants when the Court lifts the restrictions on discovery.

¹²⁷ Maas, supra, pp. 48-51.

¹²⁸ Kwitny, supra, pp. 97, 101.

¹²⁹ Wilson Statement, supra, pp. 461-462.

¹³⁰ Maas, supra, p. 49.

¹³¹ Maas, supra, p. 32; Wilson Statement, supra, p. 8. Washington lobbyist Robert Keith Gray was listed as Consultants International's director. During the 1960s and 1970s, Gray was

Operating in Iran in approximately 1975, Wilson began advising SAVAK, on information and belief at the behest of Shackley and Clines, on using sophisticated radio equipment to locate SAVAK's adversaries. He then relayed these communications to Shackley and Clines.¹³² SAVAK was having trouble controlling the Shah's opposition at the time, which was succeeding in assassinating SAVAK agents.

Following the fall of Saigon in 1975, Defendant Secord was promoted to Brigadier General and transferred to Iran, to function in his official capacity as chief of the U.S. Air Force's Military Assistance Advisory Group (MAAG).¹³³ In this position, he represented U.S. defense contractors in selling arms to the Shah.¹³⁴ Secord was also responsible for training Iranians in the use of newly acquired military equipment.¹³⁵ In addition, he managed all U.S. Air Force programs and some U.S.

in charge of the public relations firm Hill and Knowlton's Washington office, and also served as a key advisor on Ronald Reagan's 1980 election campaign. In 1983, after establishing his own firm, Gray and Company, he hired Defendant Owen who stayed on at Gray and Co., taking occasional breaks to travel to Central America to meet with contra leaders and backers, until November 1984. Iran-Contra Hearings, Testimony of Robert W. Owen, May 14, 1987, pp. 325-330 (hereafter "Owen Testimony").

¹³²Wilson Statement, supra, p. 24-25.

¹³³Joint Hearings on the Iran-Contra Investigations, Testimony of Richard V. Secord, May 5-8, 1987, (hereafter "Secord Testimony"), p. 137.

¹³⁴Marshall, Scott, and Hunter, p. 156.

¹³⁵"Playboy Interview: General Richard Secord", Playboy, October, 1987, p. 61.

Army and Navy security assistance efforts in Iran.¹³⁶ In September 1975, the Defense Department sent Erich von Marbod to Iran to monitor all U.S. military contracts there.¹³⁷

SAVAK officials soon became aware of Wilson's close connections with Secord and von Marbod, and began pressuring Wilson to procure more equipment and weapons.¹³⁸ Wilson regularly informed Secord and von Marbod of his work with SAVAK. He was also regularly debriefed by Defendant Shackley during Wilson's frequent visits to the United States.

Political Assassinations in Iran

Once Secord and von Marbod arrived in Iran, Wilson, at the direction of Shackley and Clines, on information and belief acting in their private capacities, began providing SAVAK with electronic surveillance equipment, used in "search and destroy" operations to track down anti-Shah dissidents. Over time, Wilson learned that SAVAK agents were murdering the Shah's opponents. On one occasion, a SAVAK captain told Wilson that agents had shot to death nine handcuffed and defenseless dissidents after one tried to escape. Wilson relayed all of this information to Shackley, Clines, von Marbod and Secord; the Defendants continued to support Wilson in his efforts to silence Iranian

¹³⁶Marshall, supra, p. 156.

¹³⁷In the final days of the Vietnam war, von Marbod had worked on U.S. military equipment retrieval, and in 1978 he was sent to Tehran to again oversee the U.S. salvage effort. Maas, supra, pp. 53-54, 137.

¹³⁸Wilson Statement, supra, pp. 26,27

dissidents.¹³⁹

In April 1976, Task Force 157 was disbanded by the new head of Naval Intelligence, Admiral Bobby Ray Inman. Wilson remained in Iran, however, and continued working in his private capacity with SAVAK, at the behest of Shackley, Clines, Secord and von Marbod, who, on information and belief, were working in their private capacities.¹⁴⁰

During this period, Shackley and his associates in the Enterprise began assisting SAVAK with assassinations. SAVAK provided Wilson with the names of anti-Shah activists, which Wilson passed on to Shackley through Defendant Rafael "Chi Chi" Quintero.¹⁴¹ The anti-Shah Iranians were then executed by hired assassins or SAVAK agents.¹⁴²

In August 1976, Shackley attempted to recruit Defendant Albert Hakim, the Iranian-born head of Stanford Technology Corp. (STC). According to a CIA memorandum: "Shackley's contact [possibly Wilson] indicated that Hakim was anxious to play a pivotal role in the Iranian purchase of American technology and that Hakim let it be known that he had major contacts in Iran with the military and SAVAK."¹⁴³

While in Iran, Secord and von Marbod began to work with

¹³⁹Wilson Statement, supra, pp. 26-28, 36, 37.

¹⁴⁰Wilson Statement, supra, p. 39.

¹⁴¹Wilson Statement, supra, pp. 46-47.

¹⁴²Wilson Statement, supra, pp. 45-46.

¹⁴³Emerson, supra, pp. 24-25.

Hakim, who was introduced to Secord by Ed Wilson.¹⁴⁴ Shackley had instructed Hakim to contact Secord and von Marbod for help in obtaining contracts with the Iranian government to sell military-security equipment.¹⁴⁵ Hakim's STC maintained several contracts during the 1970s. One of these, worth \$5.5 million, supplied Rockwell International's IBEX electronic spying and communications project for the Shah, which Secord oversaw. Secord reportedly helped Hakim win another \$7.5 million contract with the Iranian Air Force for a telephone monitoring system; the deal was arranged through bribing Iran's air force commander, Gen. Mohammed Khatemi.¹⁴⁶

In August 1976, the three top managers on the IBEX project--William C. Cottrell, Robert R. Krongard, and Donald G. Smith--were assassinated. Officials blamed Libyan-trained Islamic Marxist guerrillas for the murders.¹⁴⁷ Gene Wheaton, former IBEX Director of Security and a longtime U.S. military criminal investigator and law enforcement officer who has been investigating the murders for over ten years, concludes, however, that the officials were killed to cover up a scam for skimming profits from the IBEX project, and that Defendants Secord, Clines, Hakim,

¹⁴⁴ Marshall, supra, p. 157; Village Voice, May 19, 1987, p. 30.

¹⁴⁵ Emerson, supra, p. 25.

¹⁴⁶ Marshall, supra, pp. 156-157. Between 1980 and 1983, Shackley served as a consultant to STC. Id.

¹⁴⁷ Washington Post, August 29, 1976; August 30, 1976; January 2, 1977.

Shackley and Quintero were linked to the assassinations.¹⁴⁸

Wheaton, in his ongoing investigation into the IBEX murders, has discovered that Richard Secord, Thomas Clines, Albert Hakim, and Rafael Quintero have "a historical record of skimming off of military projects, taking kickbacks" and that they have laundered "large amounts of pay-offs...on military programs in the Middle East through Swiss bank accounts."¹⁴⁹ Wheaton testified that the three Rockwell men "were murdered to cover up misdeeds on the project -- a project that there is documentary proof that Albert Hakim was the bag man for -- and that this was part of the Ed Wilson network."¹⁵⁰

John "I.W." Harper is a member of the Enterprise who served as head of security for the IBEX project between November 1976 and May 1977, when he was replaced by Wheaton.¹⁵¹ The day before the assassinations, Frank Terpil, who worked for the Enterprise in association with Wilson, was in Tehran.¹⁵² The day after the

¹⁴⁸Wheaton Deposition, supra, pp. 263-267. The only two individuals accused of the assassinations were killed in shootouts with the Iranian authorities.

¹⁴⁹Wheaton Deposition, supra, pp. 206, 211.

¹⁵⁰Wheaton Deposition, supra, p. 266.

¹⁵¹Wheaton Deposition, supra, p. 1055. Harper was forced to leave the IBEX position after only six months when it was learned that Washington Post reporter Bob Woodward was preparing to publish a damaging series of articles on Ed Wilson that might link Wilson to Harper. Wilson had hired Harper in 1976 to train Libyans on the use of explosive ordnance, a project arranged by Wilson and Frank Terpil, discussed below.

¹⁵²Wheaton Deposition, supra, p. 1027-1028. From at least 1976 to 1978, Terpil ran a sales company called Intercontinental Technology, which was a subsidiary of Defendant Hakim's Stanford

murders, Terpil flew to Tripoli, Libya, where he met Harper and informed him that the "Rockwell matter" had been taken care of.¹⁵³ Earlier, in the summer of 1976, Harper had seen a sand-box training mock-up of the ambush site for the IBEX assassinations, at a base where Wilson and Terpil were training Libyans in an Enterprise operation discussed below. Harper later recognized this mock-up as an exact replica of the actual scene of the IBEX assassinations.¹⁵⁴

Operations in Libya

In 1976, Shackley and his associates in the Enterprise directed Wilson to begin operations in Libya. To advance that effort, Wilson contacted Frank Terpil, whom he had met at a 1975 Christmas party and who had business connections in Libya.¹⁵⁵ Wilson arranged a business deal with Terpil to supply time-delay fuses to Libya. Wilson and Terpil sent John Harper, Harper's son Wayne, Douglas Schlachter, and another individual to Libya to train the Libyan military to use these explosives.¹⁵⁶ Wilson continued to brief Shackley, Clines, Secord and von Marbod on these activities. Wilson also passed information on Libya to

Technology. Maas, supra, pp. 58-65; Wilson Statement, supra, pp. 10, 12-24;

¹⁵³Wheaton Deposition, supra, pp. 264-265, 1026.

¹⁵⁴Wheaton Deposition, supra, pp. 1026, 1055.

¹⁵⁵Wilson Statement, supra, pp. 10, 13.

¹⁵⁶Wilson Statement, supra, pp. 16-18.

them through Quintero or Clines; and Wilson was debriefed by Shackley when he returned to the United States.¹⁵⁷

Between April 1976 and April 1977, Shackley instructed Wilson to locate a suspected terrorist training base in Libya. The site was believed to be a training base for, among others, Iranian dissidents who were secretly transported back to Iran to assassinate SAVAK officers.¹⁵⁸ Toward this end, Wilson entered into an escalating series of business contracts with Libya. Wilson contracted with Libya to provide mechanics from England to service Libyan C-130 jets, and instructors to train Libyan pilots to fly the aircraft. Shortly thereafter, Wilson arranged to sell CH-47 helicopters to the Libyan government. Both deals permitted Wilson and his agents to fly over Libya at extremely low altitudes, enabling them to locate guerrilla training bases. In late 1977, Wilson hired Lloyd Jones, who had worked under Shackley in Laos and Vietnam, to run the military training operation.¹⁵⁹

In order to locate the training base more precisely, Wilson provided ex-Green Beret mercenaries to Libya as trainers. The trainers reported the base's exact location to Wilson and he

¹⁵⁷Wilson Statement, supra, 19-21. Earlier, Shackley had instructed Wilson to find out to whom, through which arms dealers, and for what price the Vietnamese were selling certain small American arms, especially M-16 rifles. Wilson discovered this information by tracing the M-16 supply route, and he relayed this information to Shackley through Quintero. Wilson Statement, supra, pp. 20, 380-82.

¹⁵⁸Wilson Statement, supra, pp. 48-50.

¹⁵⁹Wilson Statement, supra, pp. 52, 53.

passed this information on to Shackley. The operation at this secret Libyan base included foreign trainees from Africa, Latin America, the Middle East, the Philippines and Europe.¹⁶⁰

The Libyan government then called on Wilson to build a "clean room" in Libya, to manufacture electronic equipment. The room actually became the final processing point for foreign rebels who were returning to their home countries to wage war.¹⁶¹ Wilson had an office in the clean room, and he took advantage of his close proximity to the rebels to learn their identities and destinations.¹⁶²

Wilson provided Shackley and Clines, via Quintero, with the name, airline and flight number, destination, and type of passport carried by over 100 dissidents as they departed from Libya. Shackley, Clines and Quintero then targeted selected departing rebels for assassination by passing the information on to the secret police forces of various foreign governments, which performed the killings.¹⁶³ Wilson stated that Quintero had been known to arrange for assassinations using the Villaverde

¹⁶⁰Wilson Statement, supra, p. 65.

¹⁶¹Wilson Statement, supra, p. 69.

¹⁶²Wilson learned that East Germans were manufacturing false passports for these foreigners. Joseph C. Goulden, The Death Merchant, (Simon and Schuster, 1984) p. 157; Wilson Statement, supra, pp. 65-66, 90-94, 104, 154, 163-166. Wilson also obtained the specific flight information from Zachariah Atar, a senior member of the Palestinian Liberation Organization (PLO) living in Libya. Wilson Statement, supra, p. 98.

¹⁶³Wilson Statement, supra, pp. 70-72, 94, 95, 104, 160-171.

brothers, Rafael and Defendant Raul, as assassins.¹⁶⁴

Quintero himself is, on information and belief, a professional assassin who had been recruited by the Enterprise for numerous assassinations, first in Cuba, and then in Southeast Asia and the Middle East. When Wheaton confronted Quintero with a list of 20 people related to Enterprise operations who had died under mysterious circumstances, Quintero denied knowledge of five or six of them, but of the remainder stated that if he were ever granted immunity and compelled to testify about past acts, it would be the biggest scandal ever to hit the United States.¹⁶⁵

In 1977, Wilson had suggested to Clines that Clines obtain the position of staff liaison between the CIA and the Defense Intelligence Agency (DIA); "in other words between CIA and Secord."¹⁶⁶ A new intelligence information path developed, whereby Secord informed Clines of which Soviet weaponry the DIA was concerned about in Libya; Clines, in turn, informed Wilson; and Wilson instructed his mercenaries to gather the requested information on the Soviet weapons systems.¹⁶⁷

In 1978, Wilson employed Alexander Raffio to provide electronic jamming devices to Libyan leader Muammar Qaddafi. Through this arrangement, Wilson gathered intelligence on the

¹⁶⁴Wilson Statement, supra, pp. 162, 170, 171. Quintero had also sent the Villaverde brothers to Libya to work under Wilson as explosive ordnance instructors. Wilson Statement, supra, p. 171.

¹⁶⁵Wheaton Deposition, supra, pp. 261-262, 267-273.

¹⁶⁶Wilson Statement, supra, p. 74.

¹⁶⁷Wilson Statement, supra, p. 74.; Maas, supra, p. 108.

Libyan electronics industry, and the Libyan Navy and Air Defense Command, which he continued to pass on to Shackley until his arrest in 1982.¹⁶⁸

In 1980, Wilson was indicted in the U.S. for selling illegal arms and explosives to Libya. Wilson remained in Libya to avoid prosecution, and continued to pass information concerning assassination targets back to Shackley and his associates in the Enterprise through Quintero. Wilson continued working with Shackley until 1982, when he was arrested by U.S. marshals in the Dominican Republic and sent to prison in the U.S.¹⁶⁹

The Enterprise Moves Underground

In the mid-1970s, following the Watergate scandal and press reports of illegal CIA activities in the United States and abroad, Congress took action to limit CIA abuses. In 1974, Congress passed the Hughes-Ryan Amendment to the 1961 Foreign Assistance Act, requiring the director of the CIA to brief at least eight separate congressional committees prior to any covert action, other than simple intelligence-gathering.¹⁷⁰ In 1975, both Houses of Congress launched investigations into the CIA. The Church Committee in the Senate and the Pike Committee in the House of Representatives uncovered further evidence of the CIA's

¹⁶⁸Wilson Statement, supra, pp. 75-78.

¹⁶⁹Wilson Statement, supra, p. 75; Maas, supra, pp. 266-268; Goulden, supra, pp. 388-390.

¹⁷⁰Ranelagh, p. 610.

history of widespread illegal activity.¹⁷¹

Shackley anticipated that President Ford, if re-elected in 1976, would appoint him Director of the CIA.¹⁷² This would allow Shackley to continue "black" operations in his private capacity, avoiding as best he could the new oversight law. In 1975, Shackley, Clines, Secord, von Marbod and Wilson began discussing contingency plans should Jimmy Carter or another reform-minded candidate win the presidency.

In the summer of 1975, Shackley and his associates met at Wilson's residence in Virginia to discuss setting up an off-the-shelf, self-financing, covert operations capacity with Shackley, Clines, Secord, Wilson and von Marbod serving as operational officers.¹⁷³

Von Marbod, Secord and Wilson again discussed setting up their "private CIA" as they drove in Secord's armored limousine to a ski resort in northern Iran during the winter of 1976-77. On the trip, they discussed their interest in setting up a cover business to generate personal profit and to continue covert operations without presidential, congressional, or CIA knowledge or approval. Wilson suggested that they set up a proprietary, perhaps a think-tank, that could conduct nation studies for foreign governments.¹⁷⁴

¹⁷¹Ranelagh, supra, p. 587.

¹⁷²Maas, supra, p. 8.

¹⁷³Wilson Statement, supra, p. 179.

¹⁷⁴Wilson Statement, supra, pp. 181, 188-189.

Shackley and his associates in the Enterprise formally created their private corporation in December 1978, when Shackley, Clines, Secord, von Marbod and Wilson met at a Crystal City, Virginia Holiday Inn. Clines paid for the room with his American Express credit card.¹⁷⁵ The group agreed at this meeting that Ed Wilson would direct his attorney, Edward Coughlin of Geneva, Switzerland, to transfer \$500,000 into a special Swiss bank account. These funds were, on information and belief, generated by Wilson through his earlier activities on behalf of the Enterprise, and would be used to capitalize and incorporate International Research and Trade Corporation (IRT). IRT would be the parent company through which the criminal racketeering activities of the Enterprise would be conducted after January 1979.¹⁷⁶ IRT had two primary functions: to generate profit and to conduct private covert operations. The ability of members of the Enterprise to carry out criminal covert operations in their private capacities, had been severely curtailed when President Carter and his CIA director Stansfield Turner transferred or fired those with records of such conduct. The Enterprise sought to fill the gap, as a private and independent profit-making venture.¹⁷⁷

Clines would serve as president of IRT until Shackley

¹⁷⁵Wilson Statement, supra, p. 190.

¹⁷⁶Wilson Statement, supra, 194-195.

¹⁷⁷Wilson Statement, supra, p. 201.

retired from the CIA, which he planned to do shortly.¹⁷⁸ As the only publicly identified company official, Clines, who retired from the CIA in October 1978,¹⁷⁹ provided cover for the other partners.¹⁸⁰

Secord, in 1978, left his post in Iran to become director of military assistance and sales in the Defense Department. In this position, he controlled sales to the entire Middle East, the most lucrative arms market in the world, with such major arms buyers as Israel, Saudi Arabia and Egypt. Secord dealt directly with arms manufacturers, negotiating terms and coordinating delivery. According to the plan, he was to stay at his government post to assist the Enterprise.¹⁸¹

Von Marbod, former senior U.S. defense representative in Iran, was by 1978 the Pentagon's deputy director of the Defense Security Assistance Agency (DSAA)¹⁸², where he was able to determine which companies received Pentagon contracts.¹⁸³ He,

¹⁷⁸Wilson Statement, supra, p. 207.

¹⁷⁹"Ex-CIA Agent's Associates Run Arms Export Concern", New York Times, September 6, 1981 (hereafter New York Times, September 6, 1981).

¹⁸⁰Clines held the stock of Shackley, Secord and von Marbod as they continued to serve in government. Wilson Statement, supra, pp. 190-193.

¹⁸¹Wilson Statement, supra, pp. 189, 204-207, 209.

¹⁸²DSAA was established by the Secretary of Defense in 1978 to direct, administer and supervise the execution of security assistance programs, including the foreign military sales (FMS) program to Egypt.

¹⁸³Maas, supra, pp. 54, 137.

too, would remain in government, and use his authority to steer lucrative business to IRT--particularly the imminent \$4 billion post-Camp David Accords arms contract with Egypt.¹⁸⁴ Wilson also was to use his business contacts to generate business for IRT in Libya.¹⁸⁵

The five partners met again, in January 1979, at the Key Bridge Marriott hotel in Rosslyn, Virginia.¹⁸⁶ By this time, Wilson's \$500,000 seed money was in place.¹⁸⁷ Clines had earlier set up a number of companies with Wilson's help, in addition to IRT, including American Petroleum Institute Distributors (API), established in June of 1978,¹⁸⁸ and Systems Services International (SSI), incorporated in September of 1978.¹⁸⁹ These companies were to be part of IRT's operations, and the five partners of IRT were to hold equal shares in the companies.¹⁹⁰

Aside from Clines, who served as president for the companies, API's executives included Rafael Quintero, secretary and director; Ricardo Chavez, treasurer and director; and Theodore Shackley as a consultant, a role he served for SSI as

¹⁸⁴Wilson Statement, supra, pp. 189, 192-193, 209.

¹⁸⁵Wilson Statement, supra, p. 194.

¹⁸⁶Wilson Statement, supra, p. 232.

¹⁸⁷Wilson Statement, supra, pp. 219-220. I.R.T. was incorporated in Bermuda in April, 1979. New York Times, supra, September 6, 1981.

¹⁸⁸Goulden, supra, pp. 176-177.

¹⁸⁹New York Times, supra, September 6, 1981.

¹⁹⁰Wilson Statement, supra, pp. 232, 239.

well.¹⁹¹ By September 1979, Shackley had left the CIA.¹⁹²

At this Key Bridge meeting, Shackley, Secord, Clines, von Marbod and Wilson discussed the difficulties of securing an Egyptian arms deal, explored private covert operations possibilities and reconfirmed their intention to carry out racketeering activity through this corporation. Clines reported that he had made an illegal \$20,000 payoff to the head of the Mexican national oil company, Petroleanos Mexicanos (PEMEX), to secure an oil contract for API.¹⁹³ In addition, the Libyans had asked Wilson for a military study on Egypt, and in the meeting the group decided that IRT would submit a proposal. Secord and von Marbod drafted a "nation-study" proposal on Egypt and sent it to Wilson in Libya, through his former employee Douglas Schlachter.¹⁹⁴

Subsequent to this meeting, Wilson received a call from Defendant Clines, who informed him that Secord and von Marbod would be going to London, where Wilson had an office. Clines instructed Wilson to give them \$10,000. Wilson personally gave them the money after Secord and von Marbod told him the payment related to their last meeting. Wilson understood this to mean that the payment was for maintaining the off-the-shelf

¹⁹¹ New York Times, supra, September 6, 1981.

¹⁹² New York Times, supra, September 6, 1981.

¹⁹³ Wilson Statement, supra, pp. 232-233. The president of PEMEX, Jorge Diaz Serano, is a former business partner of Vice President George Bush.

¹⁹⁴ Wilson Statement, supra, pp. 236-237.

operation.¹⁹⁵

In the early stages of IRT, the \$4 billion Egyptian arms contract that von Marbod, Secord, Shackley, Clines and Wilson had conspired to land for IRT was jeopardized: the Egyptian defense minister demanded that former Egyptian intelligence officer Hussein K. Salem be in charge of the arms shipments.¹⁹⁶ To deal with this impasse, Clines arranged with Salem to set up the Egyptian American Transport & Services Corporation (EATSCO) in August 1979, to handle the arms shipments. Clines, on behalf of the Enterprise, would be a 49 percent partner; Salem would control the remaining 51 percent.¹⁹⁷

In December 1979, von Marbod approved the exclusive Egyptian arms contract to EATSCO, authorizing a \$13.5 million advance payment for shipping costs, which was placed in a Swiss bank. Additional payments to EATSCO totaled \$71 million. Clines was the only Enterprise stockholder identified publicly, but his half of the profits from the Egyptian arms deal continued to be divided among Shackley, Secord, von Marbod, Wilson and himself.¹⁹⁸ EATSCO shipped more than \$1 billion worth of arms to Egypt through two Baltimore transport companies: R.G. Hobleman

¹⁹⁵Wilson Statement, supra, pp. 240-244.

¹⁹⁶Maas, supra, pp. 139-140.

¹⁹⁷Wilson Statement, supra, p. 224; New York Times, supra, September 6, 1981.

¹⁹⁸Clines informed his close associate Felix Rodriguez that Secord had a 20-25% share in EATSCO. Joint Hearings on the Iran-Contra Investigations, Testimony of Felix Rodriguez, May 28, 1987, pp. 38-39.

and Air Freight International. The Baltimore companies shipped equipment to Egypt and forwarded the bills to EATSCO, which passed the bills to DSAA. There were 38 shipments from November 1979 to February 1982; 34 of the 38 bills were found to be padded, amounting to \$8 million in overcharges.¹⁹⁹

In 1982, after a two-year investigation, the Justice Department filed embezzlement charges against EATSCO for \$8 million worth of overcharges.²⁰⁰ Clines entered a guilty plea on behalf of SSI, the corporate parent of EATSCO, and the firm agreed to repay the government \$100,000, in addition to receiving the maximum fine of \$10,000.²⁰¹

Glenn A. Robinette, the security officer for the Enterprise, was employed by EATSCO from approximately September 1981 to January 1982. In February 1984, the same month that Clines paid the \$100,000 fine, Robinette was instructed by Clines to pick up a check from Defendant Secord. Robinette met with Defendant Secord, who gave Robinette a \$33,000 check which he then deposited in Clines's bank account. Apparently, this payment to Clines was intended to cover Secord's share of the fine.²⁰²

¹⁹⁹Goulden, supra, pp. 365-366.

²⁰⁰"The Secret World of General Secord," Newsweek, May 11, 1987, p. 20 (hereafter Newsweek, May 11, 1987).

²⁰¹Maas, supra, p. 279-280. EATSCO's Egyptian partner, Salem, pleaded guilty to charges of submitting inflated invoices and paid a personal fine of \$40,000 and \$3.03 million for partial reimbursement of the false claims. Goulden, supra, p. 366.

²⁰²Joint Hearings on the Iran-Contra Investigation, Testimony of Glenn A. Robinette, June 23, 1987, pp. 65-69 and Exhibit 10.

With Shackley, Secord and von Marbod denying any role in EATSCO, Assistant U.S. Attorney Lawrence Barcella had intended to threaten Clines with a jail term, in the hopes that Clines would reveal the three others' interest in the company. Following the fraud disclosure, von Marbod abruptly resigned from the government, while Secord was removed from his post, pending a polygraph test on his connections to EATSCO and Wilson.²⁰³ The polygraph never took place, and current Secretary of Defense Frank C. Carlucci, a former deputy director of the CIA who was then second in command at the Defense Department, re-instated Secord.²⁰⁴ Shortly thereafter, Secord retired with a full pension.²⁰⁵

As Barcella pursued a jail sentence for Clines, the Reagan Administration's expert on terrorism, Michael Ledeen, intervened and asked Barcella to drop his efforts against Shackley, Secord and von Marbod, explaining that the abuses might have been related to U.S. Government-authorized covert operations. Barcella was then replaced by Theodore Greenberg, assistant U.S. attorney in Alexandria, Virginia, who dropped all but Clines from his probe.²⁰⁶

Upon leaving government service, Secord was immediately hired by Stanford Technology, owned by Albert Hakim. The two

²⁰³ Marshall, supra, p.41.

²⁰⁴ Maas, supra, p. 247.

²⁰⁵ Village Voice, supra, May 19, 1987.

²⁰⁶ Marshall, supra, p. 41; Maas, supra, pp. 247-248.

set up a subsidiary called Stanford Technology Trading Group International, located in Vienna, Virginia.²⁰⁷ After resigning from his Defense Department post, von Marbod became a consultant for Sears World Trade, a subsidiary of Sears Roebuck, whose chairman at the time was Carlucci.²⁰⁸ Von Marbod now reportedly works for an aerospace company, LTV Corporation, in Europe.²⁰⁹

Secord, Hakim, Clines, Shackley, von Marbod, Quintero and other Enterprise members continued with their secret operations after the EATSCO and Wilson scandals died down. By 1985, Secord, Hakim and Clines were the primary private suppliers of weapons to the contra rebels fighting the government of Nicaragua, with Secord and Clines making frequent trips to Europe and the Middle East to make arms purchases. Quintero, on Stanford Technology's payroll at \$4,000 a month, would receive the weapons in Honduras and oversee their distribution to the contras.²¹⁰

In October 1985, the Enterprise began shipping arms to the Afghan rebels. The Enterprise set up a corporation in Houston, Texas, with three former logistics specialists for Air America.²¹¹ Secord, Hakim and Clines acted as behind-the-scenes operators of the company. The Enterprise bought Soviet-type

²⁰⁷ Newsweek, supra, May 11, 1987.

²⁰⁸ Maas, supra, p. 288.

²⁰⁹ Village Voice, "The Ex-Spy and the Old Boys", February 24, 1987, p. 26 (hereafter Village Voice, February 24, 1987).

²¹⁰ Wheaton Deposition, supra, p. 125.

²¹¹ Wheaton Deposition, supra, pp. 202, 203.

weapons manufactured in Egypt, along with other weapons from Europe, and delivered them to the Afghan rebels, the Angolan rebels, and other rebel groups, with exorbitant mark-ups. These deals were characterized by fraudulent overbilling and undershipping, with the excess profits diverted to other programs of the Enterprise, including the Nicaraguan contra resupply effort, discussed below.²¹²

MARY FERRELL
FOUNDATION²¹²Wheaton Deposition, supra, pp. 200-202, 250-252.

THE NICARAGUAN VENTURE

The Approach to Somoza

In approximately 1976, Defendants Shackley and Clines sent Enterprise member Ed Wilson to Nicaragua to meet with Anastasio Somoza, then-President of Nicaragua, to discuss the provision of military aid by the Enterprise to his regime.²¹³ Wilson was accompanied on this trip by Dr. Manuel Artime.²¹⁴ Clines had previously introduced Wilson to Artime, a Bay of Pigs veteran who had a contract with Nicaragua to handle their meat exports.²¹⁵ The contract between Artime and Nicaragua was merely a ruse to pay Artime for organizing a force of approximately 100 Cubans to protect Somoza in the event of an uprising or revolt.²¹⁶

Artime's operation was clearly known by Clines, if not devised by

²¹³ Sworn Statement of Edwin P. Wilson, December 17-18, 1987 (hereafter "Wilson Statement"), attached as an exhibit to this submission, pp. 109-115, 442-454.

²¹⁴ Artime was a close friend of E. Howard Hunt. Besides being an organizer of the "Cuban Defense Fund" which had been used to funnel secret hush money payments to the Watergate burglars, Artime also served as a key assassination conspirator in the plot to kill Fidel Castro. Bernard Fensterwald, Jr., Assassination of JFK: Coincidence or Conspiracy, (Zebra Books, 1977), p. 513. Artime later became the mentor for drug money launderer Ramon Milian Rodriguez. Leslie Cockburn, Out of Control (Atlantic Monthly Press, 1987) (hereafter "Cockburn"), p. 154.

²¹⁵ Wilson Statement, supra, pp. 443-444.

²¹⁶ Wilson Statement, supra, p. 109. Artime had already helped the CIA covertly deliver \$30-40 million to Somoza in the mid-1970's with the assistance of his accountant, Ramon Milian-Rodriguez. Cockburn, supra, p. 154.

him.²¹⁷ During this visit, Wilson discussed with Somoza the supply of military equipment and supplies to Nicaragua by the Enterprise and was later debriefed by Clines.²¹⁸

After President Carter took office in January 1977, Clines asked Wilson to meet with Somoza again and to draft a proposal to present to the Nicaraguan dictator.²¹⁹ Clines was concerned that President Carter would refuse assistance to Somoza, who "was going to go down the drain."²²⁰

Shortly after API Distributors was formed in June of 1978, Wilson, representing the Enterprise through API and Defendants Clines, Shackley and Quintero, met with Somoza again in Miami and made a proposal for the provision of a private covert operations capacity.²²¹ The proposal was drafted by Wilson, after he had consulted with Clines.²²² Clines informed Wilson's former employee, Douglas Schlacter, that the project involved providing Somoza with a personnel protection system, and that a private company would be established to handle the project.²²³

At the Miami meeting with Somoza, Wilson proposed that the

²¹⁷Wilson Statement, supra, p. 447.

²¹⁸Wilson Statement, supra, pp. 453-454.

²¹⁹Wilson Statement, supra, p. 457.

²²⁰Wilson Statement, supra, pp. 108-111.

²²¹Wilson Statement, supra, p. 130.

²²²Wilson Statement, supra, p. 134.

²²³Wilson Statement, supra, Exhibit B (Statement of Douglas Schlacter to the FBI on December 11 and 29, 1981).

Enterprise provide "secure intelligence nets, the use of psychological warfare, and an excellent counter-intelligence force." As part of the deal, the Enterprise would provide five "advisors," one of whom was likely to be Defendant Quintero, to conduct field training and manage the government's counter-insurgency effort. The intelligence network would provide the necessary information for Somoza's forces to carry out "search and destroy" missions, including assassinations²²⁴ against the rebel forces of the Frente Sandinista de Liberacion (FSLN) and other Somoza opponents.²²⁵ This "search and destroy" capacity would be essentially identical to the assassination operation provided by the Enterprise for SAVAK in Iran.²²⁶ In addition to the written proposal, Wilson orally offered to provide arms and ammunition to Somoza as well.²²⁷ Somoza objected to the proposal's cost of \$650,000 a year and declined the offer at that time.²²⁸

Early in 1979, Wilson again approached Somoza at the direction of the Enterprise. Since the Carter administration had

²²⁴ Wilson Statement, supra, pp. 141-142.

²²⁵ Wilson Statement, supra, pp. 119-125 and 135-147.

²²⁶ Wilson Statement, supra, pp. 135-138 and 142.

²²⁷ Wilson Statement, supra, p. 131.

²²⁸ Manhunt, supra, pp. 138, 231; Wilson Statement, supra, p. 133 and Exhibit B.

cut off all official U.S. military assistance to Nicaragua,²²⁹ Wilson once again offered the Enterprise's services in obtaining arms, ammunition and other military equipment.²³⁰ Meanwhile, Clines and other members of the Enterprise, were attempting to cut Wilson out of the operation. Somoza, while stalling on Wilson's offer and without Wilson's knowledge, arranged arms deals with Clines, Shackley and Quintero.²³¹ Beginning in approximately March of 1979, the Enterprise agreed to provide Somoza with a private supply network of military equipment and an "intelligence and assassination" program.

From approximately March of 1979 to July of 1979, Defendant Rafael (Chi Chi) Quintero acted as the "supply officer" for arms and munitions being shipped to the regime of Somoza. The weapons were supplied by Defendants Shackley, Secord, Clines and Hakim through the Enterprise.

Following his ouster from Nicaragua in July 1979, Somoza met several times in the Bahamas with Defendant Quintero, in the latter's capacity as a representative of the Enterprise. They agreed that Defendants Shackley and Clines and others involved in

²²⁹In February, 1979, the U.S. State Department announced that the United States was recalling more than half of its officials from Nicaragua and suspending all new economic and military aid to that country. Report of the Congressional Committees Investigation the Iran-Contra Affair with Supplemental, Minority, and Additional Views, S.Rep. 100-216, H.Rep. 100-433, November 1987 (hereafter "Iran-Contra Congressional Report"), p. 27.

²³⁰Wilson Statement, supra, 149-150.

²³¹Wilson Statement, supra, pp. 148-149, 457-459.

the Enterprise's provision of military hardware would continue to sell arms to Somoza and his followers, in their new incarnation as "the contras," to be used in an effort to overthrow the new government of Nicaragua. Quintero was to be the executive officer for this operation.²³² Arrangements were apparently made to continue the supply of arms. Until June 1981, when the U.S. government officially, though covertly, took it over, this secret supply operation of the Enterprise continued under the supervision of Defendant Quintero.²³³

Singlaub and the World Anti-Communist League (WACL)

On November 22, 1981, Defendant John K. Singlaub convened a meeting to create the United States Council for World Freedom (USCWF), the U.S. chapter of the World Anti-Communist League (WACL).²³⁴ WACL was originally created by the intelligence organizations of Taiwan and South Korea to provide a vehicle for anti-Communist propaganda. Since its formation, WACL has had a strong Nazi component, with at least three European chapters controlled by former Nazi SS officers.²³⁵ By 1980, a new, more action-oriented and dangerous League began to appear, and Central America was the focus. At a 1980 League conclave, an agreement

²³²Cockburn, supra, p. 106.

²³³Wheaton Deposition, supra, pp. 538-539.

²³⁴Anderson and Anderson, supra, p. 150.

²³⁵Peter Dale Scott, Jonathan Marshall and Jane Hunter, The Iran Contra Connection: Secret Teams and Covert Operations in the Reagan Era (South End Press, 1987) (hereafter "Scott, Marshall and Hunter"), pp. 20-21.

was made in which Argentine counter-terrorists and torture specialists would be sent to El Salvador to assist in the anti-communist struggle there.²³⁶

Within two months, Roberto D'Aubuisson of El Salvador,²³⁷ with the assistance of Mario Sandoval Alarcon, the death squad "godfather" of Guatemala, had been provided with at least 50 Argentine unconventional-warfare advisors to help D'Aubuisson's squads perfect their "counterterror tactics."²³⁸ By 1980, the remnants of Somoza's National Guard had made their way to Guatemala after their defeat. While there, the fledgling contras received the important support of Sandoval Alarcon, Defendant Singlaub's WACL associate, which kept them alive.

Defendant Singlaub had been asked to form the U.S. chapter while attending the 1981 WACL conference as an observer.²³⁹ With a loan of \$20,000 from Taiwan, USCWF was formed for the purpose of providing "support and assistance to the democratic, anti-communist Freedom Fighters of the world."²⁴⁰ USCWF reached out to people with past involvement in national security and

²³⁶ Anderson and Anderson, supra, pp. 119-21.

²³⁷ D'Aubuisson was implicated in the murder of Archbishop Oscar Romero in El Salvador. Christopher Dickey, With the Contras (Simon & Schuster, 1987) (hereafter "Dickey"), supra, pp. 86-7; Scott, Marshall and Hunter, supra, p. 20.

²³⁸ Anderson and Anderson, supra, pp. 147-8.

²³⁹ Anderson and Anderson, supra, pp. 151-152.

²⁴⁰ Anderson and Anderson, supra, p. 152; Letter from Singlaub to Rev. Don White, Gospel Advance Mission, dated February 13, 1985.

foreign policy issues, as well as heads of conservative political and academic organizations.²⁴¹ Singlaub was an advocate of unconventional warfare, which he defined as "low intensity actions, such as sabotage, terrorism, assassination and guerrilla warfare," which would further change the function of WACL.²⁴²

Even before the creation of USCWF, Singlaub was already involved in Central America. In December 1979 he and retired General Daniel Graham headed a delegation from the American Security Council, a private right-wing organization,²⁴³ on a trip to Guatemala.²⁴⁴ While there, the delegation relayed the message that "'Mr. Reagan recognizes that a good deal of dirty work has to be done.'"²⁴⁵ Death squad activity in Guatemala increased dramatically following their trip.²⁴⁶

Defendant Singlaub was accompanied on his second trip to Guatemala by General Gordon Sumner of the Council for Inter-American Security in 1980. In the 1979-80 period, Sumner had been in Washington, D.C., looking for ways for groups fighting the new government of Nicaragua to get started.²⁴⁷ The message he and Singlaub carried to Guatemala on this trip was that "'help

²⁴¹ Anderson and Anderson supra, p. 152.

²⁴² Anderson and Anderson, supra, p. 120.

²⁴³ Anderson and Anderson, supra, p. 157.

²⁴⁴ Anderson and Anderson, supra, p. 174.

²⁴⁵ Anderson and Anderson, supra, p. 175.

²⁴⁶ Anderson and Anderson, supra, p. 175.

²⁴⁷ Scott, Marshall and Hunter supra, p 63.

was on the way in the form of Ronald Reagan," who was campaigning for the Presidency of the United States.²⁴⁸ Another purpose of these trips was to "forge an alliance between the Reagan campaign and the local backers of what would later become the contra army."²⁴⁹ Upon his return to the U.S. in 1979, Singlaub called for "'sympathetic understanding of the death squads.'"²⁵⁰ After the visits of Singlaub and others, the right wing in Guatemala began raising campaign funds for Ronald Reagan, "perhaps as much as 10 million dollars." The money was passed indirectly to his campaign through Michael Deaver and an undisclosed campaign committee in California, who had been hired as the Guatemalans' Washington lobbyists.²⁵¹ One of the results of this money was that Guatemala's Sandoval was invited to dance at Ronald Reagan's 1980 inaugural ball.²⁵² By 1982, Singlaub was providing former U.S. military personnel to El Salvador to train the army there in counter-insurgency tactics.²⁵³ Singlaub described his purpose as using private citizens to avoid the 55-

²⁴⁸ Scott, Marshall and Hunter, supra, p. 54.

²⁴⁹ Scott, Marshall and Hunter, supra 30.

²⁵⁰ Scott, Marshall and Hunter, supra 54. In 1984, Defendant Singlaub responded to criticism of the violent activities of some of the Latin American WACL chapters by removing the Mexican group, the Tecos. But other equally extremist groups such as the Bolivians, Guatemalans and the Brazilians, remained. Anderson and Anderson, supra, p. 148.

²⁵¹ Scott, Marshall and Hunter, supra, 52-53.

²⁵² Anderson and Anderson, supra, p. 177.

²⁵³ Singlaub Congressional Testimony, supra, p. 184.

military-advisor limit set by Congress for El Salvador.²⁵⁴

In 1982, the USCWF was granted tax-exempt status by the IRS after then-treasurer Albert Koen, then its treasurer, agreed that "'at no time will the USCWF ever contemplate providing materiel or funds to any revolutionary, counterrevolutionary or liberation movement.'"²⁵⁵ From the beginning, Defendant Singlaub ignored this restriction. In 1984, as he was about to take over the chairmanship of WACL, he stated:

I am convinced that our struggle with Communism is not a spectator sport. As a result of that view, we have opted for the court of action which calls for the provision of support and assistance to those who are actively resisting the Soviet supported intrusion into Africa, Asia and North America.

The geographic regions of WACL must not only provide support to the freedom fighters who are engaged in combat in their own region, but they must develop plans of action to support the resistance in other regions of the world.²⁵⁶

Each chapter's effectiveness would be measured by how well the "plans of action" were carried out.²⁵⁷

The Buckley Kidnapping

On March 16, 1984, William Buckley, the CIA station chief in Beirut, was kidnapped. Buckley was a former associate of Defendant Shackley in Vietnam. In 1978, he worked with Edwin

²⁵⁴ Deposition of John K. Singlaub, March 7-8, 1988 (hereafter "Singlaub Deposition"), pp. 252-3.

²⁵⁵ Anderson and Anderson, supra, p. 269.

²⁵⁶ Anderson and Anderson, supra, p. 257.

²⁵⁷ Anderson and Anderson, supra, p. 258.

Wilson and Glenn Robinette training Egyptian President Anwar Sadat's bodyguards. He was also an associate of Defendant Quintero's at Mexico's Pemex Corporation in the early 1980s. Oliver North, the director of the anti-terrorism unit at the NSC, responded to the kidnapping by drafting National Security Decision Directive 138. It proposed "CIA-backed and trained teams of foreign nationals to 'neutralize' terrorists known to have struck American or known to be planning such attacks." CIA General Counsel Stanley Sporkin provided a dubious legal opinion stating that the prohibition in Executive Order 12333 against "political" assassinations would not be violated by the new directive. Because of objections from some CIA officials, President Reagan signed a revised NSDD that authorized the creation of a new counterterrorism task force.²⁵⁸ Using that authorization, North established the Terrorist Incident Working Group (TIWG), an anti-terrorist group that would function outside of the control of the government agencies. According to persons in the Pentagon, Defendant Secord, who was an NSC consultant, headed this group, which was responsible for planning the rescue of hostages held in the Middle East, as well as "neutralizing" terrorist threats from Iran, Libya and Nicaragua.²⁵⁹

It is believed that it is from this group that Defendant Secord coordinated the Enterprise's "anti-terrorist" activities

²⁵⁸Woodward, Veil, supra, pp. 361-2.

²⁵⁹Washington Post, February 17, 1987; Miami Herald, March 8, 1987; Cockburn, supra, p. 195.

with -- among others -- North, persons at the FBI, and Defendant Shackley. It is also believed that it was under this rubric of "anti-terrorism" that the Enterprise conducted its secret operations against the government of Nicaragua and Eden Pastora, whom it viewed as a communist ally of Nicaragua.

The "Ikle" Panel

In approximately March of 1984, it became clear that Congress was going to bar government agencies from providing any military or paramilitary assistance to the contras. Andrew Messing, an Enterprise associate and the director of the National Defense Council, and Defendant Singlaub contacted Fred Ikle, the under-secretary of Defense, and suggested that Ikle consult a number of private covert operations specialists to discuss the generic problem of "the Communist threat throughout Central America," and a multi-dimensional approach to conflict which included a military, political and economic response. Ikle already had a relationship with Singlaub because of reports Singlaub provided on his trips to Central America and was implementing Singlaub's suggestions before the panel was convened.²⁶⁰

In May of 1984, based upon Messing's and Singlaub's recommendations, the panel was convened. Singlaub was the chairman and other members were: Singlaub, Andrew Messing, then

²⁶⁰ Deposition of Andrew Messing, December 30, 1987 (hereafter "Messing Deposition"), pp. 33-40 and 63; Deposition of John K. Singlaub (hereafter "Singlaub Deposition"), p. 35.

of the Conservative Caucus, Defendant Shackley, Harry (Heinie) Aderholt, Edward Luttwak, retired General Edward Lansdale, Seal Doss and Col. John Waghelstein, former head of U.S. military group in El Salvador.²⁶¹

At these meetings, the privatization of the war against Nicaragua was discussed. It is believed that the panel drafted a seven-page report -- which is not classified -- on the steps which should be taken to enable private paramilitary groups to take over operations in Central America.

Formal U.S. Support for the Contras

On March 9, 1981, on the recommendation of CIA Director William Casey, President Ronald Reagan issued a formal presidential finding authorizing covert CIA activities against the Nicaraguan government.²⁶² In June of 1981, Casey assigned Vincent M. Cannistraro to supervise the CIA operation to supply funds and military equipment to the contras.

To conceal his involvement in the efforts against the government of Nicaragua, Casey -- as had WACL -- turned to the Argentines. On November 1, 1981, Director Casey met in Washington with General Leopoldo F. Galtieri, the chief of staff of Argentina's army who would later become its president. Galtieri agreed to allow Argentina to train and direct the

²⁶¹ Deposition of Andrew Messing, December 30, 1987 (hereafter "Messing Deposition"), p. 5.

²⁶² Washington Post, May 8, 1983; "Reagan Advisers Ran 'Secret Government,'" Miami Herald, July 5, 1987.

Nicaraguan rebels, known as contras, if the U.S. would provide money, weapons and other military equipment.²⁶³

On November 16, 1981, at a meeting of the National Security Council, the CIA recommended a covert paramilitary operation against what was described as "the Cuban-Sandinista infrastructure in Nicaragua and elsewhere in Central America." The operation was to employ a force of 500 exiles, ostensibly to interdict alleged Nicaraguan government arms shipments to guerrillas in El Salvador, but was essentially a covert operation to harass the Nicaraguan government.²⁶⁴ On November 23, 1981, President Reagan signed National Security Decision Directive (NSDD) 17, which provided the necessary funds for the contras. It authorized \$19.95 million for the CIA to "work with foreign governments as appropriate" to build a paramilitary force against the Nicaraguan government.²⁶⁵ The money went to the Argentinians.

NSDD 17 was not provided to Congress. On December 1, 1981, CIA Director Casey fraudulently presented a second NSDD to the Congressional intelligence committees stating that the operation was strictly limited to attacks against the Cuban presence and

²⁶³ Scott, Marshall and Hunter, supra, p. 11. Edgar Chamorro stated in his affidavit dated September 5, 1985, and submitted to the World Court, that General Vernon Walters arranged for the Argentinian military advisors.

²⁶⁴ Washington Post, March 10, 1982. Steven Emerson, Secret Warriors: Inside the Covert Military Operations of the Reagan Era (G.P. Putnam's Sons, 1988) (hereafter "Emerson"), p. 121.

²⁶⁵ Washington Post, May 8, 1983.

the Cuban-Nicaraguan support infrastructure such as military installations and bridges, and that civilian casualties would be avoided.²⁶⁶ In practice, however, contra operations, both by design and with reckless disregard, resulted in high levels of non-combatant civilian casualties in violation of Common Article 3 of the Geneva Conventions.²⁶⁷

Casey's operations in alliance with the Argentinian Army continued until December of 1982 when U.S. support for the United Kingdom during the Falkland Islands conflict caused Galtieri to withdraw his military advisers.²⁶⁸ During that time, the main contra force, the September 15th Legion headed by former Somoza National Guard Colonel Enrique Bermudez, was recognized by the U.S. government as "a terrorist group."²⁶⁹ But in August of

²⁶⁶Peter Kornbluh, Nicaragua: The Price of Intervention, (Institute for Policy Studies, 1987) (hereafter "Kornbluh"), p. 23. This finding was later modified, in September of 1983, to adopt a new and broader rationale for contra aid: "covert aid was intended to pressure the Sandinistas [Nicaraguan government] to negotiate a treaty with nearby countries." Iran-Contra Congressional Report, supra, p. 35.

²⁶⁷Kornbluh, supra, p. 39-41, citing former CIA Director Stansfield Turner's testimony before Congress; Miami Herald, October 20, 1984, quoting CIA official Duane (Dewey) Clarridge.

²⁶⁸Kornbluh, supra, p. 32; Washington Post, Dec. 18, 1982.

²⁶⁹U.S. Department of Defense Weekly Intelligence Summary (WISUM), July 14, 1982. One Nicaraguan, Pedro Diaz, swore out an affidavit to the Honduran Army on August 20, 1982, against the contra leader, Ricardo Lau Castillo, charging that he sent out his men to commit robberies and assaults and ordered some of them killed so that he could keep the money himself during their regrouping period in Guatemala. Lau, who was known as Somoza's "hatchet man" and torturer, has been implicated along with d'Aubuisson in the murder of Salvadoran Archbishop Oscar Romero. Dickey, supra, pp. 82-3 and 88 and notes.

1981, associates of William Casey organized this terrorist group of mostly former National Guardsmen into a counter-revolutionary army which was labelled the Nicaraguan Democratic Front (FDN). A year later, for public relations purposes, a civilian directorate of FDN was formed. Defendant Adolfo Calero was named chief political representative, with Col. Enrique Bermudez heading the military operations.²⁷⁰

By 1982, the National Security Council (NSC) was already taking an operational role. In early 1982, Felix Rodriguez, a former CIA officer and associate of the Enterprise, developed a five-page proposal for an elite mobile strike unit called a Tactical Task Force to attack Nicaraguan targets. In March of 1983, Rodriguez met with Donald Gregg, a former CIA and NSC officer who is now Vice President Bush's national security advisor, and Richard Stone, the administration's Central American negotiator, to discuss the alleged threat of Nicaraguan-based rebels in Central America. Rodriguez left his plan with Gregg and Stone. Gregg forwarded it to Robert McFarlane, then deputy NSC adviser, who provided it to his aide, Lt. Col. Oliver North. It was then approved by National Security Adviser William Clark, and Rodriguez went to El Salvador to attempt to implement it.²⁷¹

Israel also participated in the covert operations against

²⁷⁰ Tom Barry and Deb Preusch, The Central American Factbook, (Grove Press, Inc., 1986) (hereafter "Barry and Preusch"), pp. 277-278. A 1985 study by the Arms Control and Foreign Policy Caucus of the U.S. Senate revealed that 46 of the FDN's 48 military leaders had been members of Somoza's National Guard. Id.

²⁷¹ Emerson, supra, pp. 125-8

Nicaragua, essentially acting as a cut-out for the Casey operation. By the end of 1983, Israeli military advisers were training contra forces to launch attacks against the government of Nicaragua. Beginning in 1982, they were supplying military equipment to the contras.²⁷²

Beginning of the Southern Front

In June of 1981, Eden Pastora, a former Sandinista commandante and member of the Nicaraguan government, left Nicaragua for Panama to attempt to persuade President Omar Torrijos, along with Fidel Castro, to exert political influence over the Sandinistas. At the time of Torrijos' death in late 1981, Pastora was in Cuba discussing his initiative with Castro. The unexpected death of Torrijos ended Pastora's plan, and he left for Costa Rica, where he had his first meetings with the CIA.²⁷³ In early 1982, after meetings in Mexico which included Duane Clarridge, then CIA Latin American Director and later the head of the CIA's counterterrorism unit,²⁷⁴ Pastora and the CIA agreed to work together against the Nicaraguan government with the CIA providing economic and military aid. The CIA provided Pastora with \$150,000 a month without a change in the

²⁷² Emerson, supra, pp. 122-123.

²⁷³ Deposition of Carol Hernandez Prado, May 5, 1987 (hereafter "Prado Deposition"), pp. 21-2. Prado was Pastora's chief deputy until 1986.

²⁷⁴ Deposition of Eden Pastora, May 6, 1987 (hereafter "Pastora Deposition"), p. 6; The National Security Archive, The Chronology: The Documented Day-by-Day Account of the Secret Military Assistance to Iran and the Contras (hereafter "The Chronology"), p. xiii.

Presidential Finding.²⁷⁵ In April 1982, Pastora announced his break from the Sandinistas.²⁷⁶ In September 1982, he and Alfonso Robelo, a millionaire agri-businessman from Nicaragua, formed the Democratic Revolutionary Alliance (ARDE).²⁷⁷

On December 21, 1982, Congress passed the first Boland Amendment to the Defense Appropriations Act which barred the use of any funds appropriated in that bill, which included CIA funding, for the purpose of overthrowing or destabilizing the government of Nicaragua.²⁷⁸ In defiance of this directive by Congress, Casey, however, continued to supply the contras with arms and ammunition until the summer of 1984.²⁷⁹

In May of 1983, ARDE began armed combat under the direction

²⁷⁵ Pastora Deposition, supra, p. 10. Defendant Jones testified that in 1982, he was told by Popo Chamorro, one of Pastora's commanders, that they were being supplied by the CIA, and that his activities were agency-supported. Jones Deposition, supra, pp.34-6. Jones believed Pastora had approximately 5,000 troops at his peak. Id., p. 87.

²⁷⁶ Prado Deposition, supra, p. 22.

²⁷⁷ Iran-Contra Congressional Report, supra, p. 32; Kornbluh, supra, p. 28.

²⁷⁸ P.L. 97-377.

²⁷⁹ Testimony of Adolfo Calero, Joint Hearings on the Iran-Contra Investigations, May 20, 1987 (hereafter "Calero Testimony"), p. 13; Prado Deposition, supra, p. 30. The CIA contact for the Costa Rican-based contras was a man named Ivan, although Dewey Clarridge and persons identified as Armando and Carlos were also involved. Id., pp. 30-31. The Senate Intelligence Committee, after a visit to Central America by Senator Leahy and staff, reported that the covert action program was "growing beyond that which the Committee had initially understood to be its parameters." Iran-Contra Congressional Report, p. 33, n. 23.

of the CIA.²⁸⁰ Supplies were dropped in to them in Guanacaste, a province on the west coast of Costa Rica, near the farm of the Cuban-American Aldo Jimenez, where they were training.²⁸¹

Defendant Hull was their CIA contact, along with a Colombian named "Armando." By July of 1983, and possibly earlier,²⁸² the CIA was supplying ARDE with arms. One shipment contained 500 AK-4 rifles sent from Israel via Venezuela to Costa Rica.²⁸³ By April 1984, the CIA was funnelling \$400,000 per month to ARDE.²⁸⁴

Certain persons in the CIA suggested blowing up bridges in Nicaragua as early as the fall of 1983,²⁸⁵ when according to classified CIA briefings to Congressional intelligence committees, the proposed 500-man force had reached a strength of 8,000.²⁸⁶

At the same time, the CIA was forming a single contra operation in Honduras by throwing out of the movement those who

²⁸⁰ Pastora Deposition, supra, p. 12-17.

²⁸¹ Pastora insisted on the southern front in Costa Rica as a geographical base. This posed a problem for the U.S. Administration which claimed that its only purpose in aiding the contras was the interdiction of arms to El Salvador in the north. Iran-Contra Congressional Report, p. 32.

²⁸² William Crone testified that he was involved in air drops of military supplies, including AK-47 rifles, pistols and ammunition, as early as the Spring of 1982. Deposition of William Crone, January 6-7, 1988 (hereafter "Crone Deposition"), pp. 169-170.

²⁸³ "Pulling a CIA Plug," Newsweek, September 3, 1984.

²⁸⁴ Chronology, supra, p. 55.

²⁸⁵ Pastora Deposition, supra, p. 16-17, 24.

²⁸⁶ New York Times, June 14, 1983.

did not agree to join, including Brooklyn Rivera and Fernando ("El Negro") Chamorro. Chamorro moved his group to Costa Rica and joined Pastora.²⁸⁷

Supplying the Contras: NSC Staff Members Begin to Violate the Law

In February of 1982, Robert McFarlane, then deputy National Security Advisor, set up a secret military cooperation program to hide the paramilitary and supply activities of Casey and his associates in Central America from Congress which both utilized the Enterprise and foreshadowed its later activities. McFarlane went to David Kimche, then director general of the Israeli Foreign Ministry and set in motion the relationship that would lead to the Iran-contra scandal. In 1982, Israel began selling millions of dollars' worth of military equipment to Honduras, Guatemala and Costa Rica, some of which was passed through to the contras and providing trainers for the Honduran and Guatemalan governments. In return, the White House agreed to increase aid to Israel to offset the costs Israel had accrued.²⁸⁸

In addition, Israel provided the contras with millions of dollars' worth of Soviet-made weapons that it had captured from the Palestine Liberation Organization when it invaded Lebanon in 1982 in exchange for favorable prices on American-built fighter planes. Defendant Secord, then deputy assistant secretary of defense for international security affairs in the Near East,

²⁸⁷ Pastora Deposition, supra, pp. 5-6.

²⁸⁸ Emerson, supra, pp. 122-3.

Africa and South Asia, was the person who, in his private capacity, made sure the weapons reached the contras. The weapons were shipped to the CIA warehouse in San Antonio, where the serial numbers were removed, and then went on to the contras.²⁸⁹

Operation Elephant Herd: Transfers of U.S. Government Equipment to the Contras

In the summer of 1983, William Casey began secret preparations to assure continued resources for the contras if Congress cut off aid. On July 12, President Reagan directed that the Department of Defense support those efforts with "free-of-charge" transfers of equipment to be stockpiled by the CIA. On July 13, 1983, the CIA requested that the Pentagon provide \$28 million of military equipment to the contras by declaring it "surplus" so that it could not be counted against any Congressionally imposed ceilings. The scheme was code-named "Operation Elephant Herd". "In short," according to the Iran-Contra Congressional Report, "money appropriated by Congress for one purpose would be used for another, bypassing any limits Congress might place on CIA appropriations, such as the then-pending Boland-Zablocki bill."²⁹⁰

The Pentagon refused on the basis that it was a violation of the Economy Act, which prohibits one agency from transferring funds or assets to another agency without charging it, and because the 1981 finding signed by President did not justify even

²⁸⁹ Emerson, supra, p. 123.

²⁹⁰ Iran-Contra Congressional Report, p. 34-5.

a paid transfer of equipment to the CIA. Casey obtained a new finding on September 19, 1983, authorizing covert actions to destabilize the government of Nicaragua. The CIA submitted a request for equipment valued at less than \$12 million, which was approved.²⁹¹

A total of 40 attacks against Nicaraguan targets took place in 1984 using Elephant Herd material, including speedboat attacks on the ports of San Juan del Sur and Corinto.²⁹²

Pentagon's "Black" Aviation Operation: The Enterprise Takes Hold

In 1981, the Pentagon formally established Seaspray, a joint Army-CIA "black" aviation unit ostensibly run by the Army's Special Operations Division. Its mission was to provide quick, clandestine transportation of men and supplies for covert operations. It was part of a new Army program to conduct "covert operations . . . in support of the Office of the Joint Chiefs of Staff." It was integrated into a CIA proprietary company, Aviation Tech Services. Seaspray supported signal intelligence operations, transported foreign leaders, ferried Delta soldiers, assisted in drug busts and worked with other counter-terrorism forces in exercises and rescue operations. Congress was never notified of its operation.²⁹³ By 1982, it was operating in Central America.

²⁹¹ Emerson, supra, pp. 133-4.

²⁹² Emerson, supra, p. 134.

²⁹³ Emerson, supra, pp. 45-7.

In 1982, the Army's Special Operation Division decided to establish a "black" commercial transportation capability. Defendant Richard Secord, who was still in the Air Force, claimed to be instrumental in setting it up. In September of 1982, Richard Gadd, an Enterprise associate, retired from the Air Force and created Sumairco, a subsidiary of Vinnell Corporation of Nebraska, to specialize in that operation.²⁹⁴ (Vinnell, a defense contractor, also has an ongoing contract to train the Saudi Arabian National Guard.) After obtaining a \$1-million, noncompetitive contract from the Army, Gadd rented his planes and trained pilots through Southern Air Transport, a CIA proprietary. He participated in the invasion of Grenada²⁹⁵ and intelligence mission in Honduras. In May of 1983, after Secord was forced into retirement because of his dealings with EATSCO and the Enterprise, he rented office space from, began to work with, and steer military business to, Gadd. In October of 1983, the Army attempted to hire Secord for the joint CIA-Army aviation unit. The CIA, however, refused to give him an "operational" clearance because of the Justice Department's continued investigation of

²⁹⁴ Vinnell was a large defense contractor and had trained the Saudi National Guard. Gadd left Vinnell after several months, taking Sumairco with him. Emerson, supra, pp. 143-4.

²⁹⁵ Gadd used two pilots for this operation which involved flying helicopters from California to Barbados for use by the CIA. One of the pilots Gadd hired was Wallace "Buzz" Sawyer, Jr., who was later killed in the arms-laden C-123 cargo jet owned by Southern Air Transport which crashed inside Nicaraguan territory. Emerson, supra, p. 145.

his affiliation with Edwin Wilson.²⁹⁶

Despite his lack of a CIA clearance, Secord became a consultant to the NSC and a member of the Pentagon's Special Operations Advisory Board, a group of retired senior military officers who met regularly to discuss top-secret special operations issues. In those positions, he became well-acquainted with Oliver North, whom he had known since 1981 when they worked together on the sale of AWACS radar planes to Saudi Arabia.²⁹⁷ By 1983, the two were discussing the benefits of using private companies as commercial cut-outs for such military operations.²⁹⁸ Lt. Col. Oliver North had worked on the planning of the Grenada invasion and became aware of the opportunities that a private "black: transport capacity, such as Gadd's operation could provide. Defendant Secord became "North's tutor on these matters" during this time.²⁹⁹

In late July of 1983, the Army Special Operations Division opened the "Yellow Fruit" operation under the guise of Business Security International to carry out a number of clandestine operations. The top Army leadership was not aware of the Yellow Fruit operation or BSI. One of its first jobs was to train

²⁹⁶Testimony of Richard V. Secord before the Joint Congressional Committees, May 5-8, 1987 (hereafter "Secord Congressional Testimony"), Exhibit 22 (memorandum from Michelle A. Martin, CIA Office of General Counsel, to Carl Darby, Office of Security, October 6, 1983).

²⁹⁷Steven Emerson, supra, pp. 146-7.

²⁹⁸Emerson, supra, p. 146.

²⁹⁹Emerson, supra, p. 146.

Honduran-based contras in Florida to pilot small planes for raids on Nicaraguan industrial facilities. Another was to train contra pilots for high-risk bombing runs.³⁰⁰

Shortly after BSI opened, two Yellow Fruit agents received a binder from Rudy Enders containing a plan to supply weapons and money to the contras if Congress cut off funds.³⁰¹ The plan had three components: (1) the funneling of weapons to the contras through inflated sales of equipment to countries, including Honduras, Guatemala, Brazil and Argentina; (2) the use of offshore bank accounts for the contras; and (3) the construction of air strips in Costa Rica so that a southern front could be developed. One of the construction sites would be the farm of Defendant John Hull. By the fall of 1983, a Yellow Fruit operative had visited areas on the southern front to take pictures of possible landing zones.³⁰² Yellow Fruit's operations, however, were abruptly aborted when its key members were fired and eventually court-martialed for misuse of funds.³⁰³

Nonetheless, the schemes to militarily assist and obtain legal and illegal funding for the contras continued. The U.S. Congress was not cooperative, however. In October of 1983, it placed a \$24-million cap on contra funding and barred the CIA from avoiding the cap by using any of its contingency funding for

³⁰⁰ Emerson, supra, p. 151.

³⁰¹ Emerson, supra, p. 152.

³⁰² Emerson, supra, p. 152-3.

³⁰³ Emerson, supra.

the contras. The CIA and the National Security Council responded by mining Nicaraguan harbors and attacking fuel tanks. It was hoped that these efforts, combined with an attack by Pastora on San Juan del Norte, would result in the installation of a provisional government prior to the time funds ran out.³⁰⁴ In early 1984, it became publicly known that Dewey Clarridge, then a high-level CIA official, had conceived of and implemented the plan to mine the harbors of Nicaragua, thereby causing an international uproar that resulted in indications by Congress that it would cut off aid to the contras.³⁰⁵

In 1983, there was also prepared and distributed to the contras a manual advocating the "neutralization" of Nicaraguan government officials with the Selective use of violence." The assassination manual, which was revealed in the press in October of 1984, was in direct conflict with Executive Order 12333 signed by President Reagan in 1981 which prohibited political assassinations. Six CIA officials were disciplined for their improper participation in the preparation and distribution of the manual. One of them was Joseph Fernandez (also known as Tomas Castillo), who was subsequently promoted to CIA station chief's position in San Jose, Costa Rica and played an important role in the Enterprise's operations there. Fernandez, who was then stationed in Honduras, had worked with the contras since at least

³⁰⁴ Iran-Contra Congressional Report, supra, pp. 35-6, citing, e.g., North/Menges Memo, dated October 19, 1983, entitled "Special Operations: Nicaragua."

³⁰⁵ Cockburn, supra, pp. 10-1.

1982.³⁰⁶

The mining of Nicaraguan harbors and the distribution of the manual violated international and United States law. In June 1986, the United Nations' International Court of Justice ruled that the United States had violated Nicaragua's rights and owed reparations for these violations. The Court also ruled that the counter-allegations of the United States that Nicaragua was smuggling arms to El Salvador were not supported by the evidence. The United States, after arguing unsuccessfully in the jurisdictional phase of the World Court proceedings that the Court lacked jurisdiction, refused to accept the jurisdiction of the Court, an action for which it has been widely criticized.

Singlaub Supplies Weapons and Explosives

In early 1984, it is believed that Defendant Singlaub organized a shipment of lethal weapons, ammunition and C-4 explosives to the contras. Some of the C-4 was shipped to the contras operating on Defendant Hull's ranch and were later used in the construction of the bomb which Defendant Galil used to blow up the La Penca press conference.

Shortly thereafter, the Fulton County Police Department began to investigate the movement of weapons and C-4 through Atlanta to Central America by a company called Overseas Press Service. Defendant Singlaub was a "consultant" for Overseas Press who knew W. Dennis Suit and Walter Gold, two of the

³⁰⁶ The Chronology, supra, pp. 20-1.

company's directors. Gold had earlier helped the American Security Council, a conduit for private aid to the contras, make a pro-contra documentary. E.E. Nixon, Fulton County's chief of detectives, contacted the FBI in the summer of 1984 about his discovery, but said that he didn't want to continue if he was going to "step on the toes" of any government agency. The FBI conducted its own investigation, but it was quickly closed. Most of the documents are now classified as "national security" documents.³⁰⁷ Nixon stopped his investigation after a personal call from North.

Hull and Jones: Supply of the Southern Front

Meanwhile, several of the defendants became active in unlawfully supplying military assistance to the contras on behalf of the Enterprise. Defendant John Hull was a CIA operative who was known as such to Jose Blandon, formerly Panama's chief of political intelligence, as early as 1981.³⁰⁸ Hull assisted the contras in the southern front by providing supplies from his farm

³⁰⁷ "Atlanta Firm Linked to Contra Network," In These Times, April 14, 1987; "North's 'Security Officer' Linked to Alleged Arms Network," In These Times, August 19, 1987; telephone conversation with FBI Office of Legal Counsel, March 28, 1988.

³⁰⁸ Deposition of Jose Blandon, February 24, 1988 (hereafter "Blandon Deposition"), p. 17. Jeffrey Feldman, an assistant U.S. attorney who attempted to investigate Hull in 1986, was also told by the CIA station chief that Hull was an operative prior to 1984. Deposition of Jeffrey Feldman before the Joint Iran-Contra Congressional Committees, April 30, 1987 (hereafter "Feldman Deposition"), pp. 52-53, 100.

in northern Costa Rica,³⁰⁹ and using his plane to fly supplies and men into airstrips near the Costa Rican-Nicaraguan border and to contra bases.³¹⁰ These supplies included arms.³¹¹

Defendant Hull was aided by two neighbors, Defendant Bruce Jones, who lived on property owned by Lacuna Co., one of Hull's operations,³¹² and William Crone, another North American living with Hull.³¹³ Hull, Crone and Jones helped the contras in

³⁰⁹Prado Deposition, supra, p. 29. Pastora was having difficulty with Defendant Hull and Dewey Clarridge, a CIA officer frequently at Hull's farm, because he would not join the FDN, led by Defendant Calero. Pastora said the CIA wanted him to blow up bridges, which Pastora considered to be a terrorist act. Pastora Deposition, supra, p. 17.

³¹⁰Crone Deposition, supra, pp. 151-152.

³¹¹Crone Deposition, supra, p. 165. Jose Coutin testified to Hull's receipt of military equipment for the contras in 1983. Deposition of Jose Coutin, March 9, 1987 (hereafter "Coutin Deposition"), p. 42. Defendant Jones testified to the receipt of 5,000 rifles, 5 million rounds of ammunition, hand grenades, Claymore mines and mortars. Deposition of Bruce Jones, December 3, 1987 (hereafter "Jones Deposition"), p. 113-114. George Morales, a drug dealer who also ran an air charter business, testified that he had delivered 40 M-79 grenade launchers from Miami to Ilopango Air Force Base in El Salvador for Defendant Hull in 1983 without the proper export license; Defendant Jones testified to storing M-79s. Deposition of George Morales before the Senate Foreign Relations Subcommittee on Terrorism, Narcotics and International Communications (hereafter "Morales Deposition") pp. 19, 56; Jones Deposition, supra, p. 93. Panama's chief of political intelligence also testified that prior to his meeting with Hull in December of 1983, his intelligence resources told him that Hull was providing arms to the contras. Blandon Deposition, supra, pp. 16-17 and 25.

³¹²Jones Deposition, supra, 12-14.

³¹³Crone Deposition, supra, pp. 150-155. Defendant Jones testified that he was initially approached by Harold Martinez, who worked with Pastora and Popo Chamorro, in 1982 to help develop the logistics infrastructure. Jones Deposition, supra, pp. 29-34.

receiving air drops of military and other supplies.³¹⁴ Not surprisingly, one of the contras frequently found at Hull's ranch was Ian Kniloch, the chief of the contras' air logistical support operation.³¹⁵

As part of their activities in Costa Rica, Defendants Hull and Jones worked with a related, right-wing paramilitary group called Hueta Norte which trained on Hull's ranch. Jones later described it as an organization he hoped to use as a Costa Rican death squad.³¹⁶ Jones also participated in "operational patrols" with Pastora's troops and stated that he was "armed and prepared for whatever came along on, perhaps, four occasions."³¹⁷ His code name on those operations was "Flaco Verde."³¹⁸

Certain persons in the U.S. embassy in Costa Rica were fully aware of Hull's role and, in fact, coordinated Hull's operations. Prior to every air drop of supplies, an employee in the political section of the embassy would communicate a message through Hull's office that Hull or Crone should contact the embassy and ask for "Thomas," which was a code name for the supply operation and referred to several different people. A "Thomas" would then

³¹⁴ Crone Deposition, supra, pp. 169-170.

³¹⁵ Prado Deposition, supra, p. 34.

³¹⁶ Anderson and Anderson, supra, p. 268.

³¹⁷ Jones Deposition, supra, pp. 43-44, 55-56. Jones stated in an interview in 1986 that while on patrol with the contras, he fired his rifle and engaged in combat. John Lee Anderson, "A C.I.A. Man in Nicaragua," Life Magazine, February, 1985 (hereafter Life Magazine Interview).

³¹⁸ Jones Deposition, supra, p. 180.

provide information to Hull or Crone about the air drop.³¹⁹ Hull and Crone would then fly the contras to the drop zone and help pack and transport the supplies.³²⁰ Supplies also went to air strips in Guanacaste Province on the western side of Costa Rica.³²¹ In addition, certain persons in the embassy paid for various "safe houses" used by Hull and the contras.³²²

Defendant Jones has stated that between May 1982 and May 1984, there were approximately 100 deliveries of arms and supplies to the contras coordinated by Defendants Hull and Jones.³²³ At times, Jones, who testified that he was responsible for Pastora's Tango and Luna Rojas bases, kept M-79 grenade launchers and other military equipment in his warehouse, which he provided to the contras for operations inside Nicaragua.³²⁴ He stated that the arms were kept in various warehouses around northern Costa Rica and distributed from there.³²⁵ Jones was also aware that in early 1984, C-4 explosive was transported from

³¹⁹Crone Deposition, supra, pp. 155-156, 173-180.

³²⁰Crone Deposition, supra, pp. 181-182.

³²¹Jones Deposition, supra, p. 95.

³²²Crone Deposition, supra, pp. 249-252.

³²³Jones stated, "We'd know the date the planes were coming and we'd wait for them. We'd unload the ships in five or ten minutes -- they never turned their engines off." Life Magazine Interview, supra.

³²⁴Jones Deposition, supra, p. 92-94.

³²⁵Jones Deposition, supra, p. 94-95.

San Jose to the southern front.³²⁶ In November or December of 1984, Jones traded an Uzi submachine gun to a member of Pastora's forces for four pounds of pre-prepared C-4 explosive.³²⁷

The arms sometimes came from El Salvador where Defendant Quintero was operating. Quintero met with Eden Pastora in early 1984 to offer financial and logistical assistance. In March of 1984, two pilots who were flying military supplies to ARDE for Quintero were killed.³²⁸

Defendant Jones was also involved in the actual shipment of military supplies for the contras from the United States to Costa Rica, a violation of the Arms Export Control Act and other state and federal laws. Jesus Garcia, who had been recruited by Defendant Tom Posey to aid in the contra resupply effort, stated that in 1985, he saw crates containing C-4 explosives in Defendant Jones' hotel room in a Howard Johnson Motel in Miami.³²⁹ Defendant Jones also trained contra recruits and planned and participated in attacks on Nicaragua.³³⁰

³²⁶ Jones Deposition, supra, p. 62.

³²⁷ Jones Deposition, supra, p. 68.

³²⁸ Prado Deposition, supra, p. 45.

³²⁹ "Obstruction at Justice," Village Voice, March 31, 1987.

³³⁰ Life Magazine Interview, supra. Jones was training for an ambush on two Nicaraguan garrisons when he was interviewed. The attacks took place a week after the interview. Life apparently went with Jones on five contra missions; Prado Deposition, supra, p. 33. Jones was subsequently declared a "persona non grata" by the Costa Rican government and forced to leave the country. "U.S. Citrus Farmer Declared 'Persona Non

The defendants and the persons within the U.S. embassy and the CIA with whom they were in contact were fully aware that their activities were in violation of Costa Rica's neutrality laws.³³¹ On March 24, 1984, a DC-3 resupply plane carrying armaments en route from El Salvador to Pastora's Tango base in Nicaragua crashed in northern Costa Rica.³³² All seven men aboard the plane died, and some of them appeared to be Americans. The pilot was Renato Torrealba, a Nicaraguan. The first to arrive at the scene were Defendants Hull and Jones, one Phil Holtz (or Holts) and two CIA contract agents and some of Pastora's men,³³³ who wanted to locate the plane before Costa Rican officials did in order to dispose of the sophisticated navigational gear on board and the bodies. In an effort to conceal the identity of the dead, Holtz ordered that the teeth and jaws be removed. The bodies were then burned and buried, probably in Nicaragua.³³⁴ Later, Holtz asked Pastora to dig them up and put them in plastic bags. They were then turned over to Holtz' associates

Grata," Tico Times, March 1, 1985.

³³¹ Jones Deposition, supra, p.64.

³³² Jones Deposition, supra, pp. 96-101.

³³³ "Army Has Secret Files on Crash," Newsday, December 24, 1987; Jones Deposition, supra, p. 98; Prado Deposition, supra, p. 46.

³³⁴ "Army Has Secret Files on Crash," Newsday, December 24, 1987.

and taken away in a plane.³³⁵

The United States Army recently revealed that it possesses documents on the crash, but they are classified "secret." The DC-3 had been confiscated during a narcotics investigation in 1983 and was released from FAA custody without going through the usual paperwork because the FAA official was told that it would be used for military purposes.³³⁶

The Costa Rican government was aware of the activities on Defendant Hull's ranch. The Directorate of Intelligence and Security (DIS), the Costa Rican internal intelligence and security force, conducted surveillance on Hull's ranch from early January to mid-April of 1983, at which point someone ordered the surveillance to stop.³³⁷ The Panamanian government also knew of Hull's role in assisting the contras. In December of 1983, Jose Blandon, Panama's head of political intelligence, with the assistance of Pastora, met with Hull in the home of Daniel Oduber, former president of Costa Rica, to discuss Panama's position that Pastora should return to Nicaragua peacefully and seek a negotiated settlement with the Sandinistas. Hull was adamant that the Nicaraguan government must be overthrown

³³⁵ Pastora Deposition, supra, pp. 60-62. Defendant Jones stated that a decision was made to bury the bodies and mark the graves so that later they could be exhumed for a "decent Christian burial, with the patriotic honors that they merit." Jones Deposition, supra, p. 111.

³³⁶ "Army Has Secret Files on Crash," Newsday, December 24, 1987.

³³⁷ Deposition of Alberto Guevara Bonilla, May 4, 1987 (hereafter "Guevara Deposition"), p. 32.

militarily.³³⁸

By mid-1983, Defendant Hull was seeking to replace Pastora as the leader of the contras in Costa Rica. In July 1983, Hull, Crone and Luis Rivas, one of Pastora's commanders, traveled to Washington, D.C., to attempt to convince members of Congress that Pastora should not be supported because he was still controlled by the Nicaraguan government.³³⁹ They were driven around Washington by Colonel Joseph Yurko, a retired Army colonel who also owns property in Costa Rica near Defendant Hull. One of the offices they visited was that of Senator Daniel Quayle of Indiana, where they met Defendant Robert Owen, at that time a legislative aide to Senator Quayle. Owen contacted other Congressional aides to talk to the group, one of whom was Vaughn Forrest, administrative assistant for Rep. Bill McCollum (R-Fla.).³⁴⁰ Owen also introduced them to Lt. Col. Oliver North at the National Security Council.³⁴¹

A trip to the Pentagon put the group in touch with the Yellow Fruit operatives. The Yellow Fruit plan, devised at least

³³⁸Blandon Deposition, supra, pp. 18-20, 25, 29-30; See, also, Testimony of Jose I. Blandon before the Senate Foreign Relations Subcommittee on Terrorism, Narcotics and International Communications, February 9, 1988 (hereafter "Blandon Testimony").

³³⁹Crone Deposition, supra, pp. 119-126. Crone further testified that "John Hull has expressed, to almost anybody that would listen, that he thought Pastora was a front for the communists." Id., p. 196.

³⁴⁰Continued Deposition of Robert Owen, February 8-9, 1988 (hereafter "Owen Deposition"), p. 83.

³⁴¹Crone Deposition, supra, p. 136.

partially by Defendant Secord, would supply military assistance and equipment to the contras as part of an illegal covert security-intelligence project. By the time Hull left Washington, it was agreed that Yellow Fruit agents would assist in the building of airstrips on Hull's ranch as part of the opening of the southern front, and an operative soon visited.³⁴² Because of Owen's interest in "finding out about the fighting capability of Pastora and the southern front", Hull and Crone invited him to come to Costa Rica.³⁴³ Owen quickly became an active member of the Enterprise.

In the interim, Defendant Hull recognized that Pastora's support in the U.S. Congress prevented him from taking any immediate steps to supplant Pastora. In November of 1983, Defendant Hull mediated a dispute between Pastora and Alfonso Robelo, one of Pastora's allies, who wanted to join with Defendant Calero's FDN.³⁴⁴

Arrival of the Cuban-Americans

Members of the Cuban-American community had also met with representatives of Somoza after his overthrow in July, 1979. In late 1979 or early 1980, Jose Coutin, a member of the Accion Sindical Independiente and the Cuban Legion, who had received

³⁴² Emerson, supra, p. 152.

³⁴³ Crone Deposition, supra, pp. 132-3. By early, 1983, it was clear that North and Owen were working closely with Hull. Iran-Contra Congressional Report, supra, p. 36.

³⁴⁴ Crone Deposition, supra, p. 230.

paramilitary training from the CIA, learned of a group that wanted to "go back and fight the communists[in Nicaragua]". The Legion offered to help Maliano Urcuyo, who had briefly held the presidency of Nicaragua after Somoza fled, and was living in exile in Miami. By 1981, the Legion was meeting with Somoza's former military officers, including Pedro Emilio Salazar ("Commandante Bravo"), who were attempting to organize a military effort against the Nicaraguan government.³⁴⁵

The Cubans also began to run their own arms supply operation to Costa Rica. On August 6, 1981, Max Vargas, a Nicaraguan exile in Miami who has been identified by the Justice Department as a CIA operative, bought two AR-15 rifles at the Costa Gun Shop in Miami and sent them to Fernando ("El Negro") Chamorro, one of the leaders of a group fighting against the Nicaraguan government from Honduras. Raul Arana, Chamorro's agent in Miami, also told federal investigators that he flew several large arms shipments from Miami to Honduras in 1981.³⁴⁶

In 1981, Defendant Jorge ("Bombillo") Gonzalez, a former U.S. Special Forces member and convicted bomber,³⁴⁷ and the Cuban

³⁴⁵ Coutin Deposition, supra, pp. 14, 16, 26-33.

³⁴⁶ "CIA Role in Arming Contras Seen Larger than White House Has Acknowledged," Wall Street Journal, January 15, 1987.

³⁴⁷ Defendant Gonzalez served four years in the federal penitentiary in Atlanta for sabotage bombings of U.S. territorial waters of ships owned by companies that did business with Cuba. Gonzalez was also a close associate of Orlando Bosch, who spent five years in a Venezuelan jail for masterminding the bombing of a Cubana Airlines plane which killed all 73 passengers. "Cuban Exiles and 'Refugees' Training for Another Bay of Pigs," Covert Action Intelligence Bulletin, August-September 1980.

Legion operated paramilitary training camps in Florida. Special attention was given to recruits being prepared as a mini-rapid deployment force. One of the people taking "retraining" at Gonzalez' camp was Defendant Felipe Vidal.³⁴⁸ Vidal, whose father was executed by Fidel Castro in 1964, had been arrested at least seven times in Miami on narcotics and weapons charges.³⁴⁹ Vidal described his goal as providing a permanent paramilitary infrastructure for an "international anti-communist brigade" to be based in Costa Rica. He soon began training hundreds of men in Miami to fight against the Nicaraguan government.³⁵⁰

Defendant Rene Corvo (or Corbo), whom Jose Coutin knew from Brigade 2506, came to Coutin to request financial support for a paramilitary group Corvo was training to go to Nicaragua. Corvo was the leader of a Miami-based Cuban exile group called the Nicaraguan Anti-Communist Aid Committee (CANAC)³⁵¹ and a suspect in the bombing of the Continental Bank in Miami.³⁵² The financial backers of CANAC included Frank Castro, a convicted drug trafficker, and Defendants Francisco (Paco) Chanes and

³⁴⁸ Coutin Deposition, supra, p. 21-2 and 38. Vidal's father was a member of the Alpha 66 group and was killed during an expedition to Cuba after the Bay of Pigs. Jones Deposition, supra, p. 81-82. Anderson and Anderson, supra, pp. 248-250.

³⁴⁹ "State Department Adviser Tied to Misuse of Rebel Aid," Miami Herald, February 16, 1987.

³⁵⁰ Anderson and Anderson, supra, p. 249, citing interview with Felipe Vidal.

³⁵¹ "CIA Role in Arming Contras Seen Larger Than White House Has Acknowledged," Wall Street Journal, January 15, 1987.

³⁵² Feldman Deposition, supra, p. 34.

Dagoberto Nunez.³⁵³ Corvo had been given large sums of money to buy military equipment in late 1982 or early 1983 for this project. One of the donors was Teofilo Babun, who had earlier worked with the CIA in Cuba.³⁵⁴

Two members of the Cuban Legion went to Costa Rica in early 1983 because of the recruitment efforts of Armando Lopez Estrada and Adolfo Jimenez, a pilot in the Bay of Pigs invasion.³⁵⁵ In approximately May of 1983, they were followed by Defendants Corvo and Vidal.³⁵⁶ After Vidal, Corvo and some other Cuban-Americans from Miami arrived in Costa Rica, they began to approach Pastora. They were already aware of Hull's role in assisting the contras.³⁵⁷ Vidal and Corvo went to Defendant Hull's farm and asked him to arrange a meeting with Pastora about volunteering the services of a number of their Miami-based, associates.³⁵⁸ Pastora testified that he had received a letter from Vidal offering to join as a security force and support for

³⁵³ Coutin Deposition, supra, pp. 43-44.

³⁵⁴ Coutin Deposition, supra, p. 33-36.

³⁵⁵ Jimenez lives in the province of Guanacaste in Costa Rica where he is active in right-wing organizations. "Costa Rica: Seeds of Terror," The Progressive, September 1986. Lopez Estrada was deported from Costa Rica in 1986 after he admitted that he was been hired by the Reagan Administration to train contras in Costa Rica. The Times of London, August 16, 1986.

³⁵⁶ Coutin Deposition, supra, pp. 33-39. The two Cuban Legion members were Jose Mascia and Pedro Jil (or Hill). Id. at 38. Jil helped finance Defendant Corvo's first mission.

³⁵⁷ Jones Deposition, supra, p. 81.

³⁵⁸ Jones Deposition, supra, p. 81. Jones testified that he put Vidal and Corvo in touch with Pastora. Id., p. 84.

the leadership.³⁵⁹

Contra leaders Carlos ("Carol") Prado and Adolfo ("Popo") Chamorro, representing Pastora, were invited by Col. Rodrigo Paniagua, a former official of the Costa Rican Ministry of Public Security,³⁶⁰ to meet with Col. Carlos Zeledon and Defendant Vidal. Vidal indicated that he was recruiting people to fight with Pastora. Pastora -- who may have feared they were agents of Fidel Castro³⁶¹ -- subsequently refused the Cubans' offer.³⁶² Prado described Defendant Vidal as appearing like a terrorist -- "he spoke about attacks, he spoke about bombs . . . about activities in New York of that type."³⁶³

The Cuban Americans, however, were integrated into another ARDE camp near El Castillo by the summer of 1983 and were operating with ARDE officers Tadeo and Tonio Vargas.³⁶⁴ Corvo and Vidal were frequently at the office of, and in the company

³⁵⁹ Pastora Deposition, supra, p. 20.

³⁶⁰ Eden Pastora identified Col. Paniagua as the "principal support" of Defendants Vidal, Corbo and others; and the "main promoter" of the La Penca press conference. Pastora Deposition, supra, p. 37-38.

³⁶¹ Jones Deposition, supra, p. 84.

³⁶² Pastora Deposition, supra, p. 17; Prado Deposition, supra, pp. 35-37. Defendant Vidal was with another Cuban named Paz, who may have been Eduardo Paz. Id.

³⁶³ Prado Deposition, supra, pp. 35-36.

³⁶⁴ Prado Deposition, supra, p. 37; Jones Deposition, supra, pp. 84-85; Pastora Deposition, supra, p. 17.

of, Defendant Hull.³⁶⁵ By the fall of 1983, Pastora was told by his American contacts that they wanted him to take orders from Defendants Vidal and Corvo. Pastora testified that Vidal and Corvo criticized his political position and his failure to join the "Somocistas" [the FDN].

Subsequently, Vidal and Corvo broke with Pastora and formed a splinter group called M-3.³⁶⁶ Eduardo Paz and Rafael Perez, two of the Cubans rejected by Pastora, joined M-3, which was composed of Cuban-Americans, Panamanians and Costa Ricans and engaged in military activity.³⁶⁷ In late 1983, Defendants Vidal and Corvo participated in invasions of Nicaragua, probably from the Atlantic coast and delivered aid to contras operating inside Nicaragua.³⁶⁸ Two M-3 mercenaries, Ubaldo Hernandez Perez and Mario Eugenio Rejas Lavas, were recruited in 1985, captured in Nicaragua in June of 1986 and sentenced to 30 years. They remain imprisoned in Nicaragua. Hernandez said they were trained in

³⁶⁵ Owen Deposition, supra, p. 106; Crone Deposition, supra, p. 226. Crone testified that he saw Corvo in a contra camp inside Nicaragua. Crone Deposition, supra, p. 223. FBI Agent Kevin Currier, who interviewed Corvo in 1986, confirmed that at that time that Corvo was "the second in command at the camp", and that Corvo was recruiting persons in Miami to fight with the contras. Deposition of Kevin W. Currier, FBI special agent, Miami Division, before the House Select Committee to Investigate Covert Arms Transactions with Iran, May 5, 1987 (hereafter "Currier Deposition"), pp. 46-47.

³⁶⁶ Pastora Deposition, supra, pp. 22-23.

³⁶⁷ "Group Seeks Cuban Exile Aid in Nicaragua Fight," Miami News, November 24, 1983.

³⁶⁸ Pastora Deposition, supra, p. 106.

Florida, San Salvador and Costa Rica.³⁶⁹

In late 1983 or early 1984, when several Cuban Legion members inquired as to whether they could join Corvo, the Legion sent Rolando Valdez to Costa Rica to review the situation.³⁷⁰ While at Defendant Hull's ranch, Valdez saw an American helicopter land and was told by Hull to stay in the house while military equipment was being unloaded.³⁷¹

In mid-1984, three Cuban Legion members, Orlando Ponce, Jose Sosa and Marcellino Rodriguez, went to Costa Rica, where they were met by Defendant Corvo who had supplied them with plane tickets based on false passports. Earlier, Sosa and Rodriguez had seen Defendant Corvo preparing packages of handguns, ammunition and dynamite, all weighing less than 70 pounds, at his house in Miami for shipment on TACA, the El Salvadoran national airline. Col. Paniagua cleared the packages through customs so they would not be opened.³⁷² It was Eden Pastora's understanding that the Cubans brought supplies to Defendant Hull's farm that were mainly from private individuals.³⁷³

Ponce, Rodriguez and Sosa stayed in Costa Rica for three weeks during which they were taken to a farm near the Nicaraguan

³⁶⁹ "Two 'Mariel Contrás' Languish in Jail," Miami Herald, December 30, 1987.

³⁷⁰ Coutin Deposition, supra, pp. 41-43.

³⁷¹ Coutin Deposition, supra, p. 42-43.

³⁷² Coutin Deposition, supra, pp. 57-58.

³⁷³ Pastora Deposition, supra, p. 24.

border for training. When they returned, disillusioned, to the United States, they reported that drugs, believed to be cocaine, were being shipped to the United States in shrimp containers by Defendants Nunez and Frank Chanes.³⁷⁴

The defendants attempted by a variety of ways to get their recruits into Costa Rica, a country with strong neutrality laws. Defendant Corvo and Frank Castro asked William Crone to help bring some Latino men, who were training in a paramilitary camp in Miami, into Costa Rica through some of the air strips Crone knew.³⁷⁵ Defendant Hull approved the plan.³⁷⁶ Sometime later, however, one of the "Thomases" from the U.S. embassy warned Crone to stay away from Castro because "he was under investigation for drugs or arms trafficking."³⁷⁷

According to Eden Pastora, there were 30 to 40 Cuban-Americans operating on one of John Hull's farms near the Nicaraguan border and taking order from Defendants Corvo and Vidal.³⁷⁸ In 1985, Defendants Vidal and Corvo separated. Corvo

³⁷⁴ Coutin Deposition, supra, p. 60. They reported this allegation and their observation of arms shipping to the Miami Police Special Intelligence Service, and were subsequently contacted by the FBI. Id., pp. 63-69.

³⁷⁵ Crone Deposition, supra, p. 204.

³⁷⁶ Crone Deposition, supra, p. 219.

³⁷⁷ Crone Deposition, supra, p. 221.

³⁷⁸ Pastora Deposition, supra, pp. 17-9. Carol Prado identified the farm as Monico, where there was also an airstrip. Prado Deposition, supra, p. 37. When Jeffrey Feldman an assistant U.S. attorney from Miami, and Kevin Currier, an FBI agent, came to Costa Rica to investigate the activities of Defendants Hull, Vidal and Corvo in April of 1986, they found that Corvo was

continued to work in the Nicaraguan-Panamanian-Cuban camp he had established on Defendant Hull's ranch, and Vidal working primarily with the Kisan-South segment of the Miskito Indians, an assignment he was given by Defendant Owen and a man calling himself "Frank Smith." Owen and Vidal controlled all of their funds. Later, after the Iran-contra scandal broke, Vidal became the CIA's liaison to the southern front.³⁷⁹ In 1986, Vidal was arrested by the Costa Rican Rural Guard with arms and drugs and escaped back to Florida. He later returned to Costa Rica.

La Penca: The Enterprise Attempts to Assassinate Pastora

It is believed that the preliminary discussions concerning a plan to assassinate Pastora were at meetings attended by, among others, Defendants Hull, Vidal, Corvo and Calero in or around January 1984 in Costa Rica, Honduras and Miami. The assassination plans was finalized in a meeting in February 1984 between Vidal, Corvo and Defendant Francisco "Paco" Chanes. Defendants Cruz and Saenz are believed to have been aware of the plan to kill Pastora and were involved in planning the escape of the assassin. They occurred at the same time Pastora was resisting pressure to join forces with the FDN.

It is believed that the following chain of events occurred

leading approximately 50 people from Hull's ranch. Feldman Deposition, supra, p. 53. Currier later interviewed Corvo and confirmed the camp. Currier Deposition, supra, pp. 46-47.

³⁷⁹Coutin Deposition, supra, p. 66; "State Department Adviser Tied to Misuse of Rebel Aid," Miami Herald, February 16, 1987.

which led to the La Penca bombing: Defendant Chanes sent Vidal and Corvo to his two Miami partners, Frank Castro and Rolando Martinez. Castro and Martinez then sent Vidal and Corvo to Niles Heinz who sent Corvo and Vidal to meet Defendant Ramon Cecilio Palacio, reportedly "chief of security" in Miami for Defendant Jorge Ochoa. In February 1984, Vidal and Corvo met in Miami with Palacio who introduced them to Defendants Raul and Jorge Villaverde, known as the "Gris Brothers."³⁸⁰ The Villaverdes took Vidal and Corvo to Chile to meet Amac Galil who apparently was working for Chilean Dictator Pinochet where they agreed to pay Galil \$50,000 to plan and execute the Pastora's assassination. Between March and May 1984, Galil travelled from Chile, via Panama to Honduras and Costa Rica, where he went to Hull's ranch. Hull met repeatedly with Galil during this time and travelled with Galil to the Nicaraguan border where Galil took numerous photographs of the area. On Hull's ranch, Galil obtained from Hull three kilograms of C-4 explosive which had been smuggled onto the ranch through the efforts of the Enterprise.

During this time, Defendant Singlaub and Robert K. Brown also travelled to Central America with John "I.W." Harper, an explosives expert who had been involved in earlier ventures of the Enterprise in the Middle East. In 1984 and 1985, at the

³⁸⁰ Jose Blandon, former head of political intelligence for Panama, described the Villaverde brothers as being "very well known" in the intelligence community. Blandon was aware of their connection to the La Penca bombing. Testimony of Jose Blandon, February 24, 1988 (hereafter "Blandon Testimony"), pp. 66-7.

behest of Singlaub and Brown, Harper trained contras in the use of explosives and booby traps. At Defendant Singlaub's direction and with Singlaub's knowledge, Harper taught the contras how to construct bombs that use timing devices and C-4 explosives--the kind that was used in the La Penca bombing.³⁸¹ Harper trained the contras in the use of C-4 explosives; specifically for use as anti-personnel weapons for the purpose of killing people.³⁸² It is believed that Defendant Singlaub and Brown provided the services of Harper to Defendant Amac Galil to assist in constructing the C-4 bomb used for the La Penca bombing.

In late 1983 and early 1984, Defendant Hull and the CIA began to pressure Pastora to join the FDN. Contra leaders Alfonso Robelo and Arturo Cruz, Sr., also participated³⁸³ in the campaign to demonstrate that Pastora was the only obstacle to bringing down the Nicaraguan government. Pastora believed that he was being "sentenced to death" by the campaign, and asked for a meeting with the CIA. Clarridge (traveling under the name "Dewey Maroni") came from the United States, but Pastora then asked for a meeting with the head of the National Security Council. In January of 1984, Pastora and Alfonso Robelo met with Robert McFarlane and Clarridge in the White House. Pastora was

³⁸¹Wheaton Deposition, supra, pp. 160-162, 174. Harper also gave the contras medic training in the event of accidental explosions. Id.

³⁸²Wheaton Deposition, supra, pp. 163-164, 173-174.

³⁸³Pastora testified that Cruz had said that Pastora's supplies should be dried up in addition to attempting to undermine his lieutenants. Pastora Deposition, supra, p. 28.

later told by Arturo Cruz, Jr., that "Oliver North was sick and tired of us."³⁸⁴

In March and April of 1984, Pastora was subject to renewed pressure by persons in the CIA to join with the FDN contras based in Honduras. In late April or early May of 1984, Carlos Coronel, Popo Chamorro and Alfonso Robelo met with persons in the CIA in Honduras and promised that Pastora would join with the FDN.³⁸⁵ However, when Pastora and his military leaders met with General Lopez, head of the Honduran military, in early May to discuss unity with the FDN, no agreement was reached,³⁸⁶ and ARDE began to undergo a "profound crisis."³⁸⁷ Pastora was then given

³⁸⁴ Pastora Deposition, supra, pp. 30-2.

³⁸⁵ Deposition of Eden Pastora, supra, p. 63 and 66-7. Carlos Prado described a meeting in Tegucigalpa at which Dewey Clarridge, Fernando Chamorro, Popo Chamorro, Carlos Coronel and Alfonso Robelo were present. The discussion concerned a proposed joint military command under the control of General Gustavo Alvarez Martinez, chief of the Honduran army. Alvarez was a graduate of the Argentine Military Academy who was the key Honduran contact with the contras and cover for their activities. Dickey, supra, pp. 115-7. Prado Deposition, supra, p. 50.

³⁸⁶ Deposition of Eden Pastora, supra, p. 65-6.

³⁸⁷ Pastora was supported by one faction which criticized the "hysterical pressure of some people for unity with the FDN." They issued a communique on May 22, which stated:

We consider traitorous to political principles and to the historic project of ARDE those attitudes which try to impose with pressure, manipulations and false expectations, a hasty and irresponsible union, clumsily driven by dark forces, something which would be artificial and ephemeral. . . . We categorically condemn the permanent manipulation that interested sectors are making against Comandante Eden Pastora Gomez, the principal military and political figure in Nicaragua today, making Pastora seem an obstacle to unity, when in fact Comandante Pastora is the forger of

an ultimatum from Clarridge and conveyed by Robelo that he must join the FDN by the end of May. Robelo told Pastora that Pastora "would be the only guilty one", and that his story would be "stopped" if he did not join.³⁸⁸

During this same period, a meeting was held by Nicaraguan exiles in Miami to discuss the assassination of Pastora. A tape of the meeting was made and obtained by Pastora. The exiles stated that the FDN and the "gringos" intended to "eliminate" Pastora.³⁸⁹

In late March or early April of 1984, Alberto Guevara Bonilla, the driver for Carlos Monge, director of the intelligence and security agency of the government of Costa Rica, was directed by memorandum "dated in San Jose" to make a vehicle available for a man he later described as a "false Danish" photographer at the Civil Guard's main station in Boca Tapada. Guevara was told that the man was doing some

unity not only within ARDE but also among all the Nicaraguan people in their struggle against the current administration.

A spokesman for the Robelo-Chamorro group, the other faction, said that the problem was that Pastora wanted to be the ultimate military head and to purge ex-National Guard members from the FDN." Union with FDN Provokes Differences in ARDE," La Nacion, May 22, 1984.

³⁸⁸ Pastora Deposition, supra, p. 69; Prado Deposition, supra, p. 51-2.

³⁸⁹ Transcript of tape provided by Prado; Prado Deposition, supra, pp. 49-50. Prado testified that Rafael Espinoza, a former National Guardsman from Nicaragua, was present at that meeting, and that the remaining participants were all Nicaraguan. Id., p. 75.

journalistic work. The "photographer", who used the name "Per Anker Hansen", was accompanied by a woman. A jeep was provided; the couple left the Civil Guard station, went to the northeast in the direction of La Penca, Nicaragua, and returned six or seven hours later.³⁹⁰ Guevara recognized the man because Guevara had been ordered by Monge to keep "Hansen" under surveillance in December of 1983 when "Hansen" was seen at the Hotel Costa Rica, the National Park and the Gran Via Hotel.³⁹¹ At the Hotel Costa Rica, "Hansen" was with the same woman.³⁹² In December of 1983, Hansen and a Cuban were detained briefly by Costa Rican authorities.

Approximately 22 days before the bombing at La Penca, "Hansen," the woman and Defendant Hull arrived again at the Civil Guard station in Boca Tapada in an orange Toyota driven by Hull. They again had an order from headquarters, and were provided with a boat. "Hansen" was carrying a silver metal case "eight inches in the width, twelve inches high," a camera and a leather case. They stated that they were going up the river to the northeast.³⁹³ The metal case had a sticker that said "fragile

³⁹⁰ Deposition of Alberto Guevara Bonilla, (date) (hereafter "Guevara Deposition"), pp. 2-5.

³⁹¹ Deposition of Fernando Cruz, May 11, 1987 (hereafter "Cruz Deposition"), Exhibit C (report from OIJ Office of Special Affairs to Lic. Mainor Calvo Piedra, OIJ General Director).

³⁹² Guevara Deposition, supra, pp. 8 and 34-5.

³⁹³ Guevara Deposition, supra, pp. 5-8.

USA Postage" on it.³⁹⁴ "Hansen" apparently went to the contras' Tango base and attempted to contact Pastora. Pastora talked to him by radio.

He was hanging around the river, giving out cameras and cigarettes. The guys already were calling him "compa" - companion . . . He asked me for an interview. Since I told him about the impossibility because of the distance. . . . He told me that with that interview we were going to make videotapes and TV programs and that with that we could promote propoganda [sic] and get funds. . . . I told him again that it was impossible because of the distance In the first days of May he had been travelling all round.³⁹⁵

(After the bombing at La Penca, ARDE personnel provided Organismo de Investigaciones Juridicas (OIJ - the Costa Rican FBI) with several video tapes made some weeks earlier showing Hansen taking photographs of the site of the bombing and its surroundings.³⁹⁶)

Pastora's refusal to join the FDN contras caused a break with Robelo and a great deal of tension within ARDE. Pastora publicly accused the CIA of attempting to force him to merge with the FDN. As a result, Pastora planned a press conference to announce his break with the rest of ARDE.³⁹⁷

On May 29, 1984, the day before the La Penca bombing, Col.

³⁹⁴ Guevara Deposition, supra, p. 20.

³⁹⁵ Deposition of Eden Pastora, pp. 67-68.

³⁹⁶ Cruz Deposition, supra, Exhibit C (report from Office of Special Affairs to Lic. Mainor Calvo Piedra, general director of OIJ).

³⁹⁷ Prado Deposition, supra, p. 53.

Paniagua, the "protector" of Defendants Vidal and Corvo's group of Cuban-Americans in Costa Rica, visited Pastora "nine or eleven times" to pressure Pastora to hold the press conference the following day. When Pastora refused, Paniagua stated that Johnny Campos, the vice minister of public security, wanted the press conference. Paniagua made all of the arrangements for the press conference, and Campos personally persuaded Pastora in a meeting at 1 a.m. on May 30 to have the press conference "because the government of Costa Rica is asking . . . for it." The stated reason was that an earlier press conference by Pastora in Panama appeared to have occurred in Costa Rica, and the Costa Ricans wanted to "prove" that Pastora was not in their country. Pastora finally left for La Penca with 30 or 40 of his group.³⁹⁸

That same evening, Monge, Francisco Tacsan, an adviser to the Ministry of Public Security who was associated with a terrorist group called the "babies",³⁹⁹ and other officials met with various ARDE people, including Pastora and Fernando ("El Negro") Chamorro, in Escazu to discuss security for the press conference. Because the group was leaving from San Jose, Guevara testified that "certain base security measures were required

³⁹⁸ Deposition of Eden Pastora, supra, pp. 38-9, 72 and 75. Pastora testified that he never saw Col. Paniagua, who normally contacted him two or three times a week, Campos or Hull again after the La Penca bombing. Id., p. 72. Prado said Campos told Pastora he wanted the press conference to demonstrate that Pastora was not in Costa Rica as President Monge was in Europe to prove that Costa Rica was neutral. Prado Deposition, supra, pp. 54-5.

³⁹⁹ Guevara Deposition, supra, pp. 16-7.

because we were not going to play with the country's sovereignty and we didn't want anything to happen from the starting point to the meeting site."⁴⁰⁰

On the day of the press conference, "Hansen" and the woman were at the Irazu Hotel with the group of journalists going to La Penca.⁴⁰¹ Hansen was traveling with a Swedish journalist named Torbionnsson and a Bolivian named Fernando Prado.⁴⁰² "Hansen" brought with him a large aluminum case.⁴⁰³ The journalists traveled by car and then two hours by boat to reach La Penca, arriving at about 7 p.m. The press conference was held in an old wooden house. Because of the darkness, Pastora planned to hold the formal press conference the next day, but the journalists began to ask questions about ARDE's internal problems and the possibility of unity with the FDN. "Hansen" placed the aluminum case on the floor near the spot where Pastora, surrounded by the journalists, was standing. He snapped a few pictures and, muttering loudly that his camera was malfunctioning, backed away from the crowd. An ARDE sentry saw "Hansen" in the bushes outside the house right before the explosion. When challenged, "Hansen" said he had come outside to "take a leak." At 7:20

⁴⁰⁰ Guevara Deposition, supra, p. 35.

⁴⁰¹ Guevara Deposition, supra, pp. 10 and 14; Deposition of Roberto Cruz Sandoval (hereafter "Cruz Sandoval Deposition"), p. 17.

⁴⁰² Cruz Sandoval Deposition, supra, p. 61. Prado was also injured. Id.

⁴⁰³ Honey and Avirgan, La Penca, Report of an Investigation, 1985 (hereafter "Honey and Avirgan"), p. 6.

p.m., the bomb exploded. Eight people died. Others were seriously wounded. Plaintiff Avirgan suffered shrapnel wounds, a mangled hand and burns.⁴⁰⁴ He was incapacitated for two months. His business property was also destroyed.

At approximately 8 p.m., ARDE radio reported the explosion. Although several people were killed and others badly injured, no assistance was provided to the injured for approximately four hours.⁴⁰⁵ When informed that Americans had been injured, the U.S. Embassy refused to respond. The injured were eventually taken to the hospital in Ciudad Quesada. "Hansen" and Torbionnsson left at 8:30 a.m. the next day and, with the woman, took a cab back to La Gran Via, their hotel in San Jose, where "Hansen" immediately checked out saying he was going to Miami. Because Costa Rica did not close the borders for 48 hours, "Hansen" was able to leave.⁴⁰⁶

Defendant Owen was in Costa Rica staying at the San Jose apartment of Defendant Hull on the night of the La Penca bombing with Hull, Phil Holtz and some unidentified Nicaraguans. Owen had been sent on a trip to Costa Rica and Honduras by Oliver North to meet with Defendant Hull, Holtz and various contras to assess the "needs" of the contras if their U.S. support funds were cut off. Owen was accompanied on his trip by Vaughn Forrest,

⁴⁰⁴ Honey and Avirgan, supra, p. 7.

⁴⁰⁵ Cruz Sandoval Deposition, supra, p. 30.

⁴⁰⁶ Honey and Avirgan, supra, pp. 7-9.

administrative assistant to Rep. Bill McCollum (R-Fla.).⁴⁰⁷

Defendant Owen testified that at 3:30 a.m., three Nicaraguans associated with Pastora came to wake Defendant Hull and ask that he go to La Penca to pick up the wounded. Hull called Holtz and was advised not to go.⁴⁰⁸ At about 5 a.m., he called Bill Crone, who was also in San Jose that night and had a plane available, and "warned" Crone that if someone called him to pick up the wounded, Crone should not go "because it may be a trap or I might get in trouble, or something."⁴⁰⁹

The Cover-Up of La Penca

Persons involved in the contra resupply network and the assassination attempt immediately began cover-up activities. Defendant Jones testified that shortly after the bombing, he was asked by Holtz to "get up to La Penca . . . and get any sort of residues that was available" for analysis in Washington. According to Defendant Jones, Holtz told him that every lot of C-4 has a slightly different chemical texture so that it can be traced back to its source "to help in the identification in the event it's used in a terrorist attack." He believed this was the reason for Holtz' request. Jones said that he was not able to get

⁴⁰⁷ Deposition of Rob Owen, February 9-10, 1988 (hereafter "Owen Deposition"), p.76-80. Forrest testified that he went along to assess "humanitarian aid" needs. Deposition of Vaughn Forrest, February 16, 1988 (hereafter "Forrest Deposition"), p. 87.

⁴⁰⁸ Owen Deposition, supra, p. 372-3.

⁴⁰⁹ Deposition of William H. Crone, January 6-7, 1988, pp. 237-8.

permission from Pastora's people to go to La Penca.⁴¹⁰

Defendant Jones also testified that C-4 was a very restricted item for the contras -- as opposed to commercially made land mines -- and

controlled strictly from San Jose . . . every last ounce of it had to be accounted for . . . There was a, I'm sure, a trail of responsibility there, from the Central Intelligence Agency to the specific function for which that amount of explosive would be available . . . For instance, for power lines [that] fed power from . . . Costa Rica to Nicaragua . . .

[T]he Contras, at one point, blew down four or five of those power lines within Nicaragua using C-4 explosives. It was calculated what size the towers were, how to place the explosives, and down to the last ounce, how much would be needed, in what shape. And they were pre-made for that specific job.⁴¹¹

Another North American sent in from Panama to "help" in the lab work done in Costa Rica to analyze the bomb fragments was much more successful in derailing the investigation. After he left, the detonator which is the "signature" component of a bomb, was missing.

Within 24 hours after the bombing, persons within the CIA and the State Department began a disinformation campaign by providing a story to major newspapers, including the New York Times and the Washington Post, and networks that the bomber was a Spanish Basque terrorist hired by Nicaragua.⁴¹² It was

⁴¹⁰ Jones Deposition, supra, pp. 243-4.

⁴¹¹ Jones Deposition, supra, pp. 60-1.

⁴¹² The day after the attack, U.S. intelligence sources were quoted on ABC television blaming ETA for the attack. "Jimenez Morales Exonerates ETA of Responsibility for Bombing Attempt," La Prensa Libre, June 5, 1984. Need to find those other stories.

subsequently learned that the alleged "bomber" was under house arrest in France on May 30, 1984.⁴¹³ Persons within the U.S. Embassy in Costa Rica also mounted a public campaign to discredit Pastora as a communist and a drug trafficker and worked with Defendant Hull to provide arms to any of Pastora's troops who would defect.⁴¹⁴

Eden Pastora was clearly the target of the La Penca bombing. His death would eliminate both a political obstacle to the union of ARDE and the FDN and create a situation in which Nicaragua could be accused of the assassination.⁴¹⁵

When evidence was gathered from the site by the Civil Guard after the bombing, one item found was a woman's wig, which Guevara identified as having been worn by the woman accompanying "Hansen." "I remember certain things. I hadn't seen that type of hair in anyone before and I saw her at the hotel."⁴¹⁶

The Organismo de Investigaciones Juridicas (OIJ) of Costa Rica (a government agency comparable to the Federal Bureau of Investigation) conducted an investigation of the bombing and concluded that it had been carried out by "Per Anker Hansen," an alias used by Defendant Galil.⁴¹⁷ The chemical compound used was

⁴¹³ La Nacion, June 10, 1984.

⁴¹⁴ Deposition of Eden Pastora, supra, p. 83.

⁴¹⁵ Pastora Deposition, supra, p. 108; other sources?

⁴¹⁶ Guevara Deposition, supra, p. 13.

⁴¹⁷ Cruz Deposition, supra, p. 27, citing official reports attached as Exhibits B, C and G.

the explosive C-4, which was located in the suitcase which also contained a remote control device. The bomb was detonated by a radio frequency. OIJ's forensic expert concluded from the debris that the bomb was homemade, contained two to four pounds of a high-powered explosive, plus other types of explosives. The remains were found near eight batteries used for detonation purposes.⁴¹⁸

"Hansen" was traveling on a false Danish passport stolen in December of 1980 from the Copenhagen apartment of a 28-year-old student, and had entered Costa Rica by land from Panama on February 29, 1984, in the company of a woman named Patricia Anne Boone Marescot, who was traveling on a false French passport. On March 2, he left for Mexico. Between March 3-26, 1984 he was in Honduras.⁴¹⁹ "Hansen" had initially entered Panama on May 17, 1982, and had also traveled to Peru in 1983.⁴²⁰

While in Panama City, he had lived in a luxury, high-rise apartment near the university and claimed to be writing a book on Panama. "Hansen" told Torbiornsson that he had been in New York, Miami, Mexico and Honduras before going to Costa Rica. Between March 3 and 26, 1984, "Hansen" and "Boone" were in Honduras at

⁴¹⁸Cruz Deposition, supra, pp. 23-27, and Exhibit G (OIJ report entitled "Description of Explosives" prepared by Gustavo Castillo Montoya).

⁴¹⁹Honey and Avirgan, supra, p. 10.

⁴²⁰Cruz Deposition, supra, Exhibit B (letter from Allan Salano Aguilar, OIJ Special Affairs Office to the Embassy of Peru in Costa Rica) and Exhibit C (report from OIJ Office of Special Affairs to Lic. Mainor Calvo Piedra, OIJ general director).

various hotels around the country.⁴²¹ "Hansen" appeared to be familiar with Argentine and Uruguayan literature and music and sent post cards to both Uruguay and Chile. He spoke Spanish fluently.⁴²²

Despite the attack, on June 22, 1984, Pastora attended a meeting in Washington, D.C., at the home of Arturo Cruz at which Carol Prado, Alfredo Cesar, Joe Fernandez (Tomas Castillo), Arturo Cruz and Dewey Clarridge, Alan Fiers (who was going by the name of Albert Fenton) and Vincent Cannistraro were present.⁴²³ Clarridge told Pastora that they knew who the identity of the bombers, but needed a few more details before announcing it. Clarridge then offered to help Pastora set up a political movement to be headed by Cruz, Alfredo Cesar and Pastora.⁴²⁴ On July 5, however, Pastora was told by Fiers that the money --\$80,000 a month -- would go to Robelo, not Pastora.⁴²⁵ During this same period of time, Defendant John Hull was provided with \$10,000 per month from Defendant Calero to feed, cloth and provide medical supplies for the contras camped

⁴²¹Honey and Avirgan, supra, pp. 10-11.

⁴²²Honey and Avirgan, supra, pp. 11-2.

⁴²³Prado Deposition, supra, p. 62. Dewey Clarridge was using the name Maroni Id.

⁴²⁴Deposition of Eden Pastora, supra, pp. 84-85.

⁴²⁵Pastora Deposition, supra, p. 87-8; Prado Deposition, supra, p. 63.

on the Costa Rican border.⁴²⁶

During that meeting, Castillo told Pastora that Defendant Hull was part of the CIA, that Hull felt that his life was being "threatened" by Pastora, and that nothing should happen to Hull. Later in Costa Rica, Arturo Cruz, Jr., told Pastora that Oliver North was "annoyed" with Pastora because Pastora blamed him for the La Penca bombing, and "that there are reasons for Oliver North to believe that."⁴²⁷

Posey and the CMA

Other defendants were also involved in the operation to actively and illegally supply explosives and military equipment to the contras prior to the La Penca bombing. In July of 1983, Defendant Thomas V. Posey, a Vietnam veteran living in Decatur, Alabama,⁴²⁸ formed the Civilian Military Assistance (CMA) project, ostensibly to aid the Salvadoran government in its civil war by sending combat instructors and arms.⁴²⁹ By the fall of 1983, Defendant Posey was taking steps to provide arms and

⁴²⁶Statement of John Hull in "CIA Paid Bill to Guard U.S. Rancher Who Aided Contras," The Washington Times, July 24, 1987.

⁴²⁷Pastora Deposition, supra, pp. 46-7.

⁴²⁸Deposition of Thomas V. Posey, January 11, 1988 (hereafter "Posey Deposition"), p. 16.

⁴²⁹Defendant Posey was apparently working with Defendant Singlaub who testified before Congress that in the "early 1980s" he began to assist El Salvador by bringing former U.S. military personnel to El Salvador to provide counter-insurgency training to the army. Singlaub Testimony, supra, p. 184. Robert K. Brown, publisher of Soldier of Fortune and another Singlaub associate, stated that a team he organized trained hundreds of Salvadorans. "U.S. Civilians Fighting Mad," USA Today, (undated).

personnel to the contras in Honduras. On November 1, he applied to the Bureau of Alcohol, Tobacco and Firearms for a firearms export license supposedly to buy weapons and ammunition for El Salvador.⁴³⁰ However, three days later, Defendant Posey took steps to contact the contras in Honduras.⁴³¹ He wrote to Brig. Gen. Gustavo Alvarez Martinez, then chief of the Honduran Army, and offered to help fight with the contras. Alvarez Martinez immediately invited Posey to Honduras and put him in touch with Alfonso Callejas, an FDN official. Callejas encouraged CMA to take on missions to assist the contras.⁴³²

By the end of December of 1983, Posey had amassed a group of former U.S. military personnel and active members of various U.S. State National Guard units for the purpose of organizing an American-based, paramilitary operation to train, equip, finance and actively participate in military field operations with the contra forces in Central America against the U.S.-recognized government of Nicaragua.⁴³³ These activities violated the Neutrality Act, the Arms Export Control Act and various other

⁴³⁰ National Security Archive, The Chronology: The Documented Day-by-Day Account of the Secret Military Assistance to Iran and the Contras (Warner Books, 1987) (hereafter "Chronology"), p. 42.

⁴³¹ "Volunteer Group Asked CIA to Aid in Contacting Rebels," Washington Post, September 12, 1984, citing hearings before the Senate Select Committee on Intelligence.

⁴³² "Vietnam Vets Sought Last Shot at Communists," Houston Post, September 16, 1984, quoting Posey; "CMA Making War on Drugs," Huntsville Times, July 10, 1986, quoting Posey.

⁴³³ Brian Barger, "Fools Rush In: The Inside Story of Viet Vets in Central America," The VVA Veteran, February 1985.

state and federal laws.

The mercenaries engaged in CMA's contra support activities were meeting at a certain hotel in Tegucigalpa to finalize their plans for obtaining military equipment for and providing other federally prohibited aid to the contras. The planning continued in CMA's executive committee meetings during the early months of 1984. Overtly criminal activities were planned and agreed to by Defendant Posey during those meetings, including violations of the Neutrality Act, the Federal Arms Export Control Act, various federal firearms and explosives statutes and other federal and state laws.

In January of 1984, Posey, CMA's Dana Parker and another CMA member flew down to Honduras in a Piper Cherokee-6 plane piloted by William Courtney from Redstone Arsenal in Alabama to Honduras.⁴³⁴ Parker, an undercover agent for the Huntsville, Ala., police department, was also commander of the First Detachment, A Company, Twentieth Special Forces Group of the Alabama National Guard, a group used to funnel arms and equipment to the contras.⁴³⁵ On this trip to Honduras, Posey and his associates brought nine automatic pistols and 400 rounds of ammunition.⁴³⁶

Posey claimed that the CMA would prosecute the war against

⁴³⁴ Chronology, supra, p. 57; Birmingham News, September 14, 1984.

⁴³⁵ Cockburn, supra, pp. 13, 92-93.

⁴³⁶ Kornbluh, supra, p. 82; Cockburn, supra, p. 15.

the government of Nicaragua which the U.S. Congress did not have the political conviction to undertake. Posey said, "We decided that civilians could do something if the military couldn't."⁴³⁷ In an interview with the Huntsville Times in January of 1984, Defendant Posey admitted to participating in patrols with contras along the Nicaraguan border. He said he had fired 300 rounds from his M-1 rifle at Nicaraguan troops "in self-defense", and that his rifle butt had been discolored, perhaps by someone "running into it."⁴³⁸

It was Defendant Posey's clear understanding and intention that this military equipment be used against the unarmed civilian population of Nicaragua to terrorize them and destabilize the government. As his activities became more controversial, Posey told the press that his people were only going to train Nicaraguans, but his recruits were told that they would be fighting.⁴³⁹

The alleged criminal acts of Defendant Posey include obtaining surplus U.S. military equipment from the 20th Special Forces Unit of the U.S. Army in Alabama and obtaining the use of an allegedly surplus U.S. Armed Forces airplane in New Jersey in which to transport this material from U.S. territory, via Ilopango Air Base in El Salvador, to Costa Rica, Honduras and

⁴³⁷ "CMA Making War on Drugs--Posey," Huntsville Times, July 10, 1986.

⁴³⁸ "Soldier Harvest Is Plentiful in Fields of North Alabama," Memphis Commercial Appeal, September 7, 1984.

⁴³⁹ Coutin Deposition, supra, p. 115.

Nicaragua. Clearly marked U.S. military equipment was observed by mercenary and CMA member Jack Terrell in Defendant Posey's garage, awaiting shipment.⁴⁴⁰

Posey was in close contact with Defendant Adolfo Calero, chief executive officer of FDN. With the assistance of Defendant Calero's brother, Mario Calero, who was the logistics chief for the FDN working out of New Orleans, Defendant Posey arranged for volunteers to go to Central America to train and fight with the Miskito Indians against the government of Nicaragua. By May of 1984, Posey had sent three paramilitary training teams to Honduras.⁴⁴¹ In September, two of CMA's volunteers, Dana Parker and Jimmy Powell, were killed during a contra raid on the Santa Clara military training school in Nicaragua when the helicopter they were in was shot down in Nicaragua.⁴⁴²

According to Defendant Calero, Parker, Powell, four other CMA members and Mario Calero had arrived in Honduras only a week earlier, allegedly to do training.⁴⁴³ However, prior to its

⁴⁴⁰ Jose Coutin also testified that Defendant Posey in early 1985 discussed weapons shipments with Jose Fernandez, a Cuban-American whose family had a weapons factory in Spain. Coutin Deposition, supra, p. 122.

⁴⁴¹ "Two Americans Called Volunteers," Washington Post, September 5, 1984.

⁴⁴² "Mystery Man Says He Was Paid to Probe CMA's Contra Efforts," Memphis Commercial Appeal, April 13, 1986; "Nicaraguan Rebels Say U.S. Veterans Help Them," New York Times, September 5, 1984; "Two Americans Called Volunteers," Washington Post, September 5, 1984.

⁴⁴³ The other Americans included Cliff Allbright, Walter Blanton and Louis McKnight. "Two Americans Called Volunteers," Washington Post, September 5, 1984.

implementation, senior U.S. government officials were aware of the planned raid, as well as the participation of the CMA personnel. Lt. Col. Oliver North, who was in Honduras on the day of the raid, reported that he and Dewey Clarridge, the CIA chief of Latin American operations, had "urged that the operation be postponed because the rockets necessary for the attack had to be saved for potential use against the next arms delivery."⁴⁴

The Santa Clara raid was the direct result of Operation Elephant Herd. The raid was carried out by three Cessna O2s, formerly belonging to the New York National Guard, which had been declared "excess" in December of 1983, and the FDN's only helicopter. After being assigned to Operation Elephant Herd, the Cessnas were turned over to Summit Aviation for conversion for military use.⁴⁵ The deaths of Parker and Powell resulted in a report by members of the Congressional Arms Control and Foreign Policy Caucus charging that the "apparent failure of U.S. officials to attempt to halt the activities of CMA or other groups sending cash and aid to the contras adds strength to the case that the Neutrality Act may be being violated." The caucus alleged that the Arms Export Control Act, the 1984 Defense Appropriation Act and the Foreign Assistance Act may have been

⁴⁴Memorandum from Oliver North to Robert McFarlane, dated September 2, 1984, and entitled "FDN Air Attack of 1 September." Iran-Contra Hearings, Exhibit OLN-254.

⁴⁵Cockburn, supra, pp. 12-16.

violated.⁴⁴⁶

Operation Pegasus: Invasions and Assassinations

In September of 1984, CMA member Joseph ("Shooter") Adams, a former Marine Corps intelligence officer who trained with the Pentagon's elite DELTA Force command unit and worked as an instructor for a Navy SEAL team, became Defendant Calero's personal bodyguard, accompanying Calero to most of his appointments. In October of 1984, Jack Terrell (Colonel Flaco), a former mercenary, volunteered to work with Defendant Posey and CMA to form a Green Beret-style special forces unit to fight with the contras.⁴⁴⁷

Defendant Posey, Terrell and other CMA members then began to plan a commando-style raid into Nicaragua with American veterans and contras as part of what was called "Operation Pegasus." Operation Pegasus was a military plan which would culminate in the full-scale American-led invasion of Nicaragua. It involved attacks on key targets in Nicaragua and assassinations of Nicaraguan officials and civilians.⁴⁴⁸ Implementation of the plan included conspiracies to commit murder and arson, foreign travel and communications to further crimes of violence,

⁴⁴⁶ "Volunteer Group Asked CIA to Aid in Contacting Rebels," Washington Post, September 12, 1984, citing report.

⁴⁴⁷ "CIA Role in Arming Contras Seen Larger than White House Has Acknowledged," Wall Street Journal, January 15, 1987.

⁴⁴⁸ "Band Beats War Drums for Nicaraguan Strike," Memphis Commercial Appeal, December 4, 1984; Allan Nairn, "The Contras' Little List," The Progressive, March 1987, pp. 24-26.

violations of arms export regulation and the commission of other crimes in which a large number of the defendants played a role.

Terrell and other CMA leaders met with Enrique Bermudez, the military leader of the FDN. Terrell and Posey then recruited ten other mercenaries and flew to Honduras in mid-November.⁴⁴⁹ The FDN paid their transportation costs. They were originally trained by Frank Camper at a paramilitary school in Alabama.⁴⁵⁰ Upon arriving in Honduras, this group reported to the FDN contra bases in Honduras at La Quinta and Las Vegas,⁴⁵¹ where training exercises began. They carried with them rifles, boxes of ammunition and medical supplies. Once in Honduras, their passports and other identification were taken away to prevent identification if they were captured during their raid into Nicaragua. Their first mission abruptly came to an end, however, when the Memphis Commercial Appeal wrote an article about their location and plans after interviewing Jack Terrell.⁴⁵²

⁴⁴⁹ "CIA Role in Arming Contras Seen Larger than White House Has Acknowledged," Wall Street Journal, January 15, 1987.

⁴⁵⁰ "Misfortune Tarnishes Honduran Adventure," Memphis Commercial Appeal, December 5, 1984. Traveling with Terrell were Jim Turney of Collierville; David Ormand of Corinth, Miss.; Bob Bradford of Tallahassee, Fla.; Richard Thompson of Lawton, Okla. "Band Beats War Drums for Nicaraguan Strike," Memphis Commercial Appeal, December 4, 1984; "Alabama's CMA Troops Face Hard Time in Jungle," Birmingham News, June 13, 1985.

⁴⁵¹ "CIA Role in Arming Contras Seen Larger than White House Has Acknowledged," Wall Street Journal, January 15, 1987.

⁴⁵² "Band Beats War Drums for Nicaraguan Strike," Memphis Commercial Appeal, December 4, 1984. "Alabama's CMA Troops Face Hard Time in Jungle," Birmingham News, June 13, 1985.

As part of his plan to develop a military capability in Central America, Defendant Posey requested the help of the Cuban Legion, which was already supporting Defendants Corvo's and Vidal's efforts in Costa Rica.⁴⁵³ Jose Coutin, a Legion member, became Posey's "recruiting director" in December 1984 to find Cuban-Americans not only for training, but for combat roles.⁴⁵⁴ At approximately the same time, Defendant Posey went to Costa Rica to meet with Defendant Hull and determine how he could further help the southern front.⁴⁵⁵

A Second Conspiracy to Assassinate Pastora

In December of 1984, Defendant Calero suggested to Jack Terrell that Terrell meet with Defendant Hull to discuss training contras on Hull's ranch. Calero made the arrangements by giving Terrell a telephone number in Denver, Colorado, where Hull could be reached. Terrell then called Hull and arranged a meeting in Houston.⁴⁵⁶ Two weeks later, Terrell and CMA member Lanny Duyck met with Defendant Hull, who was accompanied by Defendant Owen, at the Shamrock Hilton Hotel in Houston. They discussed the need to have American mercenaries train contras in Costa Rica to strengthen the southern front based on Hull's ranch and to take over from Pastora. The mercenaries were to carry out combat

⁴⁵³ Coutin Deposition, supra, pp. 112-116.

⁴⁵⁴ Coutin Deposition, supra, p. 81-83.

⁴⁵⁵ Jones Deposition, supra, p. 132.

⁴⁵⁶

attacks against Nicaragua. When Terrell asked how this operation would be financed, Owen claimed that he took \$10,000 per month to Hull from the National Security Council and could get more if needed. When Terrell brought up the fact that Eden Pastora already had forces in the southern front, Hull went into a tirade, calling Pastora a communist and declaring that Pastora had to be killed. Terrell was then asked to formulate a plan to kill Pastora.⁴⁵⁷

Two weeks later, a larger group of American mercenaries, including Defendant Posey and Terrell, and contras met at Defendant Calero's home in Miami to continue planning this second assassination attempt on Pastora.⁴⁵⁸ Terrell listed those in attendance as Defendants Calero, Owen, Posey, Hull, Vidal and Galil, Joe Adams, Donald Lecayo (an associate of Hull's), Enrique Bermudez, Aristides Sanchez (a member of the FDN directorate), a

⁴⁵⁷ Testimony of Jack Terrell in Hull v. Avirgan and Honey, a libel case tried in the First Penal Court in San Jose, Costa Rica, on May 22, 1986, reprinted in La Penca: On Trial in Costa Rica (hereafter "Terrell Testimony"), pp. 84-7. "Mercenary Places Owen at Talks on Pastora Killing," Providence Sunday Journal, May 10, 1987; Cockburn, supra, pp. 69-70. Defendant Owen admitted that he attended this meeting. He said that Terrell proposed sending down 200-300 Americans to the southern front, and Posey wanted to train the contras on Hull's ranch under the aegis of a commander named Jesus. At that point, Owen said he left the meeting to call Aldolfo Calero and Oliver North to ask why Hull was talking to Terrell. He stated that he was out of the room for approximately 15 minutes (to call North and Calero) so and did not know what was discussed when he was gone. Owen Deposition, supra, pp. 236-239, 245.

⁴⁵⁸ Terrell Deposition, supra, Exhibit 2; Allan Nairn, "The Contras' Little List," The Progressive, March 1987, pp. 24-26; "Mercenary Places Owen at Talks on Pastora Killing," Providence Sunday Journal, May 10, 1987.

Cuban named Rojas and Lanny Duyck.⁴⁵⁹ In his testimony in Costa Rica, Terrell described the meeting as follows:

The purpose of the meeting was to obtain approval of the FDN Directorate to carry out the Costa Rican plan. In this meeting, we discussed the same things as in the other, but in this meeting it was decided that I would not go to Costa Rica but rather that Tom Posey would go instead. That he would remain for a week, reviewing the situation and later he would report it back to me. During this meeting we spoke of the same things, including Eden Pastora, and the financing or who would pay and the overall plan for Costa Rica because the new front would be known as UNIR. Adolfo Calero was angry with statements made by Pastora. He said that Pastora had said that the FDN was homicidal, Somicista sons of bitches. He stated in the presence of these people that Pastora had to go. I knew nothing about Pastora with the exception of what I had heard.

Terrell testified that the group also conspired to kill Pastora. "All these people who were present knew what we were discussing and no one was negative about what we had discussed. I raised the question with my friends that were present that if a person from the National Security Council and the CIA were

⁴⁵⁹Terrell Testimony, supra, p. 85; Allan Nairn, "The Contras' Little List," The Progressive, March 1987, pp. 24-26; "Mercenary Places Owen at Talks on Pastora Killing," Providence Sunday Journal, May 10, 1987. Defendant Owen has confirmed that this meeting took place. Owen stated that there "may have been" a discussion of contra unification at the meeting, and that some people said that Pastora was "a difficult person to work with," but that the discussion concerned Terrell's offer to sell weapons from the Miskito Indians to the other contra groups, and Posey's and Adams' plans to send men from Costa Rica and Honduras to go inside Nicaragua and blow up bridges. Owen Deposition, supra, pp. 250-260.

Jose Coutin, who planned to attend the meeting, but did not, was briefed by Terrell, Adams and Posey after the meeting and was informed that Defendants Chanes and Corvo. Coutin testified that he had sent Marcellino Rodriguez to pick up Posey and Terrell and take them to Calero's home. After the meeting, Coutin, Posey and Terrell met at the Howard Johnson Motel near the airport. Coutin Deposition, supra, pp. 86-96.

present, then we must have approval from the U.S. Government to carry out these acts that could put us in prison or get us killed for what we knew."⁴⁶⁰

During the meeting, Defendant Vidal told Terrell that Defendant Galil was a Mossad official "and . . . he used the name of Amac Galil. . . During the meeting in Calero's house Felipe stated that "we put a bomb under him [Pastora] and it didn't work because of bad timing."⁴⁶¹ Terrell later construed this to be a reference to the La Penca bombing.⁴⁶²

Terrell's contemporaneous notes of the meeting recorded the following:

The 'termination' of Zero [Pastora] discussed Adolfo Calero very upset with statements made by Pastora. Says he too Sandinista. Must die. Big problem. Asks me to put it together and note to tell them how it will be done. Seems Rob Owen is in on most of this Must appear that Sandinistas did it. Discussion on capturing Zero and having men dress in captured uniforms. Am told this must be very visible hit and people must believe the Sandinistas did it. Am told to let Hull know when ready to move A.C. open to anything. He desperate. Wants and needs southern front."⁴⁶³

Terrell then formulated a plan to kill Pastora and make it appear as though the Sandinistas had done it. Defendants Calero

⁴⁶⁰ Terrell Testimony, supra, pp. 84-87.

⁴⁶¹ Terrell Testimony, supra, p. 88

⁴⁶² "Mercenary Places Owen at Talks on Pastora Killing," Providence Sunday Journal, May 10, 1987.

⁴⁶³ Deposition of Jack Terrell, February 25, 1988 (hereafter "Terrell Deposition"), Exhibit 5 (excerpts from diary of Jack Terrell); "The Dirty Dealing in the underground Contra Aid Network," In These Times, December 10-6, 1986. .

and Hull were to be participants in the attempt. However, Terrell decided to abandon the plan as too risky.⁴⁶⁴

The plan to kill Pastora was only one of several assassination plots planned as part of Operation Pegasus.⁴⁶⁵ In January of 1985, based on remarks of a CIA officer who said he was passing on "suggestions from Washington," Defendants Calero and Posey, FDN military commander Enrique Bermudez and others met and prepared a list of Nicaraguan civilians to be assassinated when the contras entered Managua as part of the Operation Pegasus, American-led invasion. The list included a nun, priests, Daniel Ortega, Nicaragua's president, Foreign Minister Miguel d'Escoto, and Nora Astorga, Nicaragua's ambassador to the United Nations. Adams, who has described his specialty as "close-in urban tactics," was requested to train an elite urban team for "house-clearing techniques. . . . The list came to me because I probably was the one who'd have to squeeze on some of these guys."⁴⁶⁶

⁴⁶⁴ "Mercenary Places Owen at Talks on Pastora Killing," Providence Sunday Journal, May 10, 1987. Terrell is quoted as saying: "You got...two members of the U.S. government in there [Hull and Owen]...listening...and I don't see a no vote in the house. So I start feeling funny about the whole thing." Terrell figured that such important people wouldn't let him out of Costa Rica alive if the assassination succeeded. Id.

⁴⁶⁵ Allan Nairn, "The Contras' Little List," The Progressive, March 1987, pp. 24-26.

⁴⁶⁶ Adams described "house-clearing" as going "in and kill[ing] all the bad guys and get[ting] the good guys out." Nairn, "The Contras' Little List," The Progressive, March 1987, p. 24.

Plotting the Assassination of a U.S. Ambassador

At a meeting in Memphis, Tennessee in January of 1985, a group of American mercenaries, who worked with CMA and the defendants conspired to assassinate Lewis Tambs, the newly named U.S. ambassador to Costa Rica, and collect the \$1 million reward placed on Tambs by Colombian drug dealers. Other targets were the U.S. embassy, the Costa Rican presidential offices, and Brooklyn Rivera and Urbina Lara. All of the attacks were to be blamed on the Sandinistas.⁴⁶⁷

Later that month, Defendant Posey was arrested on a gun possession charge at Miami International Airport.⁴⁶⁸ While at the Dade County Jail, he recruited Jesus Garcia, the booking officer, into the arms supply network.⁴⁶⁹ Posey also attempted to get Garcia's help for the assassination plots. In early February 1985, at the Howard Johnson Motel in Miami,⁴⁷⁰ the Tambs assassination and bombing was discussed in greater detail.

⁴⁶⁷ Martha Honey, "Gunpowder, Treason & Plot," This Magazine, June/July 1986. Jack Terrell did not attend this meeting, but was briefed afterwards about it.

⁴⁶⁸ Village Voice, December 30, 1986.

⁴⁶⁹ "Obstruction at Justice," Village Voice, March 31, 1987. Posey was subsequently bailed out by Jack Terrell, a CMA field commander, and Jose Coutin, CMA's Miami representative. "Did Meese Block a Second Probe?", Village Voice, December 30, 1986; Transcript of NBC Nightly News Interview with Jack Terrell, May 21, 1986 (hereafter "Terrell NBC Transcript"), p. 32.

⁴⁷⁰ Defendant Hector Cornillot was the manager of the Howard Johnson's in Miami. He was a supporter of the contras and gave a lower special "contra" rate to many of the Defendants and mercenaries who ere involved in the resupply effort. Owen Deposition, supra, 1988, p. 230.

Attending this meeting were Defendant Posey, Jones, Corvo and Hull and mercenaries Steven Carr, Robert Thompson and Sam Hall. A blueprint of the U.S. embassy in San Jose was presented by Hall and the division of the \$1 million was discussed. Defendant Posey had previously reviewed the plan with Jesus Garcia.⁴⁷¹

The plan was to place C-4 in a light box outside the embassy and detonate it. When Tambs ran out of the embassy, he would be shot. The group decided that five men would carry out the hit, including one Nicaraguan who would be killed immediately afterward and have papers planted on him that would link him to the Nicaraguan government.⁴⁷² Garcia refused to participate because he was not "willing to hit an American. It was too dangerous."⁴⁷³

Garcia described the plan as follows: "We were all to fly to San Jose, where we were to meet and be provided back-up by Mr. John Hull and Mr. Bruce Jones. This operation was being

⁴⁷¹Statement of Jesus Garcia given to Federal Public Defender, Southern District of Florida. It is unclear whether Defendant Posey was present at this meeting in Miami. According to Cockburn, it was Posey who showed Garcia the blueprint of the embassy and told him that C-4 explosives were being stored in a room upstairs. Cockburn, supra, p. 56. Terrell NBC Transcript, supra, p. 34.

⁴⁷²Terrell NBC Transcript, supra, p. 37.

⁴⁷³"The Dirty Dealing in the Underground Contra Aid Network," In These Times, December 10-16, 1986. "Jailed Contra Details Plans to Kill Tambs," Tempe State Press, November 19, 1987. Defendant Cornillot stated in the same article that the participants were drunk, and their discussion was not to be taken seriously. Id.

coordinated by Mr. Tom Posey of Decatur, Ala."⁴⁷⁴ Garcia's statement was corroborated by Jack Terrell, a CMA commander also present at the meeting. According to a memorandum of an FBI interview of Terrell in 1986:

Terrell told New Orleans FBI agent Charles Calhoun that an emissary from the Ochoa drug family met with Tom Posey, Jesus Garcia, Rene Corvo and Francisco Chanes in Miami in January or February 1985. Ochoa's representative offered the group one million dollars if they killed Ambassador Tambs.⁴⁷⁵

Jesus Garcia saw crates of supplies, which included C-4 plastic explosives, at the Howard Johnson. The C-4 was sent to Costa Rica via El Salvador.⁴⁷⁶ The plan was postponed because Tambs did not leave Colombia when expected.⁴⁷⁷ But the plotting continued in Costa Rica, and involved the CMA-Operation Pegasus mercenaries. Robert Thompson, a mercenary who went to Costa Rica with a shipment of arms in March of 1985, admitted to Jack Terrell that he knew about the plot and described it in detail.⁴⁷⁸ Peter Glibbery, a mercenary operating in contra camps near the Hull farm in March and April, 1985, recalled trying to

⁴⁷⁴Statement of Jesus Garcia given to Federal Public Defender, Southern District of Florida. Cockburn, supra, p. 56.

⁴⁷⁵"Ollie North's Private Dick," Village Voice, September 29, 1987. Terrell confirmed the plot in an interview with NBC Nightly News based on information he had received from Thompson. Terrell NBC Transcript, supra, pp. 34-5.

⁴⁷⁶"Ollie North's Private Dick," Village Voice, September 29, 1987.

⁴⁷⁷Martha Honey, "Gunpowder, Treason & Plot," This Magazine, June/July 1986, pp. 12-14.

⁴⁷⁸Terrell NBC Transcript, supra, p. 33-4.

take explosives to the camp from the farm of Defendant Jones and being told that it was needed "for the embassy job."⁴⁷⁹

The CMA mercenaries stayed in a camp near the Nicaraguan border with a group of contras, including one named David.⁴⁸⁰ In late March a contra named David who operated from Defendant Hull's ranch and was to participate in the bombing plot, approached a Costa Rican restaurant owner named Carlos Rojas Chinchilla, told him about the bombing, and asked for help to escape.⁴⁸¹ David had been told that he would be killed after the bombing, dressed in a Sandinista uniform and left with papers in his pocket that implicated the Sandinistas in the attack. Defendant Galil had been contracted to return and kill Tambs.⁴⁸² David told Rojas that Defendants Alvaro Cruz and Frederico Saenz were part of the assassination team.⁴⁸³

At approximately the same time, Fernando Cruz Castro, the chief prosecutor for the judicial branch of the Costa Rican

⁴⁷⁹"Did Meese Block a Second Probe?", Village Voice, December 30, 1986.

⁴⁸⁰Testimony of Robert Thompson in Hull v. Avirgan and Honey, First Penal Court, San Jose, Costa Rica, May 22, 1986, reprinted in LaPenca: On Trial in Costa Rica, p. 64.

⁴⁸¹Deposition of Carlos Rojas Chinchilla, November 5-7, 1987 (hereafter "Rojas Deposition"), pp. 34-49. William Crone, an American farmer who shares ownership of a farm with Defendant Hull, has subsequently testified in this litigation that a contra named "David" associated with Hull was encamped near Hull's Pocosol farm with a group of Cuban-Americans, which included Defendant Corvo. Crone Deposition, supra, pp. 233-236.

⁴⁸²Rojas Deposition, supra, p. 159.

⁴⁸³Rojas Deposition, supra, pp. 52, 148.

government, received a visit from a North American. The North American told Cruz that he was training contras in southern Honduras, and that there were plans to bomb the American embassy in which he did not want to participate.⁴⁸⁴

Rojas subsequently informed the Plaintiffs who relayed the information to George Mitchell, the chief of security at the U.S. Embassy in San Jose in April of 1985. On July 17, 1985, David informed the Plaintiffs that Defendant Galil and a hit team were expected in Costa Rica within a few days. On July 18, 1985, the Reagan administration sent a warning to the Nicaraguan government that it had information about a "terrorist" attack against U.S. personnel in Honduras, which would result in serious consequences for the perpetrators.⁴⁸⁵

At just about the same time, Garcia was asked by Defendant Posey to kill the Russian ambassador to Nicaragua. In late July, Garcia traveled to the Dominican Republic to await further instructions, but was called home by Posey.⁴⁸⁶ Posey decided that Garcia was an informant who was passing on information about the assassination and bombing attempt. Posey and the others discussed luring Garcia to Central America and killing him there. On July 21, 1985, Garcia was invited to Honduras by

⁴⁸⁴ Deposition of Fernando Cruz Castro, May 11, 1987 (hereafter "Cruz Deposition"), p. 9.

⁴⁸⁵ "The Dirty Dealing in the Underground Contra Aid Network," In These Times, December 10-16, 1986.

⁴⁸⁶ "Jailed Contra Details Plans to Kill Tambs," Tempe State Press, November 19, 1987.

Posey, but he was arrested in an apparent set-up for illegal possession of a machine gun before he made the trip.⁴⁸⁷ The main witness against Garcia was "Major" Alan Saum, a close associate of Defendant Posey who had invited Garcia to go to Central America with him to blow up the Soviet and Cuban embassies.⁴⁸⁸

Kidnapping of Rojas

In July of 1985, because of his knowledge of the defendants' involvement in both the La Penca bombing and the attempt to assassinate Tambs, Rojas was kidnapped in San Jose, along with David, and taken to Defendant Hull's ranch by car. When the car stopped, the men driving asked for "Paniagua." When told that Paniagua was not there, they then asked for "Hull." When told that Defendant Hull also was not there, they asked that he be contacted by radio. After they were left with only one guard, Rojas and David escaped and returned to San Jose.⁴⁸⁹

Carlos never saw David again, and Plaintiffs later received information that David had been executed on Defendant Hull's ranch. Carlos, fearing for his life, fled Costa Rica on August 18.⁴⁹⁰ On August 25, Defendant Owen reported to North that one of the contra leaders, Jose (Chepon) Robelo, cousin of UNO leader Alfonso Robelo, who operated near Hull's ranch had ordered the

⁴⁸⁷ Waas, "Stuck in Miami," New Republic, November 24, 1986.

⁴⁸⁸ Waas, "Stuck in Miami," New Republic, November 24, 1986.

⁴⁸⁹ Rojas Deposition, supra, pp. 178-198.

⁴⁹⁰ Rojas Deposition, supra, p. 296.

torture and execution of a Sandinista informant. El Negro Chamorro was to punish Robelo, although Chamorro threatened to resign if Chepon were forced out.⁴⁹¹

Second Pegasus Invasion

In late January or early February 1985, immediately after the planning meetings in Miami, members of Operation Pegasus, led by Jack Terrell and Joe Adams (who took a brief leave as Defendant Calero's body guard) returned to Honduras to train with FDN and Miskito Indian forces and to launch the second Operation Pegasus invasion of Nicaragua. Fourteen Americans, including Terrell and Adams, were involved, eight of whom graduated from Frank Camper's mercenary school.⁴⁹² Terrell, Adams and the twelve other American volunteers selected by Posey, left Miami on a commercial flight to Tegucigalpa, Honduras. From there, they went to an abandoned Miskito base near Rus Rus.⁴⁹³

Defendant Posey put Terrell in charge of this mission,⁴⁹⁴ which was to spearhead Operation Pegasus by establishing an armed base camp of 100-200 U.S. volunteers and 500 Miskito Indians

⁴⁹¹Owen Congressional Testimony, supra, Exhibit RWO-9 (memo from "TC" [Owen] to "BG" [North], dated August 25, 1985; Owen Deposition, supra, pp. 555-56.

⁴⁹²"Alabama's CMA Troops Face Hard Time in Jungle," Birmingham News, June 13, 1985.

⁴⁹³"14 Rambos Cracked Under Pressure," Baltimore Sun, January 4, 1987.

⁴⁹⁴"14 Rambos Cracked Under Pressure," Baltimore Sun, January 4, 1987.

inside northern Nicaragua by the summer of 1985. By the winter of 1985 the U.S. and Nicaragua would be in open war. Pegasus troops would be in Managua by Christmas. Adams claimed the plan was developed by Posey and Terrell.⁴⁹⁵

On February 26, 1985, Terrell and Adams led a group of 50 contras, including American mercenaries, on a mission to destroy a strategic bridge at Sinsin in Escala province of Nicaragua. Food was running low by time they reached the bridge and the terrain was different than expected. More importantly, it was discovered that the bridge was defended by several hundred more Nicaraguan government troops than expected. The attack was called off.⁴⁹⁶ The men did, however, leave behind several hundred pounds of C-4 in a cache near the bridge. In approximately June of 1985, this C-4 was used to blow the bridge up at the direction of Sam Hall, who was brought in to replace Terrell.⁴⁹⁷ Adams claimed that the team also set three percussion land mines in the public road and heard that at least one went off, killing more than 20 Sandinista soldiers.⁴⁹⁸

After returning to their base, the Americans were ordered

⁴⁹⁵ "14 Rambos Cracked Under Pressure," Baltimore Sun, January 4, 1987.

⁴⁹⁶ "Alabama's CMA Troops Face Hard Time in Jungle," Birmingham News, June 13, 1985.

⁴⁹⁷ Continued Deposition of Sam Hall, March 9, 1988 (hereafter Continued Hall Deposition"), pp. 47, 123.

⁴⁹⁸ "Alabama's CMA Troops Face Hard Time in Jungle," Birmingham News, June 13, 1985.

out of the country.⁴⁹⁹ On March 15, 1985, Terrell was surrounded by armed Honduran soldiers and escorted to a plane bound for Miami. Lt. Col. Oliver North later took credit for Terrell's expulsion from Honduras, claiming that he sent a message to Honduran officials to throw Terrell out of the country.⁵⁰⁰ Approximately two days later, Sam Hall arrived in Honduras to take over the command from Terrell.⁵⁰¹

Conspiracy to Bomb Los Chiles

The defendants developed another plot to create an incident that would draw the United States into armed combat with the Nicaraguans involved the bombing of Los Chiles, a small town on the border of Costa Rica and Nicaragua. A plane was to be painted up in the "Sandinista configuration", which would then drop bombs on Los Chiles. Jack Terrell described it as a "continuous undercurrent of -- really terrorist activity to try to draw the United States Government into direct conflict with the Nicaraguans because they were to be made to look like they were committing overt acts against a neutral and unarmed country,

⁴⁹⁹ "Alabama's CMA Troops Face Hard Time in Jungle," Birmingham News, June 13, 1985.

⁵⁰⁰ "North Waged War on Detractors," Chicago Tribune, August 30, 1987. Sam Hall, who at this time was preparing to go to Rus Rus to continue with the operation, testified that Terrell and his troops had to pull out of the Miskito camp because of their military foul-ups, calling it a "bad scene" and that they were ordered to pull out by Rob Owen. Hall Deposition, supra, at 55-56; Continued Hall Deposition, supra, p. 124.

⁵⁰¹ Continued Hall Deposition, supra, p. 118.

Costa Rica."⁵⁰²

CMA on the Southern Front: The March 6, 1985, Shipment of Arms

On March 6, 1985, a group of Cuban exiles and mercenaries, including Jesus Garcia and Steven Carr, shipped six tons of automatic rifles, mortars and other weapons from a Fort Lauderdale airport to the Nicaraguan rebels.⁵⁰³ Defendant Corvo was in charge of the logistics of the shipment.⁵⁰⁴ The weapons included a 14-foot, .20-millimeter cannon with 150 rounds of ammunition, a crate of 30 - 50 G-3 automatic rifles, a crate of M-16 and M-60 machine guns, several .60-millimeter mortars with 80 to 100 rounds each, a .50-caliber machine gun with 250 rounds, a sniper rifle and a shotgun.⁵⁰⁵ The weapons, along with three kilograms of cocaine, were stored at the homes of Defendant Chanes and a relative of Defendant Corvo's.⁵⁰⁶ The sniper rifle and a shotgun were from Defendant Posey's personal collection. The weapons, approximately 4,500 pounds, were flown to Ilopango Air Force Base in El Salvador by Daniel Vasquez II, a Cuban-American twice convicted of running guns to Cuba in the late

⁵⁰² Terrell NBC Transcript, supra, p. 38.

⁵⁰³ The Chronology, supra, pp. 88-89.

⁵⁰⁴ Cockburn, supra, p. 40.

⁵⁰⁵ "Did Meese Block a Second Probe?", Village Voice, December 30, 1986, citing federal law enforcement officials.

⁵⁰⁶ "NSC, CIA, and Drugs: The Cocaine Connection," Covert Action Intelligence Bulletin, Summer 1987; "Did Meese Block a Second Probe?", Village Voice, December 30, 1986.

1950s and early 1960s, and his son.⁵⁰⁷ Carr, who stated that he was recruited by Defendant Jones,⁵⁰⁸ stated that the plane, a Convair cargo plane, was owned by Tom Boy, the head of the Florida Air Transport Company. Boy confirmed that his plane made the flight, but said it was leased to American Flyers, a Fort Lauderdale air charter company headed by Vasquez. The cargo was not checked because Vasquez filed a manifest stating that the plane contained used clothing and medicine.⁵⁰⁹ Persons on the flight included Carr, Defendant Corvo and Robert Thompson, another mercenary. Thompson confirmed Carr's story.⁵¹⁰

After landing at Ilopango, the plane was unloaded, and the weapons were taken to a nearby warehouse. A few days later, they were reloaded on smaller planes and sent to Defendant Hull's ranch in Costa Rica.⁵¹¹ Defendant Corvo told the FBI that he

⁵⁰⁷ "Obstruction at Justice," Village Voice, March 31, 1987, citing FBI files; "Cuban Exiles Said to Ship Guns to Rebels," Miami Herald, July 21, 1985; "Did Meese Block a Second Probe?", Village Voice, December 30, 1986.

⁵⁰⁸ Jones' description of the same event is that in January of 1985, Carr knocked on Jones' hotel door while Jones was in Miami attempting to drum up support for the contras. Jones said he talked to Carr several times and referred him to Defendant Corvo. Jones Deposition, supra, p. 43.

⁵⁰⁹ Carr stated that on March 3, 1985, a van load of uniforms, boots and medicines had been loaded on the same plane. "Cuban Exiles Said to Ship Guns to Rebels," Miami Herald, July 21, 1985.

⁵¹⁰ "Cuban Exiles Said to Ship Guns to Rebels," Miami Herald, July 21, 1985.

⁵¹¹ "Obstruction at Justice," Village Voice, March 31, 1987, citing FBI files.

had informed Defendant Hull that there were guns in the boxes.⁵¹² Defendant Owen was present during the unloading.⁵¹³ The weapons were later used in a raid against the Nicaraguan town of La Esperanza led by Defendant Corvo.⁵¹⁴

Carr, Corvo and Thompson traveled to Costa Rica by commercial plane on March 9, 1985.⁵¹⁵ When they arrived, they were met by Costa Rican authorities who took them to Hull's ranch and told them they "did not have anything to worry about here in Costa Rica because our government is giving full support."⁵¹⁶

An FBI investigation confirmed the above illegal activities.⁵¹⁷ U.S. Customs Service records also showed that Defendant Corvo chartered a plane to carry cargo from Fort Lauderdale to the Ilopango military airfield in El Salvador on that date and again on June 19, 1985.⁵¹⁸

⁵¹²Feldman Deposition, supra, p. 67.

⁵¹³Owen Deposition, supra, pp. 107-8.

⁵¹⁴"Obstruction at Justice," Village Voice, March 31, 1987, citing FBI files.

⁵¹⁵"Cuban Exiles Said to Ship Guns to Rebels," Miami Herald, June 21, 1985.

⁵¹⁶Roberto Cruz Sandoval Deposition, May 8, 1987 p. 53. U.S. Customs Service records confirm that Defendant Corvo chartered a plane to carry cargo from Fort Lauderdale to the Ilopango military airfield in El Salvador on that date and again on June 19, 1985. "CIA Role in Arming Contras Seen Larger than White House Has Acknowledged," The Wall Street Journal, Jan. 15, 1987.

⁵¹⁷Feldman Deposition, supra, p. 67.

⁵¹⁸"CIA Role in Arming Contras Seen Larger than White House Has Acknowledged," The Wall Street Journal, Jan. 15, 1987.

Arrest of the Mercenaries

Peter Glibbery and John Davies were two British mercenaries who had the Recondo School, a paramilitary training operation run by Frank Camper in Alabama. In February of 1985, Camper introduced the two Englishmen to Defendant Posey who recruited them into the CMA.⁵¹⁹ In early March, Posey sent Glibbery and Davies to Miami to meet John Hull. When they met Hull at the Miami Howard Johnson's, he was accompanied by Larry Huff, whom he described as a business associate, and Felipe Vidal. They were subsequently joined by a French mercenary, Claude Chauffard. The next morning, March 9, 1985, the mercenaries and Huff all flew to Costa Rica.⁵²⁰ The mercenaries' travel expenses were partially paid for by Hull.

Glibbery, Carr, Claude Chauffard and John Davies went first to Hull's ranch at Muelle, and then to another one of his farms at Pocosol. They spent the night with Bill Crone, a co-owner of the Pocosol ranch.⁵²¹ The following morning, they went further north toward Nicaragua to set up a camp just inside Nicaragua. Defendant Corvo worked with them, but they also took direction

⁵¹⁹Cockburn, supra, p. 27. Kornbluh, supra, pp. 82-86. It was Sam Hall who a week later brought Glibbery and Davies from Camper's gun shop to Posey in Decatur, Alabama for "their marching orders." Cockburn, supra, p. 27.

⁵²⁰Cockburn, supra, p. 29. Chauffard had been sponsored by James Keyes through a \$10,000 donation to CMA. Keyes is closely connected to Vice President George Bush. Id. Testimony of Peter Glibbery in Hull v. Avirgan and Honey, First Penal Court, San Jose, Costa Rica, May 22, 1986, reprinted in LaPenca: On Trial in Costa Rica (hereafter "Glibbery Testimony"), p. 36.

⁵²¹Crone Deposition, supra, pp. 260-1.

from Defendant Hull, whom they described as their "boss".⁵²² Glibbery wrote reports on the state of training, proposed troop utilization for the FDN and sent messages to Hull asking for advice.⁵²³ Glibbery, Chauffard and Davies spent Easter at Hull's beach house.⁵²⁴ They worked very closely with the local Costa Rican authorities who, at one point, issued Costa Rican arm bands to the contras so that they could arrest a Sandinista lieutenant whose parents lived in Costa Rica.

Shortly thereafter, Defendant Corvo led Carr, Robert Thompson and approximately 20 contras on an attack of a Sandinista outpost known as La Esperanza. The Costa Rican Rural Guard did reconnaissance for the raid. Casualty reports varied, with between 30-70 soldiers and civilians reported killed.⁵²⁵

Glibbery, Carr, Davies, Thompson and Chauffard were arrested on April 25, 1985, by Costa Rican officials shortly after the La Esperanza raid. One of the weapons confiscated was a sniper rifle which the U.S. Bureau of Alcohol, Tobacco and Firearms

⁵²² ABC Interview with Steven Carr and Peter Glibbery, September 15, 1985; Glibbery Testimony, supra, p.33. Crone testified that he delivered a note from Glibbery to Hull shortly after their arrival in which Glibbery told Hull of problems in the camp and asked for advice. Crone Deposition, supra, pp. 257-265.

⁵²³ ABC interview with Steven Carr and Peter Glibbery, September 15, 1985; Crone Deposition, supra, p. 263.

⁵²⁴ ABC Interview with Steven Carr and Peter Glibbery, September 15, 1985.

⁵²⁵ Cockburn, supra, pp. 43-44.

traced to Defendant Posey.⁵²⁶ Posey also hired a lawyer for the mercenaries.⁵²⁷ After Carr and Glibbery began to talk to reporters about their operation, Hull and Jim Denby, an American associate of Hull's living in Costa Rica, made repeated visits to the prison to get them to recant their statements. Carr eventually agreed and signed a retraction, which he later told CBS was done "for a basket of food." Ultimately, all five were freed on bail when Hull posted their bond, believing that the gesture would silence them.⁵²⁸

Sam Hall and the Rainbow Mission

One of Defendant Posey's and Singlaub's other volunteers was Sam Hall. Hall was a mercenary who had been working with Navy Capt. William Hamilton, director of U.S. Navy special operations, and was attempting to establish the "Phoenix Battalion," a privately funded, covert group that would mount worldwide "preemptive strikes" against organizations it defined as "terrorist."⁵²⁹ In February 1985, Hall was contacted by one of

⁵²⁶ "Obstruction at Justice," Village Voice, March 31, 1987, citing FBI files. The Chronology, supra, at 88-89.

⁵²⁷ "Alabama's CMA Troops Face Hard Time in Jungle," Birmingham News, June 13, 1985.

⁵²⁸ Cockburn, supra, pp. 46-47. Bill Crone testified that Hull attempted to put up property which Hull did not own as collateral for the bail. Crone Deposition, supra, p. 270.

⁵²⁹ Deposition of Sam Hall, September 9, 1987, pp. 227-267. Ross Perot was apparently solicited to fund this group. Id., p. 258. Capt. Hamilton is now retired and an executive with the ANV Corp., a Jupiter, Fla.-based firm which employs a significant number of former intelligence and military special operations personnel. This company, of which Defendant Shackley is a secret

the planners of the Phoenix Battalion, a member of the 2506 Brigade.⁵³⁰ Hall was told by this individual to "get into Central America" and to do so by aligning himself with CMA and Defendant Posey, who put him in touch with Defendant Owen.⁵³¹ Owen sent Hall to Honduras on a "fact-finding" trip in March 1985 with Mario Calero.⁵³² Hall reported to an American in Tegucigalpa and then to Defendant Owen back in the United States.⁵³³ In early April 1985, after his debriefing by Defendant Owen, Hall was sent back to Honduras to become the military adviser and trainer in the Rus Rus Miskito camp, replacing Jack Terrell.⁵³⁴ Hall's expenses were paid by Defendant Singlaub's non-profit, tax-exempt U.S. Council for World Freedom.⁵³⁵ Thus, Hall was working for Singlaub, Owen and their superiors, under the guise of CMA.⁵³⁶

shareholder, is apparently involved in the training and hiring out of assassins. Deposition of Gene Wheaton, March 1-3, 1988, pp. 222-228.

⁵³⁰ Sam Hall, Counter-Terrorist, (Donald I. Fine, Inc., 1987), p. 263.

⁵³¹ Hall Deposition, supra, pp. 57, 116-117. Sam Hall, Counter-Terrorist, p. 263.

⁵³² Hall Deposition, supra, p. 62-68.

⁵³³ Hall Deposition, supra, pp. 74-78.

⁵³⁴ Hall Deposition, supra, pp. 78-80.

⁵³⁵ Hall Deposition, supra, pp. 27-28. Hall stated that he operated out of the TEA commando camp, a 30-minute walk from the Rio Coco, in Honduras. Id., p. 51.

⁵³⁶ Hall deposition, supra, p. 127. Owen informed Hall at one of the meetings the two had that Hall would be in Honduras as an agent for Defendant Singlaub. Continued Hall Deposition,

While working for Singlaub, Hall developed a plan for a large military action called the "Rainbow Mission," which involved the invasion of Nicaragua by Americans and contras and the control of the Atlantic Coast of Nicaragua by the Miskitos. He sent a draft to Owen who passed it on to Singlaub.⁵³⁷ Hall requested 500 pounds of the explosive C-4, Claymore mines, grenades and ground-to-air missiles to carry it out.⁵³⁸ Hall testified that he knew the contras were already in possession of large amounts of C-4, which was stored at a contra base near Tegucigalpa.⁵³⁹

In early May, Hall met Defendant Owen in Tegucigalpa, the second time he had met with Owen in Honduras, and provided him with a list of military supplies that Hall needed. While Owen provided Hall with fuel which was used to launch assaults across the border into Nicaragua, he could not supply Hall with the most of the other supplies requested.⁵⁴⁰

In approximately mid-June of 1985, Hall was ordered by Defendant Owen to leave Honduras and come to Boulder, Colorado to meet with Defendant Singlaub to discuss the military operation in

supra, p. 33.

⁵³⁷Hall Deposition, supra, pp. 101, 195, 142.

⁵³⁸Hall Deposition, supra, pp. 101-105; Exhibit D-3 (undated memo entitled "Rainbow Mission.")

⁵³⁹Hall Deposition, supra, pp. 289-91.

⁵⁴⁰Continued Hall Deposition, supra, 31-32, 42.

Honduras and Hall's arrangement with Singlaub.⁵⁴¹ Before the meeting, Hall had two telephone conversations with Singlaub in which they discussed the implementation of the Rainbow Mission and the provision of military supplies. Defendant Singlaub approved the Rainbow Mission and told Hall, who earlier had difficulty getting military supplies, that things were going to change and that Hall would get what he needed. Singlaub did say that as far as the requested missiles were concerned, he may only be able to get those manufactured in France.⁵⁴² Once the Rainbow Mission was approved by Defendants Owen and Singlaub and Lt. Col. Oliver North,⁵⁴³ Hall's requests for military supplies were given to Owen, who passed them on to Defendant Singlaub.⁵⁴⁴

In June of 1985, Hall left Honduras for Colorado for his face-to-face meeting with Defendant Singlaub. Tom Posey and Robert K. Brown were also present for this meeting,⁵⁴⁵ during which Singlaub explicitly approved the Rainbow Mission. Singlaub then directed Hall to an explosives expert for consultation on the plan. Approximately a week later, Hall met with this expert

⁵⁴¹Hall Deposition, supra, p. 119-127. Other persons at the meeting included Robert K. Brown of Soldiers of Fortune magazine, Posey and a member of the Omega, Ltd., the parent company of Soldier of Fortune. Id., pp. 119-125. Continued Deposition of Robert Owen, February 28, 1988, p. 318.

⁵⁴²Continued Hall Deposition, supra, pp. 27-34, 42-43.

⁵⁴³Hall Deposition, supra, p. 144-145; Continued Owen Deposition, supra, 327; Continued Hall Deposition, supra, p 44.

⁵⁴⁴Continued Owen Deposition, supra, p. 336; Hall Deposition, supra, pp. 309, 356.

⁵⁴⁵Continued Hall Deposition, supra, Volume II, p. 58.

and refined some of the placements of explosives provided for in the planned mission.⁵⁴⁶ Singlaub also devised a plan to steal a Soviet-made MI-24 or HIND D helicopter from Nicaragua which would require a non-American pilot. Singlaub wanted Hall to lead this mission.⁵⁴⁷

After the Colorado meeting, Hall returned to Honduras and was directed by Singlaub and Owen, to implement the Rainbow Mission.⁵⁴⁸ Owen also put Hall in touch with Aristides Sanchez, a FDN associate of Defendant Calero's, to whom Hall proposed becoming the liaison between the FDN and the Miskitos.⁵⁴⁹ Defendants Owen and Singlaub traveled to Honduras in late July and met with Hall.⁵⁵⁰ On approximately August 1, 1985, Hall was directed by Singlaub to go to a secret supply base in Aguacate, Honduras where he was shown a large supply of military equipment that Singlaub had provided for the Rainbow Mission. It included 500 pounds of C-4, five French ground-to-air SAM 7-like missiles, grenades, mortars and all of the other equipment Hall

⁵⁴⁶Continued Hall Deposition, supra, 88-89.

⁵⁴⁷Continued Hall Deposition, supra, pp. 54-57.

⁵⁴⁸Hall Deposition, supra, p. 308-310. Hall was in fact paid expenses by Owen and Singlaub. Id.

⁵⁴⁹Owen Congressional Testimony, supra, pp. 431-2 and Exhibit ROW-19.

⁵⁵⁰Owen Congressional Testimony, supra, pp. 430-1 and Exhibit ROW-8 and ROW-18.

had requested.⁵⁵¹ At least half of this equipment was then transported to a supply facility closer to Hall's base camp.⁵⁵²

During their trip, Singlaub and Owen met with Calero, the FDN and Miskito Indian groups. After that meeting, Defendant Owen transmitted a demand from the Indians that Hall leave the Rus Rus camp. Owen left \$400 for Hall's flight home to the U.S. and later indicated that Defendant Singlaub had paid Hall \$1,500.⁵⁵³

Contra Drug Connection

By 1981, the Costa Rican farm of Defendant John Hull was known as a refueling and storage place for international drug dealers transporting drugs from Colombia to the United States.⁵⁵⁴ Defendants Vidal and Corvo, who were both known to Miami authorities as drug traffickers, established a cocaine

⁵⁵¹Hall Deposition, supra, pp. 144-147, 321, 365, 395, 397, 406. Continued Hall Deposition, supra, 44-50, Volume II, p. 28, 32.

⁵⁵²Continued Hall Deposition, supra, Volume II, 33-36.

⁵⁵³Owen Congressional Testimony, supra, pp. 430-1 and Exhibits ROW-8 (letter dated August 7, 1985, from Owen ("TC") to North ("Steelhammer") and ROW-18 (letter dated August 7, 1985, to Hall). Owen had earlier put Hall in touch with an FDN leader named Aristides Sanchez to whom Hall proposed becoming the liaison between the FDN and the Miskitos. Hall also proposed his "Rainbow Mission" in which he would train and lead the Miskitos in controlling the East Coast of Nicaragua. Id., pp. 431-2 and Exhibit ROW-19. See, also, Hall Deposition, supra, pp. 144-147.

⁵⁵⁴Morales Testimony, supra, p. 18. Morales, a drug trafficker, stated that "Colombian friends," who were always looking for places "to stash the merchandise, points for fuel stops," on the way from Colombia to the Bahamas, told him about Hull's ranch. Id.

transshipment operation on Defendant Hull's farm that would coincide with the shipment of arms.⁵⁵⁵ Hull was aware of this activity, as were other intelligence officials in Central America.⁵⁵⁶

Defendants Vidal and Corvo coordinated the landing of small planeloads of cocaine on Defendant Hull's farm and the numerous other ranches managed by Hull along the Costa Rican border with Nicaragua. The cocaine on these planes came from Defendants Ochoa and Escobar, two of the largest cocaine producers and traffickers in Colombia.⁵⁵⁷ It was unloaded and then reloaded for shipment to Miami, New Orleans and Memphis on Defendant Hull's farm and the other farms he managed.

A portion of the income earned by Defendants Hull, Vidal,

⁵⁵⁵ Deposition of Carlos Rojas Chinchilla, November 5, 1987, pp. 50-51. Testimony of Floyd Carlton Caceres before the Senate Foreign Relations Subcommittee on Terrorism, Narcotics and International Communications, February 10, 1988 (hereafter "Carlton Testimony"). Cockburn, supra, p.89.

⁵⁵⁶ Jose Blandon testified that he was aware that the contra operations served as an infrastructure for various illegal activities, including drug running. Blandon identified the Corvo-Vidal network as being involved in the traffic of arms and drugs in Central America. Blandon Deposition, supra, p. 48. Sebastian Gonzales, another contra who was under the control of Defendant Hull was arrested in Costa Rica for smuggling cocaine. Blandon Congressional Testimony, supra, February 9, 1988.

⁵⁵⁷ Panamanian drug pilot Floyd Carlton Caceres has said that he had been told that a plane loaded with 538 kilos of cocaine worth \$18.8 million and piloted by Teofilo Watson, Carlton's partner, had landed on Hull's ranch in May of 1985. Carlton Congressional Testimony, supra; Blandon Testimony, February 9, 1988, supra, "Drugs Spark Panama Manhunt," Miami Herald, November 3, 1985. Apparently the drugs were never found, and the Cali drug cartel kidnapped Hull's daughter in an attempt to get them back. Blandon Congressional Testimony, February 9, 1988.

Corvo and others from drug trafficking was used to finance the purchase of military equipment, ammunition and explosives by the contras.⁵⁵⁸ Ramon Milian-Rodriguez, a convicted drug money launderer for the Colombian Medellin cartel, testified before the Senate Foreign Relations Committee that the 2506 Brigade was involved in the drug trade, and that the proceeds from drug trafficking were being used to support the contras.⁵⁵⁹

In June of 1983, Defendant Hull and Marcos Aguado, one of his pilots, made a mysterious trip to Colombia and then to Miami to visit with Jorge Morales, a known drug and arms trafficker, in his office. Defendant Hull and Aguado arrived in a Beechcraft T-55 later identified as a plane involved in drug trafficking. Hull was accompanied by Gustavo Velez, a "Colombian friend," Aguado and Gerardo Duran, another of his pilots. The ostensible purpose of the visit was to obtain the transport of contributed

⁵⁵⁸ Rojas Deposition, supra, 50-51. Cockburn, Cockburn, 171-175. Eden Pastora later identified Colonel "Paniagua" as Defendant Vidal's protector. Deposition of Eden Pastora, supra, p. 20.

⁵⁵⁹ Testimony of Ramon Milian Rodriguez before the Senate Foreign Relations Subcommittee on Terrorism, Narcotics and International Communications (hereafter "Milian Rodriguez Testimony"), February 11, 1988, pp. 87-91. Milian Rodriguez, who was associated with Dr. Manuel Arttime and had earlier been assigned to launder support money for the families of the Cubans involved in the Watergate burglaries, met with Defendants Escobar and Ochoa and Carlos Lehder of the Medellin drug cartel in Colombia to discuss a safe haven for the cartel's profits, which ranged between \$50-100 million per month. Milian Rodriguez reached an accord with then-Colonel Manuel Antonio Noriega, head of Army Intelligence in Panama, to deposit the money in Panama, with Noriega to receive one percent of the monies delivered. Id. at pp. 33-37.

grenade launchers to El Salvador.⁵⁶⁰

But shortly thereafter, the Enterprise developed a much more direct link to Morales. In March of 1984, Morales, who had just been indicted for conspiracy to import and distribute cocaine, was contacted by Popo Chamorro, Pastora's supply officer, Octaviano Cesar, a Pastora associate, and Marcos Aguado. They represented themselves as contra leaders working with the CIA.⁵⁶¹ Morales was asked for "airplanes, money, training, weapons, explosives, any type, any kind of help" in exchange for "taking care of" his legal problems. Morales agreed to help, and gave the contras a DC-4, a DC-3, a helicopter and a Piper Navajo.⁵⁶² The other arrangement made was that Morales would transport drugs from Central America for the contras and then use the money to buy supplies and weapons to be returned to the contras.⁵⁶³

⁵⁶⁰ Deposition of George Morales before the Senate Foreign Relations Subcommittee on Terrorism, Narcotics and International Communications, pp. 83-94.

⁵⁶¹ CBS was told by eight sources that Cesar works for the CIA. "NSC, CIA, and Drugs: The Cocaine Connection," Covert Action Intelligence Bulletin, Summer 1987. Cockburn, supra, p. 169.

⁵⁶² Deposition of George Morales before the Senate Foreign Relations Subcommittee on Terrorism, Narcotics and International Communications (hereafter "Morales Congressional Deposition"), supra, pp. 29-33. Morales further testified that the DC-3 with the tail number "PaPa PaPa Delta Charlie" remains at Ilopango Air Force Base in El Salvador under the control of the CIA. Id., p. 56-7.

⁵⁶³ Morales Congressional Deposition, supra, pp. 34-5 and 37. Morales further testified that he bought machine guns, automatic rifles, high-powered rifles, pistols and explosives to be shipped to the contras. At least once, he was personally at the airport in Fort Lauderdale when they were loaded. He also saw drugs being unloaded when the planes returned. Id., pp. 35-6.

Morales personally witnessed the loading of weapons and the unloading of drugs. Some of them came from the Tamiami gun shop of Defendant Martin.⁵⁶⁴ In return, Morales was assured that "high-level Washington people", including Vice President Bush, would keep him out of jail.⁵⁶⁵

In July of 1984, Morales took his first trip in which he transported munitions -- including M-16s, machine guns, C-4 and a cannon -- down to Costa Rica and drugs back for the contras. A second load followed shortly thereafter. Several other trips were made between July and October to transport marijuana between Colombia and the Bahamas. Contra pilots were trained by Morales to make the flights.⁵⁶⁶ After a meeting on December 20, 1984, in Costa Rica with Popo Chamorro, Octaviano Cesar, Commandante Tito and Carol Prado, all contra leaders working with Eden Pastora, Morales received 160 kilos of cocaine for transport to the Bahamas and then on to Miami. Duran was the pilot for this load.⁵⁶⁷ Shipments of cocaine continued until June 8, 1986. Morales sold the drugs and returned the proceeds to the contras.⁵⁶⁸ Either Opa-locka Airport or Executive Airport in

⁵⁶⁴ Morales Congressional Testimony, supra, p, 36.

⁵⁶⁵ Cockburn, supra, p. 170.

⁵⁶⁶ Morales Congressional Deposition, supra, pp. 77-9.

⁵⁶⁷ Gerardo Duran, a contra pilot, flew this shipment of cocaine to Great Harbor in the Bahamas. It subsequently went to Miami. Another flight occurred on Dec. 27, 1985 (Costa Rica to Great Harbor) Morales Congressional Deposition, supra, p. 15-7.

⁵⁶⁸ Morales Congressional Deposition, supra, p. 15.

Fort Lauderdale were used to off-load the drug shipments.⁵⁶⁹

Over \$3 million in cash and other services, such as pilots and safe houses, went to the contras' offshore accounts from Morales. On October 13, 1984, Cesar went on a trip with Morales to the Bahamas to pick up \$400,000 in cash from a local bank. Cesar filled out Customs forms declaring the money when he returned to the United States. Popo Chamorro also made a trip to the Bahamas and signed purchase papers for a Morales plane.⁵⁷⁰

Morales' pilots stated that they landed at Defendant Hull's ranch, unloaded, refueled, reloaded and returned back to the United States.⁵⁷¹ A Senate investigator has stated that "George Morales was close enough to Hull that he can describe the color of Hull's bedroom dresser."⁵⁷² Defendant Hull was paid up to \$300,000 per flight.⁵⁷³ "It was guns down, cocaine back," Gary

⁵⁶⁹Morales Congressional Deposition, supra, pp. 14-16, 60, 74 and 78-99. Morales testified that he was the pilot on the first two or three flights. Id., p. 79. Morales gave a Cessna Titan 404, tail number N5273J to Popo Chamorro in 1985. Federal Aviation Administration record show that Chamorro tried to register this plane in the U.S. in May of 1985. "NSC, CIA, and Drugs: The Cocaine Connection," Covert Action Intelligence Bulletin, Summer 1987, citing an interview with Morales.

⁵⁷⁰Cockburn, supra, p. 171.

⁵⁷¹Morales Congressional Deposition, supra, p. 20-1.

⁵⁷²"NSC, CIA, and Drugs: The Cocaine Connection," Covert Action Intelligence Bulletin, Summer 1987.

⁵⁷³Cockburn, supra, p. 172-3.

Betzner, a pilot hired by Morales, said.⁵⁷⁴ Betzner stated in an interview that he flew arms down to Hull's ranch and 1,000 kilos of cocaine back to the U.S. during a trip in 1984.⁵⁷⁵ He was paid 20 kilos of cocaine per trip.⁵⁷⁶ When he landed, "people that were hired by John Hull or working for him would load the aircraft. In both cases, John Hull was there." Betzner would land in broad daylight at Florida airports, the result of what he viewed as a CIA operation.⁵⁷⁷ Morales estimated that the drug shipments from the contras were worth tens of millions of dollars.⁵⁷⁸

Law enforcement officials have confirmed that pilots working for the secret supply network were protected by certain persons at the CIA, who directed that their planes not be searched by Customs. Michael Palmer, a known drug smuggler, told one of his partners that he smuggled arms for the contras from Argentina to Honduras in cargo vessels and was protected in his Colombian dealings because he had a password that insured "a safe and

⁵⁷⁴ Doyle McManus and Ronald J. Ostrow, "Committee Probes Reports of Contra Drug Smuggling," Los Angeles Times, February 22, 1987.

⁵⁷⁵ "NSC, CIA, and Drugs: The Contra Connection," Covert Action Intelligence Bulletin, Summer 1987.

⁵⁷⁶ Cockburn, supra, p. 173.

⁵⁷⁷ Cockburn supra, pp. 173-5.

⁵⁷⁸ Morales Congressional Deposition, supra, p. 95.

undisturbed passage."⁵⁷⁹

By mid-1984, Defendant Jones was also receiving information that the contras were involved in narcotics trafficking.⁵⁸⁰ Their lead pilot was Duran, who is now in prison in Costa Rica serving a sentence for drug trafficking. He was implicated in the escape of drug kingpin Rafael Caro Quintero from Mexican custody to Costa Rica.⁵⁸¹

The contras also had another link to the powerful Medellin cartel. Between 1982 and 1985, the cartel contributed \$10 million to the contra cause upon the request of Felix Rodriguez, who oversaw the contra resupply operation in El Salvador.⁵⁸² The money was passed by Milian-Rodriguez to couriers hand-picked by Rodriguez. Milian-Rodriguez, who was invited to President Reagan's inauguration, also met several times with Donald Gregg, Vice President George Bush's national security adviser, and

⁵⁷⁹Affidavit of Alejandro Cerna Sanchez, dated January 27, 1988, filed in U.S. v. Cerna Sanchez (S.D. Texas); "Panel to Probe Alleged Contra-Drug Trade Links," Boston Globe, February 13, 1988.

⁵⁸⁰Jones Deposition, supra, pp. 182-3.

⁵⁸¹Bill Crone, who is also a pilot, noticed that Duran's operation developed to the point that he was using the international airport. Crone Deposition, supra, p. 260-1.

⁵⁸²Rodriguez' other business was Giro Aviation Corp., where his partner was Gerald Latchinian, who was convicted for smuggling \$10 million in cocaine into the United States to finance a coup against the president of Honduras. Cockburn, supra, pp. 155-6.

Rodriguez's old CIA boss.⁵⁸³ The purpose of the contribution was to buy "goodwill."⁵⁸⁴ Although a spread sheet of Milian-Rodriguez's financial accounts included a November 1982 entry for \$3.69 million for the CIA, prosecutors never asked him a single question about it when he was convicted in 1985.⁵⁸⁵ His testimony on this subject before the Senate Foreign Relations Subcommittee on Terrorism, Narcotics and International Communications has not yet been released.⁵⁸⁶

In late 1984, Felix Rodriguez asked Milian-Rodriguez for another favor: his assistance in laundering cash from some Miami companies to the contras. One of the companies was Ocean Hunter, a business run by Defendant Chanes. Milian-Rodriguez laundered approximately \$200,000 a month through Ocean Hunter.⁵⁸⁷

There were other allegations of drug trafficking on Defendant Hull's ranch. Floyd Carlton Caceres, a convicted drug smuggler, alleged in his Congressional testimony that drug pilot Teofilo Watson went down with a load of drugs on John Hull's ranch in May of 1985. The drugs were never found. Jose Blandon testified that Hull's daughter was kidnaped by the owners of the

⁵⁸³ "Three Committees Track Down Smuggled Drugs, not Smoking Gun," In These Times, August 5 - 18, 1987; CBS, West 57th Street, July 11, 1987; Cockburn, supra, p. 154.

⁵⁸⁴ Cockburn, supra, p. 155.

⁵⁸⁵ Cockburn, supra, p. 153.

⁵⁸⁶ Cockburn, supra, p. 155.

⁵⁸⁷ Cockburn, supra, pp. 155-6.

drugs because they thought Hull had stolen them.⁵⁸⁸

Drug traffickers also played a role in the mining of the Nicaraguan harbors in 1983. Gary Betzner, a veteran drug pilot, picked up a DC-3 that had been confiscated from another drug dealer at Boca Chica Naval Station in Key West that was already loaded with six ship mines. He off-loaded the mines at the Ilopango military base in El Salvador. As part of the deal, he then went on to Rio Hacha on the north coast of Colombia and picked up 6,000 pounds of marijuana.⁵⁸⁹

In early 1985, Jack Terrell saw eleven contras carrying approximately 25 kilos of cocaine in Honduras.⁵⁹⁰ During that same period, Defendant Owen was meeting frequently with contra leaders from the southern front to discuss military logistics and strategy. At least one of those meetings (March 29-30) was held in Washington, D.C., at which representatives of Negro Chamorro's group and another camp run by "the Cubans" were present. After that meeting, Defendant Owen identified Jose Robelo ("Chepon"), head of Chamorro's group, and Sebastian Gonzalez ("Wachan") are being involved in drug running. Others were stated to be making money on the side from the sale of U.S. goods.⁵⁹¹

The Tolliver Drug Runs to Honduras

⁵⁸⁸ Blandon Deposition, supra, p. 35.

⁵⁸⁹ Cockburn, supra, p. 173.

⁵⁹⁰ Terrell NBC Transcript, supra, p. 22.

⁵⁹¹ Owen's Congressional Testimony, supra, Exhibit RWO-7.

In late July or early August of 1985, Michael Tolliver, an American pilot finishing up a prison term in a halfway house in Georgia, was contacted by Barry Seal, a drug trafficker who was known for his ties to the CIA,⁵⁹² and asked to meet with people about working in a covert operation. Tolliver subsequently met with a man who identified himself as Eduardo Hernandez.⁵⁹³ Tolliver later identified Hernandez as "Max Gomez," an enterprise associate whose real name is Felix Rodriguez.⁵⁹⁴ In the first week of August, "Hernandez" took Tolliver to Tegucigalpa, Honduras, to meet with "his man," Wayne Westover (a/k/a George Wilson), a liaison for the contras in Honduras.⁵⁹⁵ Westover then introduced Tolliver to Jose Ferrer, the man who would become

⁵⁹² Deposition of Michael Tolliver in Midland National Bank v. Conlogue and American Aircraft et al., Case No. 83-1707K (D. Kansas), November 18, 1987 (hereafter "Tolliver Kansas Deposition"), p. 282; Cockburn, supra, at 180. Defendant Quintero later told Tolliver that Seal was one of the recruiters for crews and an integral part of obtaining people to fly military aid into Honduras. Tolliver Kansas Deposition, supra, p. 282.

⁵⁹³ Deposition of Michael Tolliver, March 10, 1987 (hereafter "Tolliver Deposition"), p. 4. Hernandez's assistant in Miami was Miguel Perez. Id., p. 8. Based upon his conversations with Perez, Tolliver believed Perez to be working for Defendant Theodore Shackley. Id., supra, pp. 50-1.

⁵⁹⁴ Tolliver Deposition, supra, p. 11. Tolliver Kansas Deposition, supra, pp. 282 and 425. Transcript of Immunity Proceeding, November 30, 1987, in Midland Bank et al. v. Conlogue and American Aircraft et al., Case No. 83-1707K (D.Kan.) (hereafter "Tolliver Immunity Proceeding"), p. 11.

⁵⁹⁵ Kansas Deposition at 287.

Tolliver's liaison officer in Honduras.⁵⁹⁶

Ferrer told Tolliver that the job required flying aircraft loaded with military supplies into Honduras, that he would be protected, and that his "bonus" was to "get to sort of be an entrepreneur" himself on the return trip. Tolliver was told he would be paid \$75,000 per trip, and the aircraft and crew would be furnished.⁵⁹⁷ In December of 1985, Tolliver was introduced to Defendant Quintero, who was identified as "Hernandez's" boss, who assured him again that "everything would be taken care of on my return and that there was complete protection for us while we were in Honduras and there was complete protection coming back if we indeed decided to make use of their information."⁵⁹⁸

In January, "Hernandez" contacted Tolliver again and asked him to go to Quito, Ecuador, to meet with Defendant Quintero.⁵⁹⁹ Quintero told Tolliver that he should have nothing more to do with Seal, but take all of his directions from the people in Miami.⁶⁰⁰

⁵⁹⁶Deposition of Michael Tolliver, March 10, 1987 (hereafter "Tolliver Deposition"), pp. 1-7 and 9; Tolliver Kansas Deposition, supra, p. 284.

⁵⁹⁷Tolliver Deposition, supra, pp. 7-9.

⁵⁹⁸Tolliver Deposition, supra, p. 12.

⁵⁹⁹Because of weather problems, Tolliver landed in Guayaquil, and Defendant Quintero met him there. Tolliver Deposition, supra, p. 16.

⁶⁰⁰Cockburn, supra, p. 182. This was one month before Seal was murdered in New Orleans on orders of the Colombian cocaine cartel. Id. Tolliver verified the accuracy of pages 179-188 of Cockburn. Tolliver Kansas Deposition at 325-326.

In March of 1986, "Hernandez" contacted Tolliver again and told him to come to Miami International Airport, where a loaded DC-6 and a crew was waiting. Tolliver then flew to Aguacate in Honduras, where 28,500 pounds of military supplies were unloaded.⁶⁰¹ The plane was then loaded with 25,360 pounds of marijuana, which Tolliver flew back to Homestead Air Force Base in South Florida as arranged. When he landed, Tolliver was met by a blue pickup truck, which took him out of the base.⁶⁰² The next day, Tolliver met Hernandez at the Fountainbleau Hotel where he was paid \$75,000 in cash for the transshipment of arms to Honduras.⁶⁰³ Hernandez also promised Tolliver that he would be paid \$150,000 for the return shipment of drugs. However, Hernandez never made this payment.⁶⁰⁴

In July of 1986, Hernandez contacted Tolliver for a second trip for the Enterprise. Tolliver flew a DC-3 loaded with about 6,000 pounds of ammunition from Port-au-Prince, Haiti, to Aguacate. By filing a flight indicating that he was going to another area of Haiti, he avoided having to file his plan in Miami.⁶⁰⁵ On the return trip, Tolliver flew to Colombia where

⁶⁰¹ Tolliver Deposition, supra, pp. 21-3.

⁶⁰² Immunity Proceeding at 10-11; Kansas Deposition at 17-18. Cockburn, pp. 182-183.

⁶⁰³ Tolliver Deposition, pp. 27-28; Immunity Transcript at 11; Kansas Deposition at 265, 424.

⁶⁰⁴ Tolliver Deposition, supra, pp. 27-8. Tolliver Kansas Deposition, pp. 264 and 446-447.

⁶⁰⁵ Tolliver Deposition, supra, pp. 30-34. Morales is alleged to have set up Haiti as a major transshipment point.

drugs were loaded, and then to the Bahamas to off-load, and finally back to Haiti.⁶⁰⁶ Tolliver received \$20-30,000 for this flight.⁶⁰⁷ Tolliver also admitted to landing planes on John Hull's ranch.⁶⁰⁸

By 1984, after the La Penca bombing, CIA and U.S. embassy sources in Costa Rica were beginning to accuse the contras operating near Defendant Hull's property of drug trafficking.⁶⁰⁹ No action was taken, however, despite other warnings. In 1986, after Gerardo Duran, a contra pilot working for George Morales, was arrested for transporting cocaine to the United States, the allegations of drug trafficking reached George Shultz, the Secretary of State. After Shultz talked personally with Pastora and "reiterated the U.S. position that no resistance group would receive any U.S. assistance if it retained within its ranks any member who has engaged in drug trafficking," the issue was not raised again.⁶¹⁰

In the summer of 1986, Defendant Vidal was arrested by the Costa Rican Rural Guard with arms and drugs and "escaped" back to

⁶⁰⁶Tolliver Kansas Deposition, supra, p. 448.

⁶⁰⁷Tolliver Kansas Deposition, supra, p. 460.

⁶⁰⁸Tolliver Kansas Deposition supra, p. 407.

⁶⁰⁹Prado Deposition, supra, p.39-40. Prado stated that Armando, an official CIA contact for the contras, was one of the persons accusing the contras of drug trafficking. Id. William Crone, Defendant Hull's business partner, also testified on Oct. 30, 1987, that he had been told to stay away from "certain people" because they were trafficking in narcotics.

⁶¹⁰Undated State Department Report entitled "Allegations of Drug Trafficking and the Nicaraguan Democratic Resistance."

Florida.⁶¹¹ He later returned to Costa Rica.

The Tolliver Kansas Case

In Midland National Bank, et al. v. Conlogue and American Aircraft et al., a civil case involving Michael Tolliver presently before Hon. Patrick F. Kelly, U.S. District Court for the District of Kansas, allegations of American pilots running arms and ammunition to the contras and returning to the United States with narcotics were substantiated. In that case, it is alleged that in late 1982, an undercover agent of U.S. Customs leased a plane, claiming that it would be used in an undercover operation. On approximately January 3, 1983, the pilot, Michael Tolliver, returning from Colombia with a plane loaded with marijuana, crashed off the coast of the Grand Cayman Islands.⁶¹²

At the plaintiffs' request, Tolliver was called for a deposition in Kansas. Tolliver, who is currently serving time at the Federal Corrections Institute in Butner, North Carolina, took the Fifth Amendment to key questions whereupon Judge Kelly "put in place a proceeding following plaintiff's counsel's request that the Attorney General extend to Mr. Toliver immunities with regard to his testimony."⁶¹³

After immunity was granted, Tolliver confirmed his

⁶¹¹Cockburn, supra, p. 236.

⁶¹²Tolliver Immunity Proceeding, supra, p. 2.

⁶¹³Tolliver Immunity Proceeding, at 3.

activities in the guns-for-drugs operation described above.⁶¹⁴ Judge Kelly stated: "[I] find it to be incredulous, but, more than that, if true, is deserving of the fullest form of inquiry to ascertain if it is true."⁶¹⁵ The judge continued: "I have found...that there's some credence to your claim, which is to say that in a covert way the United States does acquiesce in the sale of drugs on the open American market and which is intended in part to fund covert activities in Central America..."⁶¹⁶

Judge Kelly stated that he read the Affidavit of Daniel P. Sheehan, filed in this case on December 12, 1986 and that "The sum of the contents of Mr. Sheehan's affidavit is alarming to say the least. It identifies and describes the most evil and sinister form of conduct I can imagine...Simply said, if Mr. Sheehan proves just half of what he claims, in time there will be many arrests and prosecutions of a goodly number of people, some of whom presently serve in very high places in this government.

"⁶¹⁷

Judge Kelly then stated that he would send the Tolliver deposition and transcript of the immunity proceeding to President Reagan, CIA Director Webster and FBI Director Sessions,⁶¹⁸ and stated in sum: "[I] am certain in time full

⁶¹⁴Tolliver Immunity Proceeding, at 3-5.

⁶¹⁵Tolliver Immunity Proceeding, supra, p. 12.

⁶¹⁶Tolliver Immunity Proceeding, supra, p. 12.

⁶¹⁷Tolliver Immunity Proceeding, supra, p. 15.

⁶¹⁸Tolliver Immunity Proceeding, supra, p. 17-18.

disclosures will be made to the American people and, if you will, the one reason I would do any of this is because it is in the public's interest that the truth is to surface."⁶¹⁹

January 1984: Obtaining Private Funding for the Contras

Lt. Col. Oliver North of the NSC was the White House liaison to the CIA on the contra issue. In early 1984, North -- with others, including William Casey -- began to develop a plan to continue the contras' military effort to overthrow the government of Nicaragua despite an approaching congressional ban on such aid.⁶²⁰ The plan included the solicitation of funds from other countries and private citizens, some under false pretenses; falsification of documents; perjury before Congressional committees; and the development of a vast "off-the-shelf" covert operation that was self-sustaining and accountable only to the Enterprise. North was to act as the "liaison" to the off-the-shelf operation for the men inside the Reagan administration who, in their private capacity, participated in these illegal operations. The initial task was to raise enough money to

⁶¹⁹Tolliver Immunity Proceeding, supra, p. 19.

⁶²⁰The second Boland Amendment to the Defense Appropriations Act, which prohibited all assistance to the contras by any defense or intelligence agency of the U.S. government was approved by the U.S. House of Representatives in August of 1984 and effective from October 12, 1984 to October 18, 1986. Iran-Contra Congressional Report, supra, p. 41. Its passage had been anticipated for some time prior to the action.

continue contra military operations.⁶²¹

By February of 1984, North wrote McFarlane explaining that without additional funds the program would be drastically curtailed. North proposed immediate efforts to obtain additional funding of \$10-15 million from foreign or domestic sources. McFarlane asked Israel to become the sole funder of the contras, but Israel declined. As a result, on March 27, he met with Casey and proposed another plan to approach third countries. McFarlane then directed Howard J. Teicher, the NSC's director of Near East affairs, to approach Israel a second time. Israel again declined to participate.⁶²²

Earlier, in January of 1984, South Africa expressed its willingness to provide contra aid during a meeting between a South African official and Casey. In April, Duane (Dewey) Clarridge traveled to South Africa to follow up on the offer. During his April visit the mining of the Nicaraguan harbors became public, and CIA deputy director John N. McMahon directed Clarridge to postpone South African contra aid.⁶²³

⁶²¹ Iran-Contra Congressional Report, supra, pp. 36-8; Miami Herald, December 7, 1986.

⁶²² When confronted by Secretary of State George Shultz about the approach to Israel, McFarlane denied that he had directed it. Testimony of George Shultz, Joint Hearings on the Iran-Contra Investigation, July 23, 1987 (hereafter "Shultz Congressional Testimony"), pp. 13-4; Iran-Contra Congressional Report, supra, pp. 36-8.

⁶²³ Iran-Contra Congressional Report, supra, p. 38, citing Testimony of Duane Clarridge, Joint Hearings on the Iran-Contra Investigation, August 4, 1987 (hereafter "Clarridge Congressional Testimony"), pp. 29-33. Clarridge and the CIA continued to attempt to obtain aid from the South Africans. Eden Pastora

The funds for the secret network eventually came from Saudi Arabia, which was approached by an associate of Defendant Secord; NSC Director Robert McFarlane; and the CIA's Chuck Cogan, a personal friend of Prince Bandar's. Saudi Arabia's contribution was a quid pro quo for military equipment without restrictions on its use, specifically 400 Stinger missiles. On Memorial Day, President Reagan invoked emergency procedures to bypass Congressional restrictions. McFarlane then obtained the number of a contra bank account in the Cayman Islands from North and, on June 22, gave the number to Prince Bandar.⁶²⁴ On June 27, Prince Bandar went to Geneva with an \$8 million check which he directed the Swiss Bank Corporation to disburse to the Cayman Islands account at the rate of \$1 million a month.⁶²⁵ The first \$1 million contribution was deposited in the account in July of 1984.⁶²⁶

These steps were taken despite serious opposition and orders directing North, Casey and McFarlane not to take such action. On June 25, at a meeting of the National Security Planning Group

testified that a CIA Costa Rican operative, Daniel Pacheco, arranged a meeting in San Jose in the fall of 1984 between Pastora and representatives of the South African security forces. Pastora stated that no assistance was received from the South Africans. Pastora Deposition, supra, pp. 102-4.

⁶²⁴ FDN bank statements; New York Times, March 6, 1987; Wall Street Journal, March 6, 1987 Bob Woodward, Veil: The Secret Wars of the CIA, New York, Simon & Schuster, 1987 (hereafter "Woodward"), pp. 351-5.

⁶²⁵ Woodward, supra, pp. 351-5.

⁶²⁶ FDN bank statements; New York Times, March 6, 1987; Wall Street Journal, March 6, 1987.

attended by President Reagan, Vice President George Bush, Secretaries Shultz and Weinberger, Presidential Counsel Edwin Meese, CIA Director Casey, and McFarlane, McFarlane proposed that the President seek third-country funding. Chief of Staff James Baker opposed the plan, calling it an "impeachable offense." Although everyone agreed that they would do nothing without an opinion from then-Attorney General William French Smith, on that very same day, North arranged for the transfer of funds from Saudi Arabia. Aware of the illegality of his acts, North issued a series of instructions to Defendant Calero: "never let agency know of amt, source, or even availability" of the funds; "No one in our govt. can be aware"; and "Your organization must not be aware."⁶²⁷

On June 26, at a meeting with Casey, Attorney General Smith said that the United States could "discuss" support for the contras with other countries if it were clear that the United States would not repay their commitment and that the CIA's congressional oversight committees were informed. The congressional committees were not informed of North's and McFarlane's actions until 1987.⁶²⁸

Fall 1984: Another Search for Private Funds

In the fall of 1984, the contras were again running out of

⁶²⁷Iran-Contra Congressional Report, supra, p. 39.

⁶²⁸Iran-Contra Congressional Report, supra, pp. 38-40; FDN bank statements; New York Times, March 6, 1987; Wall Street Journal, March 6, 1987.

funds. After an initial contact requesting continued funding to Saudi Arabia by McFarlane, North asked Defendant Secord to make a follow-up contact. Secord did so, and the ambassador said that he was going to "take it up with the head of state." In February of 1985, King Fahd of Saudi Arabia agreed to contribute an additional \$24 million.⁶²⁹ Secord took the credit for this contribution,⁶³⁰ which was sent directly to Defendant Calero's bank accounts.⁶³¹

Defendant Singlaub, with the approval of Defendant Calero and North, also began soliciting military assistance, including bullets, guns and air defense missiles, for the contras from South Korea and Taiwan in 1984 in meetings at their embassies in Washington, D.C.⁶³² In January of 1985, Singlaub visited senior government officials in those countries, outlined the contras' military needs, repeated his solicitations for military supplies, and proposed three alternative means of funneling the money to the contras: (1) deposit money directly into a foreign bank account for which there would be no accountability; (2) give Defendant Singlaub an instrument that he could deposit in a foreign bank account; or (3) use money from a commission

⁶²⁹ Iran-Contra Congressional Report, supra, p. 45.

⁶³⁰ Calero Congressional Testimony, supra, p. 19.

⁶³¹ Iran-Contra Congressional Report, supra, p. 45.

⁶³² Singlaub Congressional Testimony, supra, Exhibit JKS-8 (memo dated December 4, 1984, from North to McFarlane in which it is reported that Singlaub offers to arrange meetings with Calero and makes proposals based upon agreements with Calero).

ostensibly designated for a vendor of arms for other purposes. The countries' representatives were given a 3x5 card with the name and number of the bank account on it, which Defendant Singlaub had been given earlier by North.⁶³³ Defendant Singlaub stated that he was acting solely as a private citizen. In late 1985, North met directly with a representative from Taiwan, which then made a contribution of \$2 million for "humanitarian" assistance. The money, however, was placed directly into the Enterprise's Lake Resources Swiss Bank account to be used for lethal aid.⁶³⁴

In the period from July 1984 to March 1985, Defendant Calero received a total of \$32 million. He received monthly \$1 million deposits until February of 1985 when he received two deposits of \$5 million and \$4 million, respectively. In March, Defendant Calero received two deposits of \$7.5 million each. After March, no additional funds were deposited in that account⁶³⁵, and the Enterprise removed the day-to-day control of funds from Calero. Defendant Secord took credit for raising the \$24 million that was funneled to the contras in February and March of 1985, and for much of the other funds.⁶³⁶

⁶³³ Singlaub Congressional Testimony, supra, pp. 194-201.

⁶³⁴ Iran-Contra Congressional Report, supra, pp. 44-5 and 63.

⁶³⁵ Calero Congressional Testimony, supra, pp. 20-3 and 53-4 and Exhibits AC-2 and AC-6.

⁶³⁶ Calero Congressional Testimony, supra, p. 18-9. In September of 1986, during a meeting with Defendant Owen, Defendant Secord said he had met with Prince Bandar of Saudi Arabia "before King Fahd came to visit the President" (what's

The Enterprise Approaches the Medellin Drug Cartel for Funds

Another source of funds for the contras was the powerful Medellin drug cartel in Colombia. Between 1982 and 1985, upon the request of Felix Rodriguez, who was working with the contras and their supply effort in El Salvador and Honduras, the cartel contributed \$10 million to couriers handpicked by Rodriguez.⁶³⁷

In its continuing search for funds, the Enterprise made another valuable contact through Defendant Hull and the contras on the southern front. As discussed above, it approached George Morales, an indicted drug trafficker in Miami with a proposal to train contra pilots to fly arms down to Central America and drugs back. Morales would get a personal profit and obtain assistance with his legal problems. Under this arrangement, Morales' contra pilots made numerous flights between 1984 and 1986 and imported tens of millions of dollars of drugs into the United States for the benefit of the Enterprise. Refueling often occurred on Defendant Hull's airstrips.⁶³⁸

Defendant Owen: Covering for the Enterprise

During this same period, North and other members of the Enterprise also began to establish the infrastructure required

that date?), and that Saudi Arabia had provided \$15 million to the contras because of that meeting. Owen Congressional Testimony, supra, p. 361.

⁶³⁷ "Three Committees Track Down Smuggled Drugs, not Smoking Gun," In These Times, August 5 - 18, 1987; CBS, West 57th Street, July 11, 1987; Cockburn, supra, p. 154.

⁶³⁸ Cockburn, supra, pp. 168-75.

to manage the contras' supply and military operations against Nicaragua. To hide their roles from the press, the public and government law enforcement officials, North and Defendant Hull and Calero solicited Defendant Owen in 1983 to become part of the Enterprise. Owen had met North and Hull in mid-1983. Hull, a native of Indiana, met and became friendly with Owen, at that time a staff assistant to Senator Dan Quayle of Indiana, when Hull made a visit to Quayle's office to lobby against Pastora and for additional contra aid. Owen, according to his testimony before the Iran-Contra Select Committees, introduced Hull to various Administration officials including North.⁶³⁹ Shortly thereafter, Owen, still a Congressional staffer, visited Hull's ranch. His airfare was paid by Hull and William Crone.⁶⁴⁰ During the trip, Owen visited Pastora as part of his "fact-finding" mission to determine if Pastora was still sympathetic to the Sandinistas.⁶⁴¹ Owen and North also had several meetings that summer to discuss the contras. By November of 1983, Hull and Owen were corresponding and referring to North as "B.G." [Blood and Guts], a code name used by North over the next three

⁶³⁹Owen Congressional Testimony, supra, pp. 325-6.

⁶⁴⁰Owen's Congressional Testimony, supra, p. 329. Owen said the payment for this trip was cleared by the Senate Ethics Committee. Id. On October 30, 1987, William Crone, an American sawmill operator and business partner of Defendant Hull, in testimony before the Senate Foreign Relations subcommittees on economic policy and narcotics, terrorism and international operations, stated that he paid for half of Owen's trip. See, also, Crone Deposition, supra, p. 191.

⁶⁴¹Crone Deposition, supra, p. 193.

years of the Enterprise's operations.⁶⁴²

In November of 1983, Defendant Owen went to work for Gray & Co., a Washington, D.C.-based public relations firm with close ties to the U.S. intelligence community and the White House.⁶⁴³ In April of 1984, Defendant Calero asked Gray & Co. for representation for the contras. Although the firm was not comfortable with representing the contras, Defendant Owen used his position to draft various aid schemes for Calero. These included using a nonprofit organization in the U.S. to raise funds for "non-lethal" aid and relying on proprietary companies overseas to purchase weapons.⁶⁴⁴ Both of them were subsequently implemented by the Enterprise and resulted in indictments for Defendants Hakim and Secord and North and Poindexter.⁶⁴⁵ In the spring of 1984, while still a Gray & Co. employee, Defendant Owen assumed the crucial role for the Enterprise of obtaining and transmitting information about the financial and military needs of the contras to North and other members of the Enterprise who wanted to remain covert.

In May of 1984, Defendant Owen traveled to Costa Rica and

⁶⁴²Iran-Contra Congressional Report, supra, p. 36.

⁶⁴³Testimony of Robert Owen, Joint Hearings on the Iran-Contra Investigation, May 14, 1987, p.325. Owen's direct supervisor was Neil Livingstone, who is also president of the Institute on Terrorism and Subnational Conflict. The Institute was later used by the enterprise to funnel tax-exempt funds to pay the salary of Defendant Owen. Poindexter et al. Indictment, supra, para. 34.

⁶⁴⁴Owen Congressional Testimony, supra, p. 326.

⁶⁴⁵Poindexter et al. Indictment, supra.

Honduras to obtain information for the Enterprise. At that time, the contras stated that they needed \$1 million a month to maintain the status quo and \$1.5 million if they were to grow. Owen's job was to evaluate that request.⁶⁴⁶ Over the next several months, Owen made other trips to Central America and also to various locations in the United States. In August of 1984, Defendants Calero, Owen and Singlaub met several times with Col. North at the Republican National Convention in Dallas to discuss providing military and non-military aid to the contras.⁶⁴⁷

In addition, Owen began to raise funds. In July of 1984, while the first Boland amendment was in effect, Defendant Owen made contact with an individual representing South Africa [Country Six] to obtain what he code-named "toys", but were actually arms for the contras.⁶⁴⁸ Owen, like other members of the Enterprise, was already aware that other countries often demanded favors in return for their assistance. After his meeting, he wrote to North:

He believes it can be done, but as you suspected there probably will be some quid pro quo. It may only be assurances that come December or January certain equipment could be purchased from here or possibly even from a third country. He does not speak for the party in question but does have an idea what they might want.⁶⁴⁹

⁶⁴⁶ Owen's Congressional Testimony, p. 326-7.

⁶⁴⁷ Owen Congressional Testimony, supra, p. 330.

⁶⁴⁸ Owen's Congressional Testimony, pp. 328-9 and Exhibit RWO-1 (letter dated July 2, 1984, from Rob Owen to Oliver North).

⁶⁴⁹ Owen Congressional Testimony, supra, Exhibit RWO-1 (letter from Owen to North, dated July 2, 1984).

Owen returned to Central America in October of 1984. Before he left, North gave him classified government photographs and maps which Owen delivered to Defendant Calero in Tegucigalpa for a proposed contra military operation.⁶⁵⁰ He also met in Costa Rica with Defendants Calero and Hull at which time he agreed to leave Gray & Co. and work with Defendant Calero to "do whatever I could to assist him in the coming months before the U.S. Government decided to give funding back to the Contras." He was to receive \$2,500 a month and expenses from Calero. Later, the Enterprise found way to pay Owen from government funds. During the same trip, Calero agreed to give Hull \$10,000 a month to provide assistance to the southern front.⁶⁵¹ This money replaced earlier CIA pay-offs to Hull for his support of the contras.

Between late 1984 and early 1985, Defendant Owen participated in at least half a dozen meetings with top contra officials and others in Miami to discuss the military and financial needs of the contras. Defendant Hull was present at some of the meetings,⁶⁵² as were Defendants Calero and Posey and Jack Terrell, a mercenary who was overall chief of the northern front operation. Other meetings took place in Houston, Costa

⁶⁵⁰ Owen provided maps to the contras on at least three occasions in late 1984 and 1985. Owen Congressional Testimony, supra, p. 363.

⁶⁵¹ Owen's Congressional Testimony, supra, p. 330-2

⁶⁵² "Ex-State Dept. Consultant Called Key Link to Contras," Baltimore Sun, December 28, 1986. The need to protect Hull's farm was also discussed. Id.

Rica and Honduras.⁶⁵³ Owen became the main channel of communication between the contras and North and various members of the Enterprise.

The Enterprise Establishes a Public Fund-raising Front

By January of 1984, Defendant Singlaub was meeting with Defendant Calero to assist the contras by providing them with former military advisers private funds he helped raise.⁶⁵⁴ Meanwhile, Singlaub was already providing similar assistance to neighboring El Salvador, where Congress had limited the number of U.S. military advisers allowed to serve there to 55.⁶⁵⁵ But Singlaub's most visible role in this venture of the Enterprise was to act as a highly visible "lightning rod" to detract the attention of the press from the much more significant fund-raising activities of McFarlane, North, Secord and Calero.⁶⁵⁶ By June of 1985, reporters were close to establishing a link between contra support and NSC staff members. But North and Singlaub had already begun to implement their plan to divert press attention away from the NSC by presenting Singlaub as the main fund-raiser

⁶⁵³ "Ex-State Dept. Consultant Called Key Link to Contras," Baltimore Sun, December 28, 1986.

⁶⁵⁴ Singlaub Congressional Testimony, supra, pp. 186-7.

⁶⁵⁵ Deposition of John K. Singlaub, March 7-8, 1988 (hereafter "Singlaub Deposition"), pp. 252-3.

⁶⁵⁶ Iran-Contra Congressional Report, supra, p. 48, citing testimony of Oliver North. Singlaub also attempted to obtain arms contracts from the contras for his friend Barbara Studley. Except for one \$5.3 million deal, he was unsuccessful. See discussion, infra.

for the contras. As a front man for the private contra aid network, Singlaub was a natural choice. He was the highly vocal head of the United States Council on World Freedom ("USCWF"), the United States chapter of the World Anti-Communist League ("WACL").

To cover the actual operations of the Enterprise, Defendant Singlaub courted the press. In the months following his meeting with North, he was featured in virtually all of the major newspapers as the main contra fund-raiser. Singlaub publicly stated in early 1986 that he had raised millions of dollars of private humanitarian aid, and that he did so as a "surrogate" for government officials. Meanwhile, Defendant Calero contributed to this press diversion by mentioning that he had received \$25 million in aid from an unnamed source. Singlaub represented himself as the person who had "stepped in" to replace North as the liaison with the political and military leadership of the contras and was widely viewed as having kept the contras alive.⁶⁵⁷ In actuality, as Singlaub testified before the Iran-Contra Congressional committees, he raised less than \$1 million.⁶⁵⁸ But, as that "surrogate," he also solicited funds for military aid from American citizens in violation of the U.S.

⁶⁵⁷ Transcript of "Who's Running This War?," PBS Frontline, March 18, 1986, p. .9; Iran-Contra Congressional Report, supra, p. 121; "Private Groups Step Up Aid to the Contras," Washington Post, May 3, 1985.

⁶⁵⁸ Singlaub Congressional Testimony, supra, p. 190.

Neutrality Act.⁶⁵⁹

Defendant Singlaub played a more serious role in the covert fund-raising effort. In late November of 1984, North approved his efforts to solicit funds for "bullets, guns and anti-aircraft missiles" for the contras from Taiwan and South Korea, where Singlaub had made high-level contacts during his military career. Calero also solicited funds from Taiwan.⁶⁶⁰

Defendant Owen was the courier for Col. North, delivering the Enterprise's Swiss bank account number to a representative of Taiwan in Washington in the summer or fall of 1985.⁶⁶¹ Earlier, Gaston Sigur, Assistant Secretary of State for East Asia and Pacific Affairs, had told this official that arrangements for transmitting \$1 million a month to the contras would be forthcoming.⁶⁶² In late 1985, Taiwan contributed \$2 million.⁶⁶³

The Enterprise's Supply Operation

In addition to raising money, the Enterprise needed to establish a system for the delivery of supplies and operational support to the contras. The operation encompassed the illegal provision of intelligence, the construction and use of air fields

⁶⁵⁹ Transcript of "Frontline: Who's Running This War?" PBS, March 18, 1986, pp. 16-7.

⁶⁶⁰ Calero Congressional Testimony, supra, p. 164.

⁶⁶¹ Owen Congressional Testimony, supra, p. 352.

⁶⁶² Testimony of Gaston Sigur, Joint Hearings on Iran-Contra Investigation, May 14, 1987 (hereafter "Sigur Testimony", p. 291.

⁶⁶³ Iran-Contra Congressional Report, supra, p. 45.

in foreign countries under false pretenses, the training and hiring of mercenaries, the implementation of military operations, and the use of falsified documents.

To implement the off-the-shelf operation, North turned to the Enterprise, including Defendants Shackley, Clines, Hakim and Secord, for reactivation of its military supply operations to the contras. Defendant Quintero would again be the supply officer. As of approximately March of 1984, the Enterprise would be directing the supply of military equipment to the contras in Honduras and through Defendant Hull's ranch in Costa Rica. Between March 1984 and May 1984 that the Enterprise supplied the C-4 explosive used to bomb the May 30, 1984 press conference of Eden Pastora at which Plaintiff Tony Avirgan and others were injured and several other people were killed.

In early 1984, North and Casey met several times to discuss the creation of the contra support infrastructure. According to North, Casey suggested Defendant Secord as a "person who had a background in covert operations... and was a man who, by Director Casey's definition, got things done, and who had been poorly treated." Based on those conversations, North approached Secord and asked him to become involved in supplying the contras. As had been earlier proposed to North by Defendant Owen, Secord was to establish private commercial entities for that purpose. According to North, it was to be a private, "self-sustaining operation" so there would "always be something there which you could reach out and grab when you needed it. Director Casey said

he wanted something you could pull off the shelf and use at a moment's notice."⁶⁶⁴ The criteria for the companies relayed to Defendant Secord was that the operations be "revenue producers," "self-sustaining," and provide "fair, just, reasonable compensation" to those involved.⁶⁶⁵ North asked for, and was given, Calero's bank account number which was subsequently given to Defendants Singlaub and Secord.⁶⁶⁶

Over the life of this venture, the Enterprise developed a plan to use the excess funds obtained by large mark-ups on arms sales to the Iranians not only for the contra activities, but for other illegal covert operations as determined by Casey, North and the Enterprise.⁶⁶⁷ Secord developed a "layout" to demonstrate how commercial entities could be used to support such activities.⁶⁶⁸ North later described Secord as "the boss of the organizations and the commercial Enterprises that he set up to assist the Nicaraguan resistance" and responsible for the details.⁶⁶⁹

At the time of this approach from North, Secord was in

⁶⁶⁴ Iran-Contra Congressional Report, supra, p. 40.

⁶⁶⁵ North Congressional Testimony, July 10, 1987, supra, p. 156.

⁶⁶⁶ Calero Congressional Testimony, supra, pp. 18-19.

⁶⁶⁷ North Congressional Testimony, supra, July 13, 1987, pp. 44 and 154.

⁶⁶⁸ North Congressional Testimony, supra, July 8, 1987 (afternoon), p. 5.

⁶⁶⁹ North Congressional Testimony, July 7, 1987, supra, p. 209.

partnership with Defendant Albert A. Hakim in a company called Stanford Technology Trading Group International. Hakim was the chairman of the board and Secord was the president.⁶⁷⁰ They were an unlikely pair to trust with highly secret operations. Secord had already been denied a security clearance by the CIA because of his involvement with Edwin Wilson, and Hakim was under investigation by the CIA and the FBI. Earlier, during the 1970s, Hakim had been forced to leave the U.S. as an "undesirable alien."⁶⁷¹ In 1980, the CIA told its San Francisco agent to avoid Hakim because of his past association with Frank Terpil and Edwin Wilson and because of the "FBI's suspicions of illegal activity on the part of the Stanford Technology Corporation." Hakim became a U.S. citizen only after Casey granted him "hip-pocket citizenship" in 1983.⁶⁷²

In May of 1984, the CIA began to investigate Hakim and Stanford for connections with Iranian terrorists. It sent a secret cable to the FBI stating, "This Agency has reason to believe that Hakim's company may be associated with Iranian terrorist-support activities being run out of official Iranian

⁶⁷⁰ Secord and Hakim's business was described as "international security," and they were equal shareholders. Defendant Secord had met Hakim in 1976-7, when Secord was chief of the Air Force mission in Iran, and Hakim was doing business with the Iranian Air Force. Secord Congressional Testimony, supra, p. 47; Poindexter et al. Indictment, supra, paras. 11-2.

⁶⁷¹ Wheaton Deposition, p. 381.

⁶⁷² Wheaton Deposition, supra, p. 381; According to Wheaton, the CIA director has the authority to bypass the normal immigration process and grant citizenship to 100 non-citizens per year for "national security and intelligence purposes." Id.

installations in Vienna and Barcelona." In March of 1986, the investigations were still underway and unresolved.⁶⁷³

Secord's Purchase of Arms

Secord's assignment was to buy weapons for the contras with the money from Saudi Arabia. Defendants Calero and Secord met in the summer of 1984 in a meeting arranged by North.⁶⁷⁴ Secord told Calero that Secord could raise funds for the contras from foreign sources, specifically friends in the Middle East who might donate between \$13 million and \$25 million.⁶⁷⁵

In a second meeting, Defendant Secord brought along Defendant Quintero, whom Secord had met through Defendant Clines. They put together a renewed munitions supply operation for the contras.⁶⁷⁶ Defendant Calero gave Defendant Secord a list of arms which Secord gave to a Canadian arms dealer, Transworld Armaments, for pricing. The deal for arms was made in November

⁶⁷³ Emerson, Secret Warriors: Inside the Covert Military Operations of the Reagan Era, Putman, 1988 (hereafter "Emerson"), pp. 218-9.

⁶⁷⁴ Secord Congressional Testimony, supra, p. 49.

⁶⁷⁵ Calero Congressional Testimony, supra, pp. 18-9. Defendant Secord had been the deputy assistant secretary of Defense for the Middle East, Africa, and Southern Asia and had been instrumental in obtaining the sale of AWACS radar planes to the Saudi Arabians. Secord Congressional Testimony, supra, pp. 47-8. As part of that deal, the Saudis put millions of dollars into CIA bank accounts in Switzerland for the contras, the Afghan rebels and other groups. Kornbluh, supra, citing The San Antonio Light, July 27, 1986, and The New York Times, Feb. 4, 1987.

⁶⁷⁶ Secord Congressional Testimony, supra, pp. 49-50.

of 1984 with the profit split among Secord, Hakim and the arms dealer.⁶⁷⁷ Defendant Secord described his role in the operation as deciding how money would be spent, and Defendant Hakim as the one who implemented the decisions.

Transworld Armaments handled two transactions for Defendant Secord -- a small shipload of munitions from the Far East and a plane load of approximately 90,000 pounds of arms from Europe -- but later arms procurement was done by Defendant Clines.⁶⁷⁸ Included in these shipments were rifles, bullets, hand grenades, mortars, C-4 explosives, fuses, detonators, and SA-7 missile launchers.⁶⁷⁹

Defendant Clines obtained arms from Eastern bloc and Western countries through Defex, a Portuguese arms dealer. In January of 1985, Richard Gadd was hired to make the arrangements for the airlift of arms from Portugal to Central America through Southern Air Transport. Gadd, a retired Air Force colonel who specialized in covert operations, had met Secord during the Iran hostage rescue attempt in 1980. Gadd had been part of the ill-fated plan of the Department of Defense to establish a "black" operations covert supply operation and had attempted to bring Secord into that operation (see discussion, above). He had several companies: Sumarico, American National Management, Eagle

⁶⁷⁷Secord Congressional Testimony, supra, pp. 51-2.

⁶⁷⁸Secord Congressional Testimony, supra, p. 52.

⁶⁷⁹Secord Congressional Testimony, supra, Exhibit 2 ("FDN Expenditures and Outlays, July 1984 through February 1985").

Aviation Services and Technology and Airmach. He also rented office space in Virginia to Secord. Secord claimed to be a consultant to the White House and the Defense Department and, according to Gadd, backed up his claims with knowledge of Gadd's classified activities. Gadd arranged for a charter by Southern Air Transport (SAT), which paid him a commission in the name of East, Inc. Gadd handled five or six shipments, some of which SAT subcontracted to Arrow Air.⁶⁸⁰

On May 11, loaded with arms for the contras from Poland and Portugal and false end-user certificates from Guatemala, the ship Erria left Portugal, ostensibly for Guatemala. Three weeks later, it docked in Puerto Cortez, Honduras, where its cargo was unloaded by the contras.⁶⁸¹

The information about the type of arms the contras needed came from Defendant Calero via Defendant Owen. In February of 1985, Owen went to Central America carrying a letter from Col. North for Calero. The letter indicated that Defendant Calero would soon receive a deposit of \$20 million "in the usual account", and that Defendant Owen would then set up a resupply operation for the contra troops. Owen brought back to North from Calero a list of weapons Calero wanted for his FDN troops with the understanding that North would find someone to supply the

⁶⁸⁰ Testimony of Richard B. Gadd, Joint Hearings on the Iran-Contra Investigation, May 1, 1987 (hereafter "Gadd Congressional Testimony"), pp. 5-8.

⁶⁸¹ Los Angeles Times, January 21, 1987.

weapons.⁶⁸² During May of 1985, Defendants Secord and Clines arranged another arms transfer to the contras. This one came by boat.⁶⁸³

Defendant Quintero coordinated the delivery of weapons in Central America and was the liaison with the contras and local authorities.⁶⁸⁴ Defendant Calero paid Energy Resources, a Panamanian company with a Vienna, Va. address which was purchased in 1978 by Defendant Hakim's Stanford Technology Corp., for the arms.⁶⁸⁵ The profit on Defendant Clines' deals was divided between Defendants Clines, Hakim and Secord, and increased when Transworld was dropped in favor of Defex.⁶⁸⁶ The Secord-Clines-Hakim-Quintero supply operation soon became the dominant procurer and supplier of arms to the contras.⁶⁸⁷

The Singlaub-GeoMiliTech Arms Sale

In early 1984, Barbara Studley, a friend of Defendant Singlaub's, formed GeoMiliTech Consultants Corporation, a

⁶⁸²Owen Congressional Testimony, supra, pp.334-7 and 342 and Exhibits RWO-3 (undated letter from Oliver North ("Steelhammer") to Adolfo Calero) and RWO-6 (Owen's handwritten list of weapons). Owen's code name was "T.C." (The Courier). Id., p. 335.

⁶⁸³Iran-Contra Congressional Report, supra, p. 50.

⁶⁸⁴Newsweek, "The Secret Warriors Tell Their Story," February 9, 1987, pp. 26-8.

⁶⁸⁵Secord Congressional Testimony, supra, p. 54.

⁶⁸⁶Secord Congressional Testimony, supra, pp. 53-4. Defendant Quintero received \$3,000 per month plus a bonus for each arrival for his work. Id., p. 54.

⁶⁸⁷Kornbluh, supra, p. 69.

military armaments company. She asked Defendant Singlaub to be a consultant, along with General Gordon Sumner (ret.), General Robert Kingston (ret.), Edward Luttwak of the Georgetown Center for Strategic and International Studies, and Joe Churba, a director of the Center for International Security. Singlaub, who had been supplying military advisers to the government of El Salvador, initially referred the Salvadorans to GeoMiliTech to purchase weapons.⁶⁸⁸

In March of 1985, Defendant Singlaub traveled to FDN camps in Central America and met with Defendant Calero, FDN chief Enrique Bermudez and other FDN leaders to develop a list of small arms, ammunition and air defense and ground missiles needed by the contras. The list was reviewed with Col. North in April, and the air defense missiles were deleted. Defendants Singlaub, representing GeoMiliTech, and Defendant Calero subsequently met with an arms dealer.⁶⁸⁹

In a later meeting in Col. North's office at which Defendants Singlaub, Secord and Calero were present, it was agreed that Defendant Secord would supply the air defense missiles for \$180,000 each and provide trainers for the contras, even though Defendant Singlaub had offered a price of \$165,000.⁶⁹⁰ In that meeting or a subsequent one, Secord

⁶⁸⁸ Singlaub Deposition, supra, p. 45-9.

⁶⁸⁹ Singlaub Congressional Testimony, supra, pp. 202-11 and Exhibit JKS-1 (Singlaub's list of weapons) and Exhibit JKS-2 (list with Defendant Calero's approval).

⁶⁹⁰ Singlaub Congressional Testimony, supra, pp. 212-4.

requested that the ship used to deliver the GMT arms to the contras be diverted to another country to pick up some he had purchased "that were hung up there."⁶⁹¹

In June of 1985, Defendant Owen met with Defendant Singlaub and several people from the magazine Soldier of Fortune, including its publisher, Robert K. Brown, in Tabernash, Colorado to review the arms package. Defendant Owen then flew to San Francisco to meet with Defendant Calero to verify the precise quantities and types of weapons that Defendant Calero wanted. Defendant Calero's approval was then transmitted in code by Defendant Owen to Defendant Singlaub.⁶⁹²

Defendant Singlaub subsequently procured \$5.3 million in Eastern-bloc arms which left for Central America on June 20, 1985, through GeoMiliTech.⁶⁹³ Defendant Calero agreed to transfer funds to an account in Switzerland designated by the arms dealer.⁶⁹⁴ The ship arrived in the designated port on July 8, 1985, and was consigned to a military official of that country. That official was represented by Defendant Mario Dell Amico, who met the ship.⁶⁹⁵

⁶⁹¹ Singlaub Congressional Testimony, supra, pp. 215-6.

⁶⁹² Owen Congressional Testimony, supra, pp. 343-6.

⁶⁹³ Singlaub Congressional Testimony, supra, pp. 168-9.

⁶⁹⁴ Singlaub Congressional Testimony, supra, pp. 221-2 and 230.

⁶⁹⁵ Singlaub Congressional Testimony, supra, pp. 223-4.

The Martin-McCoy-Dell Amico Arms Sale

In 1984-5, Defendant Calero and the FDN also purchased about \$2 million in arms through a network operated by Defendants Ronald Joseph Martin, James McCoy and Mario Dell Amico. Martin was associated with Gretch World and the Tamiami Gun Shops in Miami. McCoy was a former defense attache at the U.S. embassy in Managua when Somoza was overthrown in 1979, and knew Calero since about 1977. Dell Amico was their representative in Honduras.⁶⁹⁶ On January 31, their Miami-based company, R.M. Equipment, filed two false end-user certificates with the Portuguese National Defense Industry requesting approval of weapons purchases. The certificates were from the Honduran Armed Forces Joint General Staff and were signed by Col. Julio Perez, who identified himself as "engineer, in charge of the C-4 Logistics Division." On May 16, R.M. Equipment filed two more false end-user certificates signed by Perez with Portuguese authorities, but this time they were addressed to a Portuguese import-export company named Atomex, whose owners were Joac Martins and Costa Corvo. These certificates were signed by Cesar Augusto Caceres Rojas, Guatemala's Army chief of staff who was paid \$25,000 each for the certificates.⁶⁹⁷ The arms were transported aboard the freighters Erria on May 11 and Peder Most in June to the Honduran port of

⁶⁹⁶ Calero Congressional Testimony, supra, pp. 29-31; New York Times, March 6, 1987.

⁶⁹⁷ Emerson, supra, p. 221.

Puerto Cortez from which they were transferred to contra bases.⁶⁹⁸

Fraudulent End User Certificates

Defendants Martin, McCoy and Dell Amico were not the only ones to use fraudulent end-user certificates. Because very few countries would allow the shipment of arms directly to an unrecognized guerilla force, the Enterprise often required fraudulent end user certificates. To conceal sales from the Portuguese government, Defendants Secord, Hakim, Clines and Calero conspired to obtain and did submit fraudulent end-user certificates representing over \$8 million in sales for both the Transworld and the Defex deals to the Portuguese Arms Directorate. They requested the approval of the sale of various weapons to Guatemala.⁶⁹⁹ Obtaining these fraudulent end user certificates required the efforts of Oliver North and Defendant Calero, who met in January of 1985 separately with the head of Guatemala and the U.S. ambassador to Guatemala. In early February, Defendant Secord also met with North concerning the

⁶⁹⁸ Lisbon Expresso, February 7, 1987; UPI, February 7, 1987.

⁶⁹⁹ Testimony of Robert C. McFarlane, Joint Hearings on Iran-Contra Investigation, May 11, 12 and 14, 1987 (hereafter "McFarlane Congressional Testimony"), Exhibit RCM-35 (memo dated March 5, 1985, from Col. North to McFarlane). North attached to this memo nine end user certificates for Energy Resources from Guatemala covering \$8 million in arms shipments. Id. Earlier, Transworld Armaments of Canada had given the Portuguese three false end user certificates to cover contra arms which certified that the Guatemalan Army was the end user. Kornbluh, supra, citing CBS Evening News, Jan. 8, 1987.

certificates. By February 14, the fraudulent certificates were procured and provided to the government of Portugal to obtain the illegal release of arms for the contras. Shortly thereafter, 90,000 pounds of East European munitions for the contras were sent to Guatemala.⁷⁰⁰

In return for "extraordinary assistance" in providing end user certificates, North recommended that Guatemala be granted additional "security assistance." Guatemala had already provided North with a "wish list" of armaments it wanted.⁷⁰¹

Defendant Secord also attempted to use fraudulent end-user certificates for a purchase of Chinese weapons. By the end of 1984, he had located 30 ground-to-air missiles, launchers and related items for sale in China. However, the purchase, which was arranged through a Canadian arms dealer, was being blocked because of the country named as the end user. After being alerted by Defendant Secord of this difficulty, Oliver North and Gaston Sigur, a consultant to the NSC and former NSC director of Asia affairs, met with China's defense attache. They advised the attache of the contras as the real end user and promised that Defendant Calero would recognize China when the FDN had succeeded in overthrowing the Nicaraguan government. China eventually sold

⁷⁰⁰ Iran-Contra Congressional Report, supra, p. 43, citing North entries dated January 29, January 30 and February 5, 1985, in his notebook and RCM Exhibit 35, supra.

⁷⁰¹ Iran-Contra Congressional Report, supra, p. 46, citing Exhibit RCM 35, North memorandum to McFarlane, dated March 5, 1985, entitled "Aid to the Nicaraguan Resistance.")

the missiles to the contras.⁷⁰²

In 1986, Felix Rodriguez was requested by Defendant Quintero to obtain a fraudulent end user certificate from an official in El Salvador for British blow-pipe missiles that the Enterprise hoped to obtain from another Latin American country. The certificate, which showed El Salvador as the end user, was made out to Lake Resources, another Hakim-Secord company in Panama. Rodriguez obtained the certificate from his "friends" and gave it to Defendant Secord, but the Enterprise was not able to obtain the missiles. Rodriguez requested the return of the certificate several times, but never received it. Rodriguez later described his concerns as follows: "I lied to those people, and they have proof. . . ." ⁷⁰³

Tabulation of Arms Purchases by the FDN

Congressional investigators traced a total of \$33.6 million which passed through Calero's bank accounts. Of that amount, \$32 million was received from Saudi Arabia; \$200,000 was received from Lake Resources, a company controlled by Defendants Secord and Hakim; \$1,045,000 from Intel Corporation, Carl Channell's Cayman Islands corporation (see discussion, below); \$248,000 in interest; and \$417,000 from unidentified sources. By January of

⁷⁰²Iran-Contra Congressional Report, supra, p. 42, citing Exhibit RCM-32 (memorandum from Oliver North to Robert McFarlane, dated December 4, 1984, entitled "Assistance for the Nicaraguan Resistance").

⁷⁰³Rodriguez Congressional Testimony, supra, pp. 252-3 and p. 42-3 (May 28, 1987).

1987, all of it except \$96,000 had been spent. Approximately \$19 million had been spent on arms of which \$2.1 million went to Gretch World/R & M Equipment (Defendants McCoy and Martin); \$5.3 million to GeomiliTech (Defendant Singlaub); \$11.4 million to Energy Resources (Defendants Secord and Hakim) and \$432,545 for other arms purchases through Defendant Secord. Approximately \$670,000 went to other contra groups, apparently including \$10,000 a month that went from Defendant Calero to Defendant Hull.⁷⁰⁴

Use of FDN Funds by North and Owen for Their Personal Benefit

Although the funds went directly to Defendant Calero's account for the benefit of the FDN, Defendant Calero provided Oliver North in excess of \$90,000 in blank traveler's checks between February and August of 1985. Defendant Calero believed the money was to be used to support efforts to obtain the release of American citizens held hostage in Lebanon and for contra-related expenses.⁷⁰⁵ On the first occasion, Defendant Calero gave North \$15,000 or \$25,000 drawn on a Cayman Islands bank, and there were four subsequent "gifts".⁷⁰⁶

⁷⁰⁴ Calero Congressional Testimony, supra, pp. 23-7 and 53-4 and Exhibits AC-1 and AC-2; Owen Congressional Testimony, supra, p. 409.

⁷⁰⁵ North testified that he had anywhere from \$150,000 to \$175,000 in cash or traveler's checks in an "operational account" at all times. North Congressional Testimony, supra, July 8, 1987, p. 132.

⁷⁰⁶ Calero Congressional Testimony, supra, p.48-50.

Congressional investigators subsequently traced the use of a portion of the \$90,000 in traveler's checks given to North as follows: \$25,000 were cashed by agents of the Drug Enforcement Agency or their associates, presumably for the hostage release plan; \$2,440 were cashed by North; \$1,000 went to Defendant Owen as a wedding gift.⁷⁰⁷ However, the special prosecutor named to investigate the Iran-contra affair alleged that approximately \$4,300 was used for North's personal benefit, a crime for which he was indicted.⁷⁰⁸

North also used other blank traveler's checks and the approximately \$75,000 he obtained in cash from Defendant Secord for other purposes, including payment of other contra leaders. In the spring of 1985, Defendant Owen began making cash payments of thousands of dollars to "somewhere between six and 10" contra leaders.⁷⁰⁹ He and Jonathan Miller, a State Department employee, received traveler's checks from North, cashed them and turned the dollars over to the designated contra leaders, including Brooklyn Rivera, a Miskito Indian leader who was negotiating at the time with the Nicaraguan government. Rivera was promised additional funds and help in uniting the Indian contra movement if he walked

⁷⁰⁷ Calero Congressional Testimony, supra, pp. 51-2 and 55-6 and Exhibit AC-6; Owen Congressional Testimony, supra, p.369.

⁷⁰⁸ Poindexter et al. Indictments, supra, Count 22, p. 89.

⁷⁰⁹ Owen Congressional Testimony, supra, p. 348.

out of those negotiations.⁷¹⁰ In April, Defendant Owen obtained traveler's checks from North to pay another Miskito Indian leader who was visiting in Washington at the time.⁷¹¹ Peter Flaherty, a conservative Republican attempting to raise funds for the contras, was present during the April transfer of funds.⁷¹² Arturo Cruz Sr., one of the UNO leaders, was also paid out of the account. North kept a ledger reporting the use of the money, but testified that he destroyed it at the direction of CIA Director Casey. Defendant Owen was frequently the courier used to obtain and take the funds to the other contra leaders.⁷¹³

Avoiding Bank Transaction Reporting Laws

On September 16, 1985, Defendant Owen was asked to go to New York by Defendant Secord, who was using the name "Mr. Copp," and meet with someone. In New York, Owen met the man in Chinatown, who delivered a "wad" of \$9,500 in \$100 bills to Owen. Owen then returned to Washington, D.C., and delivered the cash to Defendant Secord. Defendant Secord told Defendant Owen that the amount selected was under \$10,000 so the transaction would not have to be reported to by the bank supplying the funds. Defendant Owen made two additional trips to New York to pick up cash for

⁷¹⁰ Owen Congressional Testimony, supra, pp. 337-41. Owen made a trip to Central America on March 20-24, 1985, to pay the Miskito leader. Id., p. 341.

⁷¹¹ Owen Congressional Testimony, supra, p. 341-2.

⁷¹² Owen Congressional Testimony, pp. 342-2 and 348.

⁷¹³ Iran-Contra Congressional Report, supra, pp. 46-7.

Defendant Secord, but delivered the funds to North, instead of Secord.⁷¹⁴

Use of U.S. Banks to Transmit Funds to the FDN

At least \$1.8 million of the lethal aid funds raised for the contras passed through the United States bank account of Aquilles Marin, a money broker who then converted the funds into local currency to deliver to the FDN forces. Another \$1.8 million was handled in the same manner by Eric Lacayo.⁷¹⁵

The Enterprise Takes Direct Control of FDN Funds

In early July of 1985, North held a meeting in Miami at which Defendants Calero, Secord, Clines and Quintero and Enrique Bermudez, the FDN military commander, were present. North expressed his concern that the FDN was squandering the funds that had been donated to it. As a result, the Enterprise took away control of the funds from the FDN and decided to furnish supplies directly to the contras in the field. Immediately after the meeting, Defendant Hakim set up the Lake Resource bank account in Switzerland. All subsequent donated funds went to Lake Resources and were under the direct control of the Enterprise.⁷¹⁶

North called the revised operation Project Democracy. Its task was to expand their fledgling supply operation from simply

⁷¹⁴ Owen Congressional Testimony, supra, pp. 353-5.

⁷¹⁵ Calero Congressional Testimony, supra, pp. 36-7.

⁷¹⁶ Iran-Contra Congressional Report, supra, pp. 51 and 60.

delivering arms to the Ilopango and Aguacate bases in El Salvador and Honduras, respectively, to directly supplying the contras fighting near or inside Nicaragua. Secord asked Gadd to develop the necessary logistical organization consisting of aircraft, spare parts, maintenance, communications and trained personnel. Defendant Quintero selected Ilopango as the home base for the aircraft.⁷¹⁷ Felix Rodriguez, a veteran CIA operative with close ties to the Enterprise who had been working with both the contra supply operation and the Salvadoran Air Force, obtained service space at Ilopango, in part by using North's name.⁷¹⁸ North immediately asked the new U.S. ambassador to Costa Rica, Lewis Tambs, to help open the southern front and to obtain a supply depot for the contras in Costa Rica.⁷¹⁹

Defendant Secord told Gadd that Gadd would be able to profit from the air supply operation, but asked him to keep the operation secret to protect the White House and Secord.⁷²⁰ Gadd hired Edward DeGaray for the operation to protect the identity of Defendant Secord and the government. DeGaray was president of Corporate Air Services, an air charter company.⁷²¹ Gadd also contacted William Langton, president of Southern Air, and asked him to acquire Amalgamated Consolidated Enterprises, a Panamanian

⁷¹⁷ Iran-Contra Congressional Report, supra, p. 61.

⁷¹⁸ Iran-Contra Congressional Report, supra, p. 62.

⁷¹⁹ Iran-Contra Congressional Report, supra, p. 61-2.

⁷²⁰ Gadd Congressional Testimony, supra, pp. 12-4.

⁷²¹ The Chronology, supra, p. 503.

shell company, that would be used to hold title to the aircraft. Southern Air and Gadd divided ownership of Amalgamated.⁷²²

Defendant Secord and Gadd agreed that the C-123 was the best plane for the operation and sought to buy three C-123s from the Venezuelan Air Force. When Venezuela refused to sell the airplanes without U.S. government approval North, Assistant Secretary of State for Inter-American Affairs Elliott Abrams and Vince Cannistraro, a former CIA agent then at the NSC, intervened to assure Venezuela that it was appropriate to sell the planes to Amalgamated Commercial Enterprises.⁷²³ In a letter signed by Langton of Southern Air, the Enterprise falsely represented to Venezuela that the planes would be used for a "U.S. Government [sic] sponsored relief airlift in Central America."⁷²⁴ Nevertheless, Venezuela still refused to sell the planes.⁷²⁵ With funds donated to the FDN, the Enterprise eventually obtained two C-7 Caribous,⁷²⁶ two C-123s⁷²⁷ and several Maule airplanes

⁷²²Gadd Congressional Testimony, supra, pp. 14-9 and Exhibit RBG-2.

⁷²³Secord Congressional Testimony, supra, pp. 60-63; North Congressional Testimony, supra, July 14, 1987, p. 94.

⁷²⁴Gadd Congressional Testimony, supra, Exhibit, Letter from William Langton to General Victor A. Arriaga Ascanio, dated November 13, 1985.

⁷²⁵Iran-Contra Congressional Report, supra, p. 62-3.

⁷²⁶In January of 1986, Southern Air Transport purchased a C-7 Caribou for the humanitarian and military resupply operation. The title to the plane was held by the Defendant Secord's Udall Corporation. Plans for its use were discussed by Defendants Secord and Clines, Gadd and North at a meeting in a McLean, Va., restaurant. Gadd Deposition, supra, pp. 26-9.

which had the ability to take off and land in as little as 125 feet.⁷²⁸ At least one of the planes was purchased through CSF Investment Ltd., a subsidiary of Compagnie de Services Fiduciaries, one of Defendant Hakim's companies.⁷²⁹ Gadd recruited flight crews, and made arrangements with Southern Air Transport that it would do all aircraft maintenance.⁷³⁰

Day-to-day supervision of the operation fell to Robert Dutton, an associate of Secord's, who was hired in May of 1986.⁷³¹ Some of the pilots, mechanics and "kickers", such as Eugene Hasenfus,⁷³² working out of Ilopango Air Force base in El Salvador or Aguacate were ostensibly hired by Corporate Air Services, although their expense money came from Southern Air Transport with receipts returned to Dutton. From April to

On March 28, 1986, a cashier's check for \$475,000 signed by Udall Research Corporation is made payable to Harry Doan of Doan Helicopter for a C-123K is drawn from account number 47363801 at the Sun Bank in Daytona Beach, Florida. Chronology, supra, p. 321-2.

⁷²⁸Secord Congressional Testimony, supra, Exhibit 4. In 1986, the U.S. Customs Service was determining whether the Maules should be classified as "instruments of war" and require approval by the State Department for export. "Air Contra," Newsweek, November 17, 1986.

⁷²⁹Transcript, CBS Evening News, July 14, 1986. The day after the interview with Maule Air, the company received a telephone call from someone they refused to identify warning it that it could be forced out of business if it did not retract everything told to CBS News. Id.

⁷³⁰Iran-Contra Congressional Report, supra, p. 65.

⁷³¹Secord Congressional Testimony, supra, pp. 63-4.

⁷³²Both Hasenfus and William Cooper flew missions for the CIA-owned Air America during the Vietnam War. Parry and Barger, "Reagan's Shadow CIA," New Republic, November 24, 1986.

October of 1986, at least 25 missions were flown into Nicaragua to deliver arms to the contras.⁷³³

John F. Piowaty, one of the pilots operating from Aguacate, indicated that he was recruited by Amalgamated Commercial Enterprises, commonly known as "Contra Air." According to Piowaty and Soldier of Fortune magazine, William J. Cooper, a former Air America pilot, was the Central American ground commander for ACE. The chain of command went from Cooper to Robert Dutton, Richard Gadd and finally to Richard Secord. Piowaty described the airplanes as "two worn-out C-123Ks, two ancient and nearly worn-out C-7A Caribous and an inappropriate single-engine Maule" which came with "such necessities" as reliable radar and navigation systems. Piowaty said that Dutton denied the crews parachutes because they were "too expensive."⁷³⁴

Flight crew members, who thought they were working for some part of the U.S. government, signed official-looking secrecy agreements in which they acknowledged that they could be prosecuted if they disclosed "classified information."⁷³⁵ When

⁷³³ These pilots included Bill Cooper and Buz Sawyer, who died in Nicaragua on Oct. 5, 1986, when their plane was shot down; John McRainey; Frank Hines; Jerry Stemwedel; Jake Whereall; John Piowaty; Elmo Baker; and David Johnson (identify). Their contact at CAS was Ed de Garay. "The Secret Warriors Tell Their Story," Newsweek, February 9, 1987, pp. 26-28.

⁷³⁴ Piowaty, John, "Contra Air: Secord's Central American Flying Circus," Soldier of Fortune, October 1987.

⁷³⁵ "Closing In On Meese," Village Voice, April 21, 1987. The Voice obtained a copy of the agreement signed by William Cooper. It read as follows:

I acknowledge that by virtue of my duties in

Congressional investigators began to talk to the crews, Ian Crawford, a crew member, was told by Gadd that the military would cancel its contracts with Crawford's parachute rigging company if he talked, and that Crawford could be prosecuted for gunrunning. Other flight crew members said they were intimidated by Gadd and Defendant Secord.⁷³⁶

Intensifying the Supply Operation for the Southern Front

At the same meeting, Defendant Secord also agreed to put together an airlift operation to directly increase the supply of weapons and explosives to the southern front contras and expand their operation. The plan was to use Ilopango to store arms until their delivery to Costa Rica and Nicaragua. To do so effectively, the Enterprise needed a large airfield in Costa Rica for refueling and other purposes.

The airfield would also serve another purpose. North had already developed a plan for training contras in Panama for a large-scale invasion of Nicaragua and the capture of the southern Nicaraguan border town of Rivas in early 1986. For this operation to succeed, a very large airfield in Costa Rica for

conjunction with CAS, Ltd. [Corporate Air Services], I have been exposed to or are the recipient of classified information . . . I am aware that the unauthorized disclosure of classified information is prohibited by the espionage laws (18 U.S.C. Sections 783, 791, and 798) and prosecution by the U.S. government could result.

Id.

⁷³⁶ "Closing In On Meese," Village Voice, April 21, 1987.

ferrying in men and supplies was also essential.⁷³⁷

Construction of the Point West Airstrip

In July of 1985, Lewis Tambs, the new U.S. ambassador to Costa Rica, conspired with North, Alan Fiers and Elliott Abrams to open up the southern front. Tambs' understanding was that he was to encourage the contras in Costa Rica to move "deep inside" Nicaragua.⁷³⁸ North also asked Tambs to persuade the Costa Rican government to allow the construction of an airstrip for use by the contras. Tambs stated that he was told the airstrip would be built by private parties. Tambs said Costa Rica approved the strip for refueling purposes and also to be used by the U.S. Southern Command if there was an invasion of Costa Rica by Nicaragua.⁷³⁹ Other sources indicated that Costa Rica approved the airstrip only for refueling purposes.⁷⁴⁰

In late August of 1985, Defendant Owen traveled to Costa Rica to evaluate a location chosen by North for an airfield that Owen understood could be used as a drop for lethal and non-lethal aid, a staging point for sending both men and supplies into Nicaragua, and as an emergency landing strip if a contra plane was shot down in Nicaragua. He met with Joe Fernandez (a/k/a

⁷³⁷Deposition of Jose Blandon, February 25, 1988 (hereafter "Blandon Deposition"), pp. 27-8 and 77-80.

⁷³⁸Tambs Congressional Testimony, supra, p. 132.

⁷³⁹Tambs Congressional Testimony, supra, pp. 149-51.

⁷⁴⁰"An Ex-Ambassador Says U.S. Ordered Aid for Contras," New York Times, May 3, 1987.

Tomas Castillo), CIA⁷⁴¹ and Costa Rican officials, and then he and Fernandez visited the site at Santa Elena on the western coast of Costa Rica.⁷⁴² Owen, Castillo and Jose Ramon Montero Quesada, a colonel in the Costa Rican Rural Guard, walked around the site, and Owen took photographs to take back to North.⁷⁴³

In a memorandum reporting the results of his trip to North, Owen said that the cover for this operation was a Panamanian company, "owned by a few 'crazy' gringos, wanting to lease the land for agricultural experimentation and for running cattle," was in the process of being formed.⁷⁴⁴ The strip itself would be designated a military zone and guarded by Montero, who managed the property. He was assisted by a Civil Guard colonel, Edwin Viales Rodriguez, who was subsequently indicted in the U.S., along with the Panamanian pilot Floyd Carlton Caceres, for drug trafficking. In Costa Rica, Viales was charged with protecting flights of cocaine from Colombia which landed in Guanacaste, the

⁷⁴¹Owen Congressional Testimony, supra, p. 378. See, also, Castillo Congressional Testimony, supra, pp.38-9.

⁷⁴²Owen Deposition, supra, p. 206. The site selected was on the property of Joseph Hamilton, an American from New York, at Santa Elena Peninsula (Point West). Castillo Congressional Testimony, supra, p. 42-3; Iran-Contra Congressional Report, supra, p. 61-2.

⁷⁴³Castillo Congressional Testimony, supra, pp. 40-2.

⁷⁴⁴Owen contacted a law firm to investigate setting up cover corporations. In February of 1986, he asked North to cover fees of \$532.37 for that legal research. Owen Congressional Testimony, supra, Exhibit RWO-11 (memo dated February 10, 1986, from "TC" [Owen] to "BG" [North]).

province where the Enterprise's airstrip was located.⁷⁴⁵

Udall Research Corporation was set up by Defendants Secord and Hakim as the "cover" for the airfield.⁷⁴⁶ Ten days after Defendant Owen's return, "Robert Olmsted", who worked for Defendant Hakim and Udall, surveyed and photographed the area and negotiated for the purchase or lease of the property from its owner, Joseph Hamilton, by Udall.⁷⁴⁷ Olmsted was actually William Haskell, a former Marine colleague of North's.⁷⁴⁸ North alerted Joe Fernandez of Olmsted's mission.⁷⁴⁹

In October of 1985, Richard Gadd, Defendant Secord's associate, attended a meeting with Defendants Secord and Hakim, Olmsted and North at which Gadd was asked to construct the airfield. Defendant Secord told Gadd that Secord would arrange

⁷⁴⁵ "Implicated in Drug Trafficking," La Nacion, December 12, 1986; Owen Congressional Testimony, supra, pp. 349-51 and Exhibit RWO-9 (memo to "BG" (Oliver North) from "TC" (Owen); Secord Testimony, supra, p. 62.

⁷⁴⁶ Owen Congressional Testimony, supra, pp. 349-51 and Exhibit RWO-9 (memo to "BG" (Oliver North) from "TC" (Owen); Secord Testimony, supra, p. 62.

⁷⁴⁷ Secord maintained it was purchased and tried to sell the asset to the CIA in 1986. Hamilton, however, believed that it was leased.

⁷⁴⁸ Iran-Contra Congressional Report, supra, p. 62.

⁷⁴⁹ Deposition of Tomas Castillo, Joint Hearings on the Iran-Contra Investigation, pp. 42-44; Gadd Deposition, supra, p. 20. Lewis Tambs, U.S. ambassador to Costa Rica during the construction of the airfield, also met "one-eyed Jack" Olmstead and thought he was the lawyer for Udall Corp. Tambs Congressional Testimony, supra, p. 156.

for the payment for the work.⁷⁵⁰ EAST, Inc., one of Gadd's subsidiaries, supervised construction of the airstrip, which continued through March of 1986, and Defendant Secord made at least one trip to Costa Rica to discuss the airstrip.⁷⁵¹ The on-site supervisor was Defendant Quintero, who had earlier negotiated with the local military officials of a third country for basing the airlift operation.⁷⁵²

To ensure Civil Guard control of the airstrip, North arranged for Benjamin Piza Carranza, the Costa Rican minister of public security, to meet with President Reagan in March 1986. Piza is a founding member of the rightist Free Costa Rica Movement from which the Costa Rican chapter of the World Anti-Communist League is drawn.⁷⁵³ After the meeting, Piza then dictated a letter putting the Civil Guard in charge of the airstrip.⁷⁵⁴

The costs for the resupply part of the project were presented to North. They included the salaries of two pilots, a mechanic, a loadmaster/packer/rigger and other staff and goods

⁷⁵⁰ EAST, Inc., sent invoices to Lake Resources, Defendant Secord's company, from January 23, 1986, through December 5, 1986. Gadd Deposition, supra, p.22 and Exhibit RBG-3.

⁷⁵¹ Gadd Deposition, supra, p. 21. East was an alias used by Gadd. Owen Congressional Testimony, Exhibit RWO-12; Castillo Congressional Testimony, supra, pp. 94-6.

⁷⁵² Castillo Deposition, supra, pp. 44-46; Secord Congressional Testimony, supra, p. 36-7; local hotel records.

⁷⁵³ Anderson and Anderson, supra, p. 247.

⁷⁵⁴ Iran-Contra Congressional Report, supra, pp. 65-6.

connected directly with the contra resupply effort. Defendant Quintero was to manage the airstrip.⁷⁵⁵ Despite the claimed expenditure of over \$1 million,⁷⁵⁶ the Point West airstrip was never fully utilized.⁷⁵⁷ Felix Rodriguez, who had been a pilot in the Vietnam war and had years of helicopter experience, testified before Congress that a dirt airstrip was not "proper for that kind of operation."⁷⁵⁸ Nonetheless, North used the invasion plan as part of his presentation to private donors to obtain funds for the Enterprise. William O'Boyle, a wealthy New Yorker, was told by North in 1986 of a highly secret plan for the contras to seize a part of Nicaragua in order to establish a provisional capital and government. The U.S. would then respond with a naval blockade so that the Nicaraguan government would fall.⁷⁵⁹

However, the Enterprise was able to make nine successful flights to the southern front contras between April and September

⁷⁵⁵ Owen Deposition, supra, p. 210.

⁷⁵⁶ Secord Congressional Testimony, supra, Exhibit 4, p. 439. The cost included \$190,000 paid to local contractors and guards so that the airfield could be built. Iran-Contra Congressional Report, supra, p. 62.

⁷⁵⁷ Secord tried to sell the airfield to the CIA in 1986. He claimed the land cost was approximately \$500,000. Secord Congressional Testimony, supra, Exhibit 4, p. 447. Castillo alleged that Secord had paid \$50,000 for the land. Castillo Congressional Testimony, supra, p. 44.

⁷⁵⁸ Rodriguez Congressional Testimony, supra, p. 92-3 (May 28, 1987).

⁷⁵⁹ O'Boyle Congressional Testimony, supra, p. 138-9.

of 1986.⁷⁶⁰ The defendants carefully supervised the operation. In April of 1986, Gadd was told by Defendant Secord and North to provide an air drop of munitions and supplies to FDN troops on the southern front. Southern Air Transport arranged the drop, which took place on April 11.⁷⁶¹ Later in April, Defendant Secord, Gadd and North met with UNO and FDN leaders in El Salvador to discuss logistical support and see the living conditions of the crews. Defendant Quintero and some crew members traveled with them. On the return flight, three crew members, including Ian Crawford, returned with Secord, Gadd and North.⁷⁶²

This venture of the resupply operation also utilized personnel and equipment with drug trafficking connection. In February of 1986, Owen told North that one of the Summit Air planes contracted for was formerly used for drugrunning, and that the crew had criminal records.⁷⁶³

In May of 1986, the Costa Rican Civil Guard was ordered by the Costa Rican government to close down the airstrip. However,

⁷⁶⁰The flights were in April (1); May-July (2); and September (6). Castillo Congressional Testimony, supra, pp. 64-5.

⁷⁶¹Gadd Deposition, supra, pp. 33-5; Castillo Congressional Testimony, supra, pp. 57-60. Aircraft delivered 20,000 pounds of lethal material, and drop information was provided by KL-43 from Castillo to Defendant Quintero. Id., p. 61 and Exhibit TC-6 (KL-43 message from Col. North to Castillo).

⁷⁶²Gadd Deposition, supra, pp. 44-5.

⁷⁶³Owen Congressional Testimony, supra, Exhibit RWO-11 (memo dated February 10, 1986, from Owen ("TC") to North ("BG")).

by August, there were rumors in the area that large, camouflaged planes and 400 contras were still based there. In September, President Arias closed the airstrip down again.⁷⁶⁴

Defrauding the U.S. Government: Illegal Use of Tax-exempt Funds by the Enterprise

In 1985, a network of private, tax-exempt foundations and organizations formed by Carl R. ("Spitz") Channell began to raise money for the military support of the contras. Channell's principal organization, the tax-exempt National Endowment for the Preservation of Liberty (NEPL), used White House briefings and private meetings with the President Reagan to convince donors to contribute more than \$10 million to the contras by the end of 1986. Approximately \$1.7 million was laundered for the Enterprise through various domestic and foreign companies. Another \$1 million went to Defendant Calero's accounts, and another \$500,000 went to other persons and groups.⁷⁶⁵ Most of those funds were ultimately used to purchase military equipment or to otherwise benefit members of the Enterprise.

Channell, who had been a fundraiser for the National Conservative Political Action Committee (NCPAC), incorporated NEPL in 1984. In its application for tax-exempt status under Section 501(c)(3), NEPL asserted that it was formed "to educate members of the general public on American political systems and societal institutions" through the study of the development of

⁷⁶⁴ Iran-Contra Congressional Report, supra, p. 76.

⁷⁶⁵ Iran-Contra Congressional Report, supra, p. 85.

American political systems. On December 12, 1984, NEPL was granted its tax-exempt status.

Working with Channell was Richard R. Miller, a former employee of the Agency for International Development, who ran a company called International Business Communications (IBC). In February of 1984, Miller began working with Frank Gomez who had a non-competitive contract from the State Department to assist its newly-formed Office of Public Diplomacy. The General Accounting Office later charged that this office engaged in "prohibited, covert propaganda activities designed to influence the media and the public to support the Administration's Latin American policies."⁷⁶⁶ IBC also represented the Nicaraguan Development Council, one of Defendant Calero's organizations. A White House aide referred to IBC as the "White House outside the White House" on contra issues.⁷⁶⁷

To implement his plan to use NEPL to raise funds for the contras, Channell first obtained a letter from Defendant Calero in April of 1985 authorizing the solicitations. From the very beginning, the solicitations were for military assistance to the contras. Channell and Miller worked out a standard fund-raising process with North. North would give a presentation --including the provision of munitions lists -- in the old Executive Office

⁷⁶⁶Iran-Contra Congressional Report, supra, Appendix G. IBC received approximately \$440,000 from the State Department during a two-year period. The State Department's inspector general subsequently concluded that the continuing, sole-source contracts were of minimal utility. Id., p. 87.

⁷⁶⁷Iran-Contra Congressional Report, supra, pp. 87-8.

Building to potential donors, who would then be taken across the street to the Hay-Adams Hotel for lunch and asked for money. For large contributors, there were private briefings with special big-ticket lists which included airplanes, explosives and large quantities of weapons. Occasionally, Defendant Calero would participate in the solicitations.⁷⁶⁸

Under the direction of North, Miller and Gomez set up I.C., Inc., in the Cayman Islands as a conduit through which funds contributed to the tax-exempt NEPL could be transferred to the contras.⁷⁶⁹ The funds went from NEPL through IBC to be laundered by I.C. for disbursement and use by the Enterprise.⁷⁷⁰

On March 31, 1986, the day the Congressional authorization of humanitarian aid for the contras expired, IBC received checks for \$500,000 and \$225,000 from NEPL. On April 3, North reminded himself to tell Secord to send "650K to LAKE."⁷⁷¹ On April 11, IBC transferred \$650,000 to the Lake Resources bank account in Switzerland, and Defendant Secord noted its receipt.⁷⁷²

Big contributors to NEPL included Nelson Bunker Hunt (\$484,500); Barbara Newington (\$2,866,025); William O'Boyle

⁷⁶⁸ Garwood Congressional Testimony, supra, p. 71; Iran-Contra Congressional Report, supra, pp. 90-6.

⁷⁶⁹ In May of 1986, I.C.'s name was changed to Intel Co-Operations, Inc. Iran-Contra Congressional Report, supra, p. 91.

⁷⁷⁰ Iran-Contra Congressional Report, supra, p. 101.

⁷⁷¹ Tower Commission Report, supra.

⁷⁷² Chronology, supra, p. 458, citing NEPL Bank Statement of March 31, 1986 and Washington Post, March 7, 1987.

(\$160,000); and Ellen Garwood (\$2,518,135). Most of these donors received tax deductions for funds to purchase military supplies. When O'Boyle expressed concern about the legality of the deduction, Channell assured him that the money would not be traced.⁷⁷³ The Heritage Foundation gave another Miller organization a \$100,000 grant which also went to I.C. A donation from Adolph Coors of \$65,000 for a Maule airplane went directly to the Enterprise's Lake Resources' account in Switzerland to be laundered and then used for the purchase of the airplane from the U.S.-based Maule Air, Inc.⁷⁷⁴ North agreed that Miller and Gomez should collect 10 percent of the money they were raising, because other people providing assistance were taking "20% to 30%." This commission went to a second Cayman Island corporation, World Affairs Counselors, Inc.⁷⁷⁵

The Congressional committees investigating the Iran-Contra affair traced \$430,000 of the donated funds to the Enterprise's Lake Resources account, and \$1,030,000 to Defendant Calero's off-shore accounts.⁷⁷⁶ Large amounts of money also went to rent expensive offices, pay extremely high salaries to Channell, Miller and others, and lease limousines. Many of these

⁷⁷³ O'Boyle Congressional Testimony, supra, p. 83.

⁷⁷⁴ Testimony of Joseph Coors before the Joint Committees, May 21, 1987 (hereafter "Coors Congressional Testimony"), pp. 51-2 and 100.

⁷⁷⁵ Iran-Contra Congressional Report, supra, pp. 95-101.

⁷⁷⁶ Iran-Contra Congressional Report, supra, p. 101.

expenditures were "approved" by North.⁷⁷⁷ On April 29, 1987, Channell pled guilty to defrauding the Internal Revenue Service and depriving the Treasury of revenue to which it was entitled by soliciting contributions to purchase military and other types of non-humanitarian aid for the contras. Miller pled guilty to a similar charge on May 6, 1987.⁷⁷⁸ North was subsequently indicted for conspiring to defraud the United States, the Department of Treasury and the Internal Revenue Service.⁷⁷⁹

Illegal Uses of Humanitarian Aid

In January of 1985, Defendant Calero gave Defendant Owen the funds to establish the Institute for Democracy, Education and Assistance ("IDEA"), a tax-exempt organization, and the Council for Democracy, Education and Assistance, a lobbying organization. Its offices were in Owen's home,⁷⁸⁰ and it was used by the Enterprise to further its illegal activities.

In August of 1985, Congress approved \$27 million in humanitarian aid for the contras to be administered by the State Department. In October, Defendant Calero and Owen conspired to obtain government funds to pay for Owen's work for the Enterprise. Calero signed a letter drafted by Owen which was

⁷⁷⁷ Iran-Contra Congressional Report, supra, p. 98.

⁷⁷⁸ Iran-Contra Congressional Report, supra, p. 100; Information in U.S. v. Carl R. Channell, U.S. District Court for the District of Columbia, April 29, 1987.

⁷⁷⁹ Poindexter et al. Indictment, supra, Count 23.

⁷⁸⁰ Owen Congressional Testimony, supra, pp. 432-3.

addressed to Robert Duemling, the head of the State Department's fledgling Nicaraguan Humanitarian Assistance Office (NHAO). Calero recommended that IDEA, of which Owen was the founder, president and only employee,⁷⁸¹ be given a monthly "donation" of \$4,850 for the "full-time services of Mr. Owen, plus the cost of personal insurance, FICA [Social Security] and other reasonable costs" to coordinate procurement, transportation and distribution of goods and services. Defendant Calero admitted to Congress that the request was made by Owen because Owen wanted to "continue to work in this endeavor," but needed something to live on.⁷⁸²

Despite this recommendation and an earlier one from Oliver North, Duemling refused to hire Owen until additional pressure was placed on him by North.⁷⁸³ In November of 1985, Defendant Owen left the FDN payroll and went to work for NHAO. IDEA's contract with NHAO authorized him to assist the United Nicaraguan Opposition (UNO) in preparing proposals to and administering grants from NHAO to UNO. In that position, he was prohibited from performing "any service which is related to the acquisition, transportation, repair, storage or use of weapons, weapons

⁷⁸¹Owen Congressional Testimony, supra, p.355. Owen testified that he set up IDEA in January of 1985 at the same time he set up a 501(c)(4) lobbying organization called the Council for Democracy, Education and Assistance. Id. IDEA's only receipts were the funds from the State Department. Id. at 418.

⁷⁸²Calero Congressional Testimony, supra, p. 143-5 and Exhibit AC-5.

⁷⁸³Iran-Contra Congressional Report, supra, p. 63.

systems, ammunition or other equipment, vehicles or material which can be used to inflict serious bodily harm or death" during the five-month term of the grant.⁷⁸⁴

Despite this provision and in furtherance of the Enterprise, Defendant Owen used his position to continue his activities to illegally supply the contras with arms and other military assistance.⁷⁸⁵ After each trip to Central America -- which were now paid for by NHAO funds -- he would file two reports: one to NHAO concerning humanitarian aid; and a second to North detailing his activities in coordinating lethal aid.⁷⁸⁶ He mixed the delivery of humanitarian with lethal aid to benefit the corporations of the Enterprise.

In December of 1986, the General Accounting Office issued a report on the disbursement of \$26.8 million in humanitarian aid. It determined that NHAO could not verify most of the receipts for the purchases of goods provided to it by Owen and Defendant Calero. NHAO itself had determined that \$80,000 of the disbursements were based on false receipts, and that some of the

⁷⁸⁴ Owen Congressional Testimony, supra, Exhibit RWO-17 (letter dated Nov. 6, 1985, from Robert W. Duemling to Owen). The grant was subsequently extended until June 15, 1986. Id.

⁷⁸⁵ Defendant Owen stated during the Congressional hearings concerning his trips to Central America during his employment for NHAO, "[e]very time that I did something for Colonel North I was going down there anyway." Owen Congressional Testimony, supra, p. 397.

⁷⁸⁶ Iran-Contra Congressional Report, supra, p. 63; see, e.g., Owen Congressional Testimony, supra, Exhibit RWO-11 (Memorandum from "TC" [Owen] to "BG" [North], dated February 10, 1986).

funds had been used to purchase ammunition and grenades. Approximately \$6 million was placed in the bank accounts of "brokers" in the United States for use by Central American suppliers. The "brokers" were able to obtain increases of the principal of up to 31 percent in currency transactions. NHAO officials stated -- but could not verify -- that the United Nicaraguan Opposition received the excess funds.⁷⁸⁷

The GAO investigators turned up countless illegible signatures for receipt of cash, or illegible receipts for other supposed purchases. One supplier simply called "Supermercado" [Supermarket] received over \$1 million with records in which the payee, endorser and location were all illegible.

Defendant Owen and NHAO could not trace the funds paid to the broker accounts, and GAO was able to identify payment of only a small amount of funds to specific regional suppliers. In one country, payments had been made to the armed forces of another country.⁷⁸⁸ Brokers and other suppliers were often chosen because of their relationship with the Enterprise, even when they were suspected drug traffickers.

One of the brokers selected by Defendants Hull and Owen -- on the grounds that it had "helped" the contras -- was Ocean Hunter, the Miami shrimp importing company of Defendant

⁷⁸⁷United States General Accounting Office, "Central America: Problems in Controlling Funds for the Nicaraguan Democratic Resistance," December 1986 (hereafter "GAO NHAO Report").

⁷⁸⁸GAO NHAO Report.

Chanes.⁷⁸⁹ Its contract was to provide assistance to the Kisan-South Miskito Indian contra organization. Ocean Hunter and its Costa Rican supplier, Frigorificos de Puntarenas, run by Defendant Nunez and ostensibly a shrimp exporting company, were both suspected of drug dealing and providing military assistance to the contras.

In actuality, Frigorificos de Puntarenas was a front used by Defendants Chanes, Nunez Escobar and Ochoa and the Medellin drug cartel to provide funds for the contras. Ramon Milian Rodriguez, a Cuban-American accountant in charge of money laundering for the cartel, testified before a Senate Foreign Relations subcommittee, that he set up "interlocking chains of companies" around Frigorificos to accomplish this purpose.⁷⁹⁰ Felix Rodriguez, another Bay of Pigs veteran who was a key player in the resupply network, would contact Milian Rodriguez and tell him where to put the money.⁷⁹¹

Ocean Hunter was also a small money launderer for Milian-Rodriguez. Its other partner was Luis Rodriguez, a partner of Milian-Rodriguez in two Panamanian companies called Ahoremusa Holdings S.A. and Akaba Investments S.A. Luis Rodriguez has been described by Customs sources as a major cocaine trafficker. According to Milian-Rodriguez, it moved about \$5 million a year

⁷⁸⁹ Owen Deposition, supra, p. 349.

⁷⁹⁰ Milian Rodriguez Testimony, supra.

⁷⁹¹ "Drug Money Alleged to Go to Contras," Washington Post, February 12, 1988, citing earlier news interviews with Milian Rodriguez.

and was also a cocaine trafficker. In late 1983, a freighter owned by Ocean Hunter had been used to ferry cocaine from Limon, Costa Rica, to Miami.⁷⁹² Jesus Garcia stated that he had seen three kilos of cocaine at Chanes' house in March of 1985 while picking up arms for a shipment to the contras.⁷⁹³ Although the Drug Enforcement Agency indicated an unusual lack of interest in Ocean Hunter, despite the fact that its agents knew it was trafficking in cocaine, in 1987, the Customs Service finally began a full-scale investigation.⁷⁹⁴

It is unclear as to what humanitarian supplies -- if any -- these two shrimp companies provided to the contras with the funds provided to them. However, some of the \$231,587 turned over to Ocean Hunter between January and May of 1986 turned up in the Israel Discount Bank and Korean Exchange Bank at the same time those countries were supplying arms to the contras.⁷⁹⁵

Defendant Owen was the NHAO overseer for Ocean Hunter and Frigorificos and was in close touch with both Defendants Chanes and Nunez. Owen was warned sometime in 1986 by an intelligence agent about using Ocean Hunter because of its alleged drug

⁷⁹²Cockburn, supra, p. 166.

⁷⁹³Cockburn, supra, pp. 156-7. Shrimp boats are particularly well-suited for drug smuggling because the shrimp are frozen and sealed in containers and will spoil if the containers are opened. If nothing is found, the inspectors may be liable for damages. Id.

⁷⁹⁴Cockburn, supra, pp. 165-7.

⁷⁹⁵Cockburn, supra, p. 160.

trafficking connection, but continued its contract.⁷⁹⁶ In his deposition, Owen said he thought the companies had been checked out by the FBI, but Robert Duemling, NHAO's head, said they have never been checked with the FBI or DEA. An attempt to investigate Frigorificos in Costa Rica was headed off by then-Ambassador Tambs.⁷⁹⁷

In order to cover the illegal and improper uses it made of the humanitarian aid funds, the Enterprise falsified receipts from Kisan-South. Defendant Owen was aware of the false receipts provided to NHAO.⁷⁹⁸ and not only took no steps to stop it, but also participated in the diversion scheme. In 1987, a clerk from Creaciones Fancy, a San Jose clothing store, identified Defendant Owen as the "gringo" who came into her discount store to obtain a false receipt for \$25,870. Jenelee Hodgson, a Miskito leader, stated that Defendants Owen and Vidal told her of the false receipt. Military supplies were purchased with the money. Owen and Vidal also claimed to be using the \$231,000 designated for Kisan-South, Hodgson's group, for uniforms for 1,000 combatants, although it never had more than 50. The arms and supplies went to Pastora's commanders to entice them to leave Pastora. Cash gifts of up to \$5,000 also went to the commanders who left

⁷⁹⁶ Owen Deposition, supra, p. 347.

⁷⁹⁷ Cockburn, supra, p. 162. .

⁷⁹⁸ Owen Congressional Testimony, supra, pp. 380-2; RWO-13 (Memorandum from "TC" [Owen] to "BG" [North], dated March 17, 1986).

Pastora in 1986.⁷⁹⁹

The NHAO employee sent to investigate the alleged misuse of government funds forced Hodgson and Franklin Reed, another Kisan-South official, to sign affidavits that they had committed the fraud "so it didn't all blow up." Defendant Owen was not questioned about the falsified receipt.⁸⁰⁰ Owen was well aware of the illegal uses of the NHAO and other funds by the Enterprise, and the inability of other contra leaders to effect change. On April 7, 1986, he wrote to North:

A big concern he [Arturo Cruz Sr.] voiced is the problem with corruption. On two separate occasions [sic] he said "I believe Adolfo Calero is an honest man. I don't believe he would steal or that he is corrupt." He did not say the same about Mario [Calero] or Aristedes [Sanchez]. He asked a number of questions regarding what I knew about possible corruption, and what is going on at NHAO.⁸⁰¹

NHAO and Michael Palmer: Another Deal with Drugs

Another drug smuggler selected to receive NHAO funds by the Enterprise was Michael Palmer, a former Delta Airlines pilot who had access to airplanes, munitions, counterfeit I.D.s and a drug fortune estimated at \$30 million. Leigh Ritch, another drug dealer, testified before Congress recently that Palmer was the

⁷⁹⁹ "State Department Adviser Tied to Misuse of Rebel Aid," Miami Herald, February 16, 1987.

⁸⁰⁰ "State Department Adviser Tied to Misuse of Rebel Aid," Miami Herald, February 16, 1987.

⁸⁰¹ Owen Congressional Testimony, supra, RWO-15 (memo from "TC" [Owen] to "William" [North], dated April 7, 1986, entitled "Recent Trip.")

"top man" in an organization that grossed billions of dollars in marijuana.⁸⁰² A year prior to his selection, Palmer was in a Colombian jail on a drug charge. Palmer and his companion, Kenneth Alexander Jayson, using a Beechcraft A-80, had gone to Valledupar, Colombia, to pick up 2,000 pounds of marijuana and deliver \$1 million. Palmer and Jayson were arrested by the army but released after they paid \$250,000.⁸⁰³ Nonetheless, through his company, Vortex, Palmer was paid \$96,961 by NHAO for supply flights to Central America just months before he was indicted in Detroit for being a key player in a huge drug syndicate that operated in Tampa, Detroit and Raleigh, North Carolina from 1977 to 1986.⁸⁰⁴ Like other pilots, on the return flights, Palmer was allowed to run drugs. The Customs Service, at the request of certain officials of the CIA, did not search the planes used by the supply operation.⁸⁰⁵

In October of 1987, the charges against Palmer were dropped after he participated in a sting operation in the same plane he

⁸⁰² "Panel to Probe Alleged Contra-Drug Trade Links," Boston Globe, February 13, 1988.

⁸⁰³ Affidavit of Alejandro Cerna Sanchez, January 26, 1987, filed in U.S. v. Sanchez (S.D. Texas) (hereafter "Cerna Affidavit"), pp 2-3.

⁸⁰⁴ U.S. v. Michael P. Vogel et al., Case No. 86-80368 (E.D. Mich. 1986)

⁸⁰⁵ "Panel to Probe Alleged Contra-Drug Trade Links," Boston Globe, February 13, 1988.

had used for humanitarian aid purposes.⁸⁰⁶ The plane, a DC-6, was also used by Michael Tolliver in 1985 to take a plane load of contra arms Aguacate in Honduras and return with 25,000 pounds of marijuana into Homestead Air Force Base.⁸⁰⁷

In November of 1987, relatives of Alejandro Cerna Sanchez went to Valledupar to obtain copies of Palmer's arrest record. While there, they became aware that two agents of the United States government were attempting to obtain the original arrest documents and destroy all evidence of that arrest.⁸⁰⁸ Cerna also stated in an affidavit that, as part of the sting, Palmer was allowed to keep most of the marijuana and to illegally export AR-15 rifles and ammunition to a partner in Mexico.⁸⁰⁹

NHAO: Contract with Gadd

Defendant Owen also used his position at NHAO to obtain government contracts for other Enterprise corporations involved in the delivery of lethal aid to the contras. Shortly after his employment, Owen, working with Defendant Secord, obtained a NHAO contract from Duemling for Airmach, Gadd's air supply business,

⁸⁰⁶ Corn and Morley, "Beltway Bandits: The Elusive Contra Drug Suspect," The Nation, March 12, 1988, p. 332; "Inside Vortex," Village Voice, October 20, 1987.

⁸⁰⁷ Cockburn, supra, p. 184-6.

⁸⁰⁸ Cerna Affidavit, supra, p. 3.

⁸⁰⁹ Cerna Affidavit, supra, pp. 7-8.

which was also delivering lethal aid to the contras.⁸¹⁰ Upon one occasion, the Enterprise instructed Gadd to make an "emergency" delivery of humanitarian supplies to El Salvador so the Enterprise could use it for a lethal delivery at the same time. When the plane arrived in El Salvador, a representative of Defendant Calero told the crew to go to Aguacate, where they were then told to load ammunition on to the same plane for delivery to the contras in the field.⁸¹¹

Combining Deliveries of Lethal and Humanitarian Aid

In March of 1986, Defendant Owen, through the fraudulent use of travel funds provided for by NHAO, made a trip to Central America during which he personally supervised the use of an L-100 chartered by Southern Air Transport -- another Enterprise contractor -- to deliver humanitarian supplies for delivering munitions to the contras on the southern front. Under the direction of the Enterprise, Owen flew down to Ilopango in El Salvador, where the humanitarian supplies were unloaded and -- when the munitions were not available -- flew on to Aguacate in Honduras and made contacts with Defendant Calero's FDN representative, Defendant Secord, North and Gadd to attempt to obtain the munitions. Felix Rodriguez, Col. James Steele, Ramon

⁸¹⁰ Gadd Deposition, supra, p. 24-6; Iran-Contra Congressional Report, supra, pp. 63-4; Cockburn, supra, p. 217.

⁸¹¹ NHAO refused to pay for the part of the flight during which the ammunition was transported. Iran-Contra Report, supra, p. 65.

Medina (Luis Posada Carilles⁸¹²) and Defendant Quintero attempted to help Owen to obtain the munitions, but were unsuccessful.

As a result of that experience, Defendant Owen recommended that both lethal and non-lethal aid be stored in Honduras, and that Southern Air's L-100 be used for drops in the south until the Santa Elena airstrip was ready. He also discussed various munitions needs of the contras. Owen also used this NHAO trip to travel to Costa Rica and obtain a list of weapons needed by the contras there as he did during several other trips in February and March of 1986.⁸¹³

In April of 1986, the Enterprise arranged to get a second NHAO flight for Southern Air Transport's L-100 to deliver humanitarian supplies. When the plane reached Honduras, the Enterprise added munitions for delivery to the contras in the field. Under this scheme, NHAO paid for most of the cost of delivering lethal aid to the contras.⁸¹⁴

After the March trip, Owen also suggested that a secure communications channel be provided for the Enterprise between Honduras, Point West and the "UNO Sur" radio shack in Costa Rica. In April, Col. North provided Defendant Owen with a KL43, a

⁸¹² Posada is wanted in Venezuela for his part in the bombing of a Cubana airplane. During his Congressional testimony, Felix Rodriguez stated that he had helped Posada escape from Venezuela. Rodriguez Congressional Testimony, supra, p. 72 (May 28, 1987).

⁸¹³ Owen Congressional Testimony, supra, pp. 356-9; Exhibit RWO-14 (Memorandum to "BG" [North] from "TC" [Owen] dated March 28, 1986.

⁸¹⁴ Iran-Contra Report, supra, p. 66.

secure communications device already in the possession of Defendant Quintero, Felix Rodriguez, Defendant Secord and Gadd, Col. Steele and Southern Air Transport for delivery to Tomas Castillo in Costa Rica. Owen delivered it on one of his NHAO trips.⁸¹⁵

Enterprise's Use of Tax-Exempt Funds for Political Purposes

The Enterprise used CDEA, Defendant Owen's 501(c)(4) tax-exempt organization as a mechanism to funnel tax-exempt donations from Carl Channell's National Endowment for the Preservation of Liberty ("NEPL") into lobbying efforts to obtain Congressional votes for contra aid. During the first half of 1986, CDEA, which was funded by NEPL through another organization called Sentinel, hired lobbyist Bruce Cameron for \$6,000 per month. This expenditure was only part of a larger, illegal political campaign.⁸¹⁶ In April of 1987, the Democratic Congressional Campaign Committee filed a complaint with the Federal Election Commission charging Channell and NEPL, Sentinel and the American Conservative Trust with violating federal laws governing tax-

⁸¹⁵Owen Congressional Testimony, supra, p. 360; Castillo Congressional Testimony, supra, pp. 106; Secord Congressional Testimony, supra, p. 66. Robert C. Dutton, who worked with Defendant Secord, mentioned KL43 communications several times in his testimony. See, e.g., Dutton Testimony, supra, pp. 33-8, 46, 65, 74-6, 80, 93 and 205. The KL43 is a highly classified military communications device, which Dutton obtained from the National Security Administration. Id., p. 207.

⁸¹⁶Central American Freedom Program Budget, NEPL (undated); CDEA Report Pursuant to Federal Regulation of Lobbying Act, July 15, 1986.

exempt organizations by soliciting money for political advertisements and attempting to influence elections directly.⁸¹⁷

Fraudulent Obtaining of Intelligence Information

In order to further the goals of the Enterprise, defendants also fraudulently obtained and transmitted highly secret intelligence information to the contras. In the fall of 1984, Lt. Col. Oliver North, who misrepresented his position, requested the information from the CIA and the Department of Defense, ostensibly for his use at the National Security Council. However, North then transmitted the information to the Enterprise through Defendant Owen who provided it to Defendant Calero.⁸¹⁸ Specifically, North obtained intelligence information from the CIA and the Defense Department on the location of Nicaraguan HIND-D helicopters to assist Defendant Calero in destroying them.⁸¹⁹

Procurement of David Walker by the Enterprise to Further Crimes of Violence

The intelligence passed on by North to the Enterprise was to be used by a British mercenary it had hired. In late 1984,

⁸¹⁷ Complaint of Democratic Congressional Campaign Committee, April 28, 1987.

⁸¹⁸ Iran-Contra Congressional Report, supra, p. 43.

⁸¹⁹ Iran-Contra Congressional Report, supra, p. 43, citing Exhibit RCM-31 (North memorandum to McFarlane, dated November 7, 1984, entitled "Clarifying Who Said What to Whom").

North, upon the suggestion of John Lehman, secretary of the Navy, met with David Walker, a former British Special Air Services officer, and he and Defendant Calero authorized an arrangement under which Walker would work with Defendant Calero to destroy the HIND helicopters. Defendant Calero also met with Walker. Walker subsequently provided mercenaries who participated in attacks on military installations in Nicaragua, including an attack on an arms depot in Managua on March 6, 1985. His costs were paid for by the Enterprise.⁸²⁰ These activities by the Enterprise violated 18 U.S.C. 1952, which prohibit engaging in foreign travel and communications to further a crime of violence.

The Maritime Operation

In 1984, Defendant Singlaub met with Karl Phaler of Freedom Marine, which manufactured Kevlar boats which can evade radar detection and reach speeds of up to 70 miles per hour. Singlaub later introduced Phaler to Calero and Oliver North to discuss the use of the boats by the contras. In the summer of 1985, Owen and Bill Kenney, a Singlaub and Aderholt⁸²¹ associate who is a former Navy SEAL, went to Costa Rica and Honduras to investigate the possibility of a maritime operation to mount attacks on the ports of Nicaragua. Kenney had already been working for Defendant

⁸²⁰ Iran-Contra Congressional Report, supra, p. 44. North Congressional Testimony, July 13, 1987, supra, pp. 142-43; Id., July 14, 1987, p. 79-80; Calero Congressional Testimony, supra, pp. 161-2.

⁸²¹ Singlaub Deposition, supra, p. 91.

Singlaub on a project to supply boats to the contras through an Aderholt company called Alkema America. His expenses were paid by Singlaub's non-profit U.S. Council for World Freedom, and he was also paid \$1,500 a month by Defendant Calero.⁸²²

Owen introduced Kenney to Defendant Nunez with the idea that Kenney would "work" for Nunez's shrimp-processing front company, Frigorificos de Puntarenas. Phaler, Singlaub, Kenney, John (I.W.) Harper, an explosives and munitions expert also associated with Singlaub, and Robert K. Brown, and Owen met during that same trip in Honduras to discuss training boatmen.⁸²³ Harper had previously been in Honduras to teach the contras demolition skills and "tradecraft" intelligence skills. Shortly thereafter, three boats were sold to the contras and outfitted with machine guns to be used for resupply and "offensive" activities in Nicaragua.⁸²⁴

By April of 1986, the Enterprise had established a cover operation in Limon through a new company established by Defendant Nunez and were making arms shipments into Nicaragua. Bill Kenney was requested to come and run the operational aspect.⁸²⁵

Defendants Singlaub's, Nunez's and Calero's maritime

⁸²² Singlaub Deposition, supra, p. 131.

⁸²³ Owen Deposition, supra, pp. 196-8.

⁸²⁴ Owen Deposition, supra, p. 472; Corn, "The Case of the 'Stealth' Boats," The Nation, January 9, 1988.

⁸²⁵ Owen Congressional Testimony, supra, RWO-15 (memo from "TC" [Owen] to "William" [North], dated April 7, 1986, entitled "Recent Trip."

operation extended far beyond the provision of three machine-gun-outfitted boats and explosives training, however. They were planning a large maritime front on the Atlantic Coast. In late 1985, on behalf of Defendant Singlaub and the U.S. Council for World Freedom, Kenney contacted a Louisiana marine engineering firm to contract for the development, testing, evaluations and fabrication of a non-magnetic, corrosive-resistant submachine gun and other hardware "for utilization by the CONTRA's [sic] maritime insurgency."⁸²⁶ The firm agreed to procure three .50-caliber machine guns and to "acquire and assemble Ten (10) Man Team with alternates for Special Project."⁸²⁷

The Louisiana firm produced eight prototype machine guns for the contras' covert amphibious operations and delivered them to Kenney for transshipment to the "end-users." At least one of the guns was delivered to the contras.⁸²⁸ In payment, it received \$15,000 through a Bahamian bank account it set up upon the direction of Kenney. When Kenney and Singlaub failed to come up with the additional \$22,000 spent on the projects, the president of the firm wrote Singlaub in September of 1986 and threatened him with the "political consequences of exposure." Singlaub then arranged for another \$15,000 from a private donor to be paid to

⁸²⁶ Singlaub Deposition, supra, Exhibit A, p. 50 (letter from Randall M. Smith to John K. Singlaub, dated September 4, 1986).

⁸²⁷ Singlaub Deposition, supra, Exhibit A, pp. 53-4.

⁸²⁸ Singlaub Deposition, supra, p. 135.

the firm.⁸²⁹

The fabrication of machine guns in the United States and their delivery to the contras was done in violation of numerous arms control laws in the United States. The U.S. Council for World Freedom did not have the proper licenses to export guns to the contras in Central America. Moreover, it was a tax-exempt, non-profit organization which could not legally raise funds to manufacture and deliver weapons.

The Enterprise Takes Over A Business For Racketeering Purposes

In 1981, Robert B. Fletcher created and operated the Animal Factory, a small company in Marietta, Georgia, which manufactured animal puppets. By 1984, Fletcher had developed a moderately productive company.⁸³⁰ At the end of 1984 or the beginning of 1985, Fletcher was contacted by a business in another office in his building. In approximately February, 1985, he met Gary Best, the head of that company, who explained that his business, Vista Distribution, USA was an import/export wholesale operation that sold watches to convenience stores.⁸³¹

Vista immediately made an offer to buy out the Animal

⁸²⁹ Singlaub Deposition, supra, Exhibit A, pp. 50-1 (letter from Randall M. Smith to John K. Singlaub, dated September 4, 1986).

⁸³⁰ Deposition of Robert B. Fletcher, 11/12/87 (hereafter "Fletcher Deposition"), p. 6-7; Jim Naureckas, "Inside the Animal Factory," In These Times, Feb 17-Feb 23, 1988 (hereafter "Animal Factory"), p. 12.

⁸³¹ Fletcher Deposition, supra, p. 13; "Animal Factory," supra, p. 12.

Factory, which Fletcher accepted after Best promised to pay off Fletcher's debts, advertise his puppets and put more money into the company. Fletcher was put on salary and the toy company was renamed Vista Animal Factory USA.⁸³² Best became chief executive officer of both the toy company and Vista Distributions. Fletcher was given an office in Vista Distributions.⁸³³

Shortly thereafter, Fletcher began to notice extremely unorthodox practices at Vista including the lack of effort to resell thousands of dollars worth of watches that were returned and the receipt of telex messages which discussed shipments of fireworks and potatoes from Switzerland, Hong Kong and Pakistan even though Vista was not doing business in those locales. When Fletcher asked Best to explain this, Best replied that he sold military aircraft and helicopters.⁸³⁴ Best gave Fletcher more information about the true nature of the company, but warned him not to tell anyone. He then threatened Fletcher by pulling the trigger of an imaginary gun.⁸³⁵

There were also many telephone calls and personal visits to Vista from various military officers. Harry (Heinie) Aderholt, a retired U.S. general and Enterprise associate, was in constant

⁸³²Fletcher Deposition, supra, p. 14; "Animal Factory," supra, p. 12.

⁸³³Fletcher Deposition, supra, pp. 17-19.

⁸³⁴Fletcher Deposition, supra, pp. 22-24; "Animal Factory," supra, p. 12.

⁸³⁵Fletcher Deposition, supra, pp. 60-61; "Animal Factory," supra, p. 12..

touch with Best, and it became apparent that Best and Aderholt were working on aiding the contras against the government of Nicaragua in clear violation of the Neutrality Act. Aderholt remarked to Fletcher that he had "some of his boys working in Nicaragua."⁸³⁶

Defendant Singlaub joined this operation in the fall of 1985. Singlaub came to Vista's office on at least one occasion in late September or early October, 1985 and met privately with Best and Aderholt. After this meeting, Best came into Fletcher's office and told him that "General Singlaub is with us now." Singlaub was subsequently in frequent contact with the office.⁸³⁷ Singlaub acknowledged that he had visited Vista and Best, but stated that it was in relationship to a MIA project he and Aderholt were involved in.⁸³⁸

Other associates of the Enterprise were also evident at Vista. Vista's American Express account paid for a round-trip ticket to Managua for Bill Kenney, who was working for Singlaub and Aderholt on various armaments projects for the contras.⁸³⁹ On another occasion in mid-1986, after Fletcher had left the company, Kenney brought in one of the machine guns discussed

⁸³⁶ Fletcher Deposition, supra, p. 24-28; "Animal Factory," supra, p. 12.

⁸³⁷ Fletcher Deposition, supra, p. 80-81; "Animal Factory," supra, p. 12.

⁸³⁸ Singlaub Deposition, supra, pp. 86-90.

⁸³⁹ Fletcher Deposition, supra, pp. 99-100, 107; "Animal Factory," supra, p. 12.

above to the Vista office to show Best.⁸⁴⁰ Kenney's association with the Enterprise was explicitly demonstrated in a March 1986 memorandum to Oliver North from Defendant Rob Owen which stated that Kenney "now works with Singlaub and Heinie Aderholt." Owen wrote that Kenney "seems upfront and able to keep his mouth shut" and recommended him for a proposed contra operation.⁸⁴¹

Vista was also involved in Iran arms sales. Best attempted to open a channel to Iran through one of Fletcher's contacts, an oil businessman named Raj Malliick. Best was "trying to locate aircraft replacement parts and also potentially a couple of large aircraft" for sale to Iran in May or June of 1985, two or three months before the White House approved Israel's airplane-parts-for-hostages deal with Iran. The sale apparently never materialized.⁸⁴²

Vista's operations included aiding the rebels fighting in Angola. Best offered Fletcher \$2,000 a flight to be an information courier the Angolan insurgents. But he warned that this work was dangerous, and that Fletcher could be killed if he talked to the wrong people. Fletcher eventually declined to get

⁸⁴⁰ Fletcher Deposition, supra, pp. 102-103.

⁸⁴¹ Owen Congressional Testimony, supra, Exhibit RWO-13 (memorandum from "TC" [Owen] to "BG" [North], dated March 17, 1986, entitled "Overall Perspective"; "Animal Factory," supra, pp. 12-13.

⁸⁴² Fletcher Deposition, supra, pp. 85-89, 90-94, Exhibits 4 and 5; "Animal Factory," supra, p. 13.

involved in this operation.⁸⁴³

It soon became apparent that Vista was not putting money into Fletcher's toy company as agreed, but that it was being used as a cover and its profits fraudulently diverted to covert operations. Fletcher also became aware that Vista's books were illegally being altered.⁸⁴⁴

Fletcher finally confronted Best in December of 1985 about these unlawful practices. Best ordered Fletcher to leave. Fletcher left as he didn't have the resources to mount a legal struggle and was fearful for his health and safety because of earlier threats made by Best.⁸⁴⁵ Fletcher estimated that the Enterprise's takeover of his company cost him at least \$100,000.⁸⁴⁶

United States Council for World Freedom: The Enterprise Uses Tax-Exempt Funds to Assist the Contras

Many, if not all, of the expenses of Defendant Singlaub's trips to raise money for the contras and to provide military assistance were improperly paid for by the U.S. Council for World Freedom (USCWF), a tax-exempt 501(c)(3) organization, and other

⁸⁴³ Fletcher Deposition, supra, pp. 58-60, 68-69; "Animal Factory," supra, p. 13.

⁸⁴⁴ Fletcher Deposition, supra, pp. 69-71, 114-115; "Animal Factory," supra, p. 13.

⁸⁴⁵ Fletcher Deposition, supra, pp. 118-119.

⁸⁴⁶ Fletcher Deposition, supra, p. 119; "Animal Factory," supra, p. 13.

tax-exempt groups that Singlaub controlled. Defendant Singlaub described the purpose of the Council as providing "support and assistance to the democratic, anti-communist Freedom Fighters of the world."⁸⁴⁷ But its tax-exempt status was granted with the following condition: that "at no time will the USCWF ever contemplate providing materiel or funds to any revolutionary, counterrevolutionary or liberation movement."⁸⁴⁸ This provision was honored only in the breach.

The Enterprise also used these foundations to provide tax deductions for contributions of funds and equipment that were intended for the military purposes of the contras or to further the Enterprise itself. In 1985, Ellen Garwood, a wealthy Texas woman, gave the USCWF \$65,000 for a helicopter -- which Singlaub publicized as the "Lady Ellen" -- for the FDN. She took a tax deduction for that contribution, which was billed as "humanitarian aid."⁸⁴⁹ Another organization, Western Monetary Consultants, Inc., of Fort Collins, Colo., donated \$72,000 to repair the Lady Ellen.⁸⁵⁰ By 1986, however, Singlaub and other were conspiring to use donated and purchased aircraft to set up a

⁸⁴⁷ Letter from Singlaub to Rev. Don White, Gospel Advance Mission, dated February 13, 1985.

⁸⁴⁸ Anderson and Anderson, supra, p. 269.

⁸⁴⁹ Mrs. Garwood was quoted as saying, "Give to General Singlaub's U.S. Council of World Freedom, whatever he asks, it's tax deductible [sic]." "Who's Running This War?" Frontline, March 16, 1986.

⁸⁵⁰ Letter from Singlaub to William R. Kennedy, Jr., dated February 13, 1986.

private, revenue-generating company to function as a "complete support" air operation for the contras. The aircraft in USWCF's fleet at that time were: two Helio Couriers; two Bell helicopters; one Cessna 337; and one L-19 Bird Dog.⁸⁵¹ All were either donated or purchased with donated funds.⁸⁵²

To further the Enterprise's scheme for appropriating tax-exempt donations, in July of 1986, Defendant Singlaub, through USCWF, conspired with Defendant Calero, Mario Calero, Ed Dearborn, Mike Timpani and Joyce Downey to obtain a C-130A airplane, serial number 57-517, registration number N-3226B, from the Valley National Bank of Phoenix, Arizona, for tax-exempt credits of \$1 million. Of that amount, \$750,000 of the deductible amount would "pay Valley National Bank the sum of \$20,000.00 for each trip the C-130A would make from U.S.A. to base camp," although there was no indication the bank would receive payment for those flights. The plane was to be made "flyable" and delivered to Timpani's Falcon Wings in Mesa, Arizona.⁸⁵³ The C-130 is a large transport plane, which is "the mainstay of the U.S. tactical airlift fleet and is often also used for paratroop drops."⁸⁵⁴

⁸⁵¹ Singlaub Deposition, supra, Exhibit A, pp. 55-8.

⁸⁵² Statement based upon documents provided to Plaintiffs by Defendant Singlaub.

⁸⁵³ Singlaub Deposition, supra, Exhibit A, p. 55 (letter from Joyce Downey to David Oglivy, dated July 8, 1986).

⁸⁵⁴ "Contras Air Force: New Factor Is Added to War," Los Angeles Times, July 26, 1986.

Dearborn publicly discussed the creation of what he described as a "contra air force" with the Los Angeles Times in July of 1986 while he was supervising the rebuilding of three of the donated planes in San Diego County: the L-19; one of the Helios; and a Cessna 337. Dearborn made a public appeal for donations of money and more airplanes. Defendant Calero admitted that "his aides" were negotiating for the "purchase" of a C-130 transport for the contras.⁸⁵⁵

Conspiring to Defraud the United States Government: The Three-way Trade Scheme

In the summer of 1986, Defendant Singlaub, Ed Luttwak, Barbara Studley of GeoMiliTech and others conspired to defraud the United States government of millions of dollars which would then be secretly and illegally used to support insurgencies in Nicaragua, Afghanistan, Angola and Cambodia without "the consent or awareness of the Department of State or Congress." The plan was part of the Enterprise's overall objective to support and implement off-the-shelf covert operations without accountability to either the Congress or the President. Singlaub proposed it in a letter to CIA director Casey which was delivered by Luttwak. Another copy was delivered by Studley to a representative of the National Security Council.⁸⁵⁶

⁸⁵⁵ "Contra Air Force: New Factor Is Added to War," Los Angeles Times, July 27, 1986.

⁸⁵⁶ Singlaub Congressional Testimony, supra, Exhibit JKS-6 (undated letter on GeoMiliTech stationary from John K. Singlaub to William Casey and enclosures); and Exhibit JKS-5 (undated note

The illegal scheme would work in the following manner: Israel would be provided with credits to obtain high technology items and information from the U.S. Israel then would provide military hardware equal in value to the credits to Poland, which wanted to upgrade its armed forces. Poland would provide Soviet-block weapons to the various insurgencies. The delivery of the weapons to the insurgents would occur through a foreign trading company set up by GeoMiliTech. In the process, money appropriated by Congress for one purpose would be used fraudulently for another, unauthorized, covert purpose. According to Defendant Singlaub, both Israel and Poland were "most interested in pursuing their role in this trade arrangement."⁸⁵⁷

At the same time of the three-way trade proposal, Defendant Singlaub also proposed another violation of U.S. law by suggesting a method by which military equipment could be secretly provided to the contras and paid for by the U.S. government prior to the effective date of Congressional appropriations for military aid. Singlaub presented Casey with a list of over \$80 million in arms and explosives, including C-4, available from Poland, which he said could be shipped immediately if Casey would provide a letter of credit to a GeoMiliTech's Swiss bank. The bank would then issue a loan "in the name of a corporation of your choice." Singlaub told Casey that

from Barbara Studley).

⁸⁵⁷ Singlaub Congressional Testimony, supra, Exhibit JKS-5.

Our banker is prepared to fly to Washington and take care of the Letter of Credit directly with your designated bank. This eliminates all bank tested telexes or paper trails. . . . It is not necessary for our bank to know your identity, only your banker.

Our bank has been exceptionally discreet in processing our transactions in the past. At the close of the transactions, the bank file will only show corporations, numbered items and amounts. No reference will be made of the specific items involved in the transaction, nor of the individuals or actual organizations involved.⁸⁵⁸

Defendant Singlaub said that GeoMiliTech could provide the items "dockside, ready for shipment," within two weeks of the date of a letter of credit.⁸⁵⁹ The transaction would have made GeoMiliTech the largest supplier of military goods to the contras.

Singlaub Pretends to Obtain Enterprise Aid for Pastora

Under the procedures set up by the Enterprise, contra leaders were well aware of the requirement that necessary funds to continue their war came from the Enterprise. At the end of 1984, Defendant Singlaub was in a hotel in Miami where he met with El Negro Chamorro and Steadman Fagoth, a leader of a faction of the Miskito Indians, who were requesting aid. Pastora also requested aid, but was refused. Pastora contacted Defendant Singlaub again in mid-1985 and "some months later" to ask for

⁸⁵⁸ Singlaub Deposition, supra, Exhibit A, p. 1 (undated letter on GeoMiliTech stationery from John K. Singlaub to William Casey).

⁸⁵⁹ Singlaub Deposition, supra, Exhibit A, p. 1 (undated letter on GeoMiliTech stationery from John K. Singlaub to William Casey).

aid.⁸⁶⁰ During the last contact, Defendant Singlaub said he would talk to "certain people" to see if they could help Pastora.⁸⁶¹ However, because he wanted to see the situation in Costa Rica and persuade Pastora to join UNO, Defendant Singlaub traveled to Costa Rica and Pastora's operations near the Rio San Juan in March of 1986.⁸⁶² Prior to his meeting with Pastora, Singlaub met with U.S. Ambassador Lewis Tambs in San Jose and Elliott Abrams in Washington.⁸⁶³

Defendant Singlaub promised military and economic aid to Pastora on the condition that Pastora withdraw from the San Juan River and go deeper inside Nicaragua and "coordinate actions with" the FDN.⁸⁶⁴ An agreement was drawn up with these

⁸⁶⁰ Prado Deposition, supra, p. 70.

⁸⁶¹ Deposition of Eden Pastora, supra, pp. 95-6.

⁸⁶² Testimony of John Singlaub, Joint Hearings on the Iran-Contra Investigation, May 20, 1985 (hereafter "Singlaub Congressional Testimony"), p.240.

⁸⁶³ Testimony of Lewis Tambs, Joint Hearing on the Iran-Contra Investigations, May 27, 1987 (hereafter "Tambs Congressional Testimony"), p. 177-8.

⁸⁶⁴ Pastora and Defendant Singlaub have given somewhat differing testimony about their agreement. Defendant Singlaub stated that the aid was conditioned upon Pastora's entering Nicaragua (Singlaub Congressional Testimony, supra, p. 242-3). Pastora testified that an additional condition was his withdrawal from the San Juan River. Singlaub would then provide "appropriate" equipment to the 300-400 men left inside Nicaragua when the river positions had been abandoned. Pastora Deposition, supra, pp. 96-7. Carlos Prado testified that the military aid would come in two stages: a small amount of weapons initially, regardless of where Pastora was, and a much larger amount when Pastora was in Nicaragua. Prado Deposition, supra, p. 71.

conditions and given to Tambs.⁸⁶⁵ Pastora was subsequently told by Singlaub that the agreement had been "approved."⁸⁶⁶

The agreement was sent by Tambs to Abrams on March 27, 1986. Tambs told Singlaub, however, that Singlaub could not negotiate for the U.S. government, but was told that Singlaub meant private U.S. citizens.⁸⁶⁷ Tambs' position was not communicated to Pastora.⁸⁶⁸

Defendant Singlaub had spoken to Defendant Calero to get the support to provide the equipment to Pastora. However, this shipment was halted causing the downfall of Pastora.⁸⁶⁹

Bribery: The Enterprise Gives Illegal Gratuities to a Government Official

From late 1985 through 1986, the Enterprise conspired to "promise and pay" illegal gratuities to Oliver North "to

⁸⁶⁵Pastora Deposition, supra, p. 97; Singlaub Congressional Testimony, p. 243. The actual agreement was placed into the record of the Congressional hearings during the testimony of Lewis Tambs, former U.S. ambassador to Costa Rica. It stated that the United States would provide boots, food, ammunition, medicine, maps, military needs for Pastora's troops, including new men who join his army, training advisors. Testimony of Lewis Tambs, Joint Hearings on the Iran-Contra Investigation, May 27, 1987 (hereafter "Tambs Congressional Testimony"), p. 180, Ex. LAT1.

⁸⁶⁶Pastora Deposition, supra, p. 97. Singlaub subsequently testified that Tambs was "very pleased" with the agreement because it "eliminated" problems with Pastora's presence in Costa Rica.

⁸⁶⁷Tambs Congressional Testimony, supra, pp. 180-2.

⁸⁶⁸Tambs Congressional Testimony, supra, pp. 189-90.

⁸⁶⁹Singlaub Congressional Testimony, supra, pp. 244-45; Pastora Deposition, supra, pp. 97-98.

encourage North to continue in his position on the staff of the NSC" for the benefit of the rest of the members of the Enterprise. North's continuance on the NSC was necessary for the Enterprise could continue on in its lucrative activities.⁸⁷⁰

The first gratuity to North involved the provision of a security system at North's house. North claimed to be concerned about security for his family because of terrorist threats.⁸⁷¹ On April 29, 1986, Defendant Secord hired Robinette to install the security system.⁸⁷² Two meetings to discuss the system with North were held in May by Secord and Robinette.⁸⁷³ The system was installed by a company called VATEC, which was comprised of former CIA officers, in July, and Defendant Secord paid Robinette \$16,000 for the system.⁸⁷⁴ Robinette initially said that the money was an "advance" to North, and that he hoped to "get some

⁸⁷⁰ Poindexter et al. Indictment, supra, Count 17, pp. 81-2.

⁸⁷¹ The system that was finally designed after consultation with North was not designed to repel terrorists, but merely trespassers. Iran-Contra Congresssional Report, supra, p. 342.

⁸⁷² Robinette Congressional Testimony, supra, p. 10.

⁸⁷³ Poindexter et al. Indictment, supra, Count 17, "Overt Acts," p. 82-3.

⁸⁷⁴ Robinette Congressional Testimony, supra, pp. 10-28, 54-55 and 69 and Exhibits GAR-1, GAR-3, GAR-5, GAR-7A, GAR-7B, GAR-7C, GAR-7D, GAR-7E and GAR-7F. At one point, Secord paid \$9,000 to Robinette for the system divided up as follows: \$5,703 to VATEC, \$2,173 for Automatic Door, which provided a remote control date; and approximately \$1,100 for Robinette's services. The exhibits trace the \$9,000 from Udall Corp. through CSF Investments to Robinette.

more business" from it.⁸⁷⁵ Defendant Secord subsequently falsely stated to the Iran-Contra Congressional committees that he did not pay for the security system.⁸⁷⁶

In December of 1986, however, after a conversation with Defendant Secord, Robinette sent two back-dated invoices for \$8,000 for the security system to Col. North. One was dated July 2, 1986, and the second was dated September 22, 1986.⁸⁷⁷ North then sent back falsely dated responses. Neither Robinette nor Defendant Secord expected Col. North to repay them for the security system, but wanted to provide him with a "cover" story.⁸⁷⁸

Defendants Secord, Hakim and North were indicted in April of 1988 for the payment and acceptance of the illegal gratuities in violation of 18 U.S.C. 201(f) resulting from the installation of the security system.⁸⁷⁹

The Enterprise provided a larger gratuity to North in the form of financial assistance for his children's education. On March 6, 1986, Willard Zucker, an attorney associated with

⁸⁷⁵ CBS Evening News, March 16, 1987, interview with Robinette.

⁸⁷⁶ Secord stated that "the money for the system came from the guy who put it in without any blessing from me and without any financial assistance from me." (cite)

⁸⁷⁷ Robinette formerly worked for the Technical Services Department of the CIA, which creates forged documents.

⁸⁷⁸ Robinette Congressional Testimony, supra, pp. 31-41 and Exhibits GAR-8A, GAR-8B, GAR-9A and GAR-9B.

⁸⁷⁹ Poindexter et al. Indictment, supra, Counts 17-8.

Defendant Hakim, met with North's wife Elizabeth in Philadelphia to make arrangements to establish a \$200,000 fund for the North children. On May 20, 1986, Defendant Hakim established the fund in the name of B. Button by wiring money from an Enterprise account to CSF. Zucker informed Elizabeth North of its existence sometime later. In the fall of 1986, Zucker called David Lewis, a Washington attorney, and asked Lewis if he could pass money to the wife of a White House official that would be disguised as compensation for her services. Lewis informed the investigating Congressional committees and the special prosecutor in February of 1987. Secord and Hakim were subsequently indicted for the scheme.⁸⁸⁰

Conspiracy to Use FDN Assets for the Benefit of the Enterprise

By 1986, the Enterprise had taken over almost completely the financial assets of the FDN. Through the Enterprise's corporations and their control of the Nicaraguan Humanitarian Aid Office in the Department of State, Defendants Secord, Clines, Owen, and Hakim, with the acquiescence of Defendant Calero, controlled their bank accounts and all purchases of both humanitarian and military supplies for the contras and their families in the field. The FDN was in no position to require an accounting from the Enterprise as to how the funds ostensibly donated to it were actually spent. The result was profiteering,

⁸⁸⁰ Poindexter et al. Indictment, supra, Count 18; Iran-Contra Congressional Report, supra, pp. 344-5.

the use of funds for personal purposes by the Enterprise members and their associates, and the secreting of funds in private, off-shore bank accounts.⁸⁸¹

In March, Defendant Owen told North that he had heard that Defendant Calero, his brother, Mario, and Aristides Sanchez all had off-shore bank accounts. FDN officials were complaining about high airplane prices and "sweetheart deals." Owen stated that "[i]f the \$100 million is approved and things go on as they have these last five years, it will be like pouring money down a sink hole."⁸⁸² Contra leaders Robelo and Cruz also expressed their concerns about corruption.⁸⁸³

Thus when Congress appropriated the \$100 million in humanitarian and military aid for the contras in the summer of 1986 and it appeared that the CIA bureaucracy would once again take over the supply operation, the Enterprise and its members sought to financially benefit once again by taking assets from

In February of 1986, Defendant Singlaub received an "intelligence report" from Bill Kenney. The report, which was "not favorable" to Defendant Calero and included reports on contra bank accounts in Europe and the Caribbean, and Defendants Secord and Clines. It was stolen from Defendant Singlaub's hotel room in Washington. Owen Congressional Testimony, supra, Exhibit RWO-11 (memo from "TC" [Owen] to "BG" [North], dated February 10, 1986.

⁸⁸²Owen Congressional Testimony, supra, Exhibit RWO-13 (memo from "TC" [Owen] to "BG" [North], dated March 17, 1986, entitled "Overall Perspective."

⁸⁸³Owen Congressional Testimony, supra, RWO-15 (memo from "TC" [Owen] to "William" [North], dated April 7, 1986, entitled "Recent Trip."

the FDN.

Between the time of the Congressional appropriation of new funds in June of 1986 and its effective disbursal date in October, the Enterprise began to scheme again to obtain additional funds for its private benefit and for its own future private covert operations. In July, at the behest of Defendant Secord, Dutton drafted a plan under which the Enterprise would sell the aircraft⁸⁸⁴ and other assets in Central America it had bought with funds donated to the FDN to the CIA for approximately \$4 million. These assets included over \$1 million for the Point West airstrip, which was located in a country which refused to allow it to operate. The proceeds of those sales would go back to the Enterprise "into a fund for continued similar requirements."⁸⁸⁵ North and Secord approved for buy-out plan, and North proposed it to the CIA.⁸⁸⁶ However, it was rejected by Clair George, the deputy director for operations, who said he "wouldn't buy those planes if they were the last three planes in Central America."⁸⁸⁷

The Enterprise's attempt to appropriate the assets of the

⁸⁸⁴ In 1985, Oliver North stated to Felix Rodriguez that the "resistance has also purchased a number of new MAULE aircraft. . . ." Rodriguez Congressional Testimony, supra, Exhibit FIR-1 (letter from Oliver North to Felix Rodriguez, dated September 20, 1985). There was no indication at that time that the Enterprise was the owner of the aircraft.

⁸⁸⁵ Secord Congressional Testimony, supra, Exhibit 4, p. 453.

⁸⁸⁶ Dutton Congressional Testimony, supra, p.57.

⁸⁸⁷ Iran-Contra Congressional Report, supra, p. 73.

FDN was met with opposition by the Salvadoran military commander at Ilopango and Felix Rodriguez. In September of 1985, Rodriguez had been requested to obtain space at Ilopango from the Salvadorans and provide the security for the Enterprise to maintain their aircraft.⁸⁸⁸ Rodriguez had been working since at least since 1983 with the Salvadoran military forces.⁸⁸⁹ Rodriguez learned in early 1986 that Defendant Clines, who had once been Rodriguez's CIA case officer,⁸⁹⁰ was connected with the Enterprise. He complained that Clines was a thief and objected to the use of the "Wilson" Enterprise to supply the contras. When Rodriguez took the C-123 to Miami and loaded it up with spare parts and medicine and transported it to El Salvador, he was threatened by North with an air piracy charge.⁸⁹¹

On August 8, 1986, Rodriguez met with his old friend, Donald Gregg, Vice President Bush's security adviser; Gregg's assistant, Col. Samuel Watson; and Col. Robert Earl of the NSC. Rodriguez alleged that the Enterprise was skimming funds from the contras by (1) buying hand grenades for \$3 and selling them for \$9;⁸⁹²

⁸⁸⁸Rodriguez Congressional Testimony, supra, p. 229, Exhibit FIR-1 (letter from Oliver North to Felix Rodriguez, dated September 20, 1985).

⁸⁸⁹Rodriguez Congressional Testimony, supra, pp. 223-7.

⁸⁹⁰Rodriguez Congressional Testimony, supra, p. 243.

⁸⁹¹Iran-Contra Congressional Report, supra, p. 74.

⁸⁹²Rodriguez said he obtained this information from someone in Honduras who had met a ship loaded with contra arms and read the manifest. Rodriguez Congressional Testimony, supra, p. 288. Defendant Dell Amico met the first shipment of arms from Defendant Singlaub and GeoMiliTech, read the manifest and went to

(2) being reimbursed \$850 for two people operating in Costa Rica who were only being paid \$250 per day; (3) overcharging for the construction of the Point West airstrip; (4) overcharging for communications equipment; (5) excessively high prices for the aircraft; (6) providing 30-year-old ammunition; (7) charging \$20,000 for a gear piece; and (8) not providing appropriate safety equipment for the crews.⁸⁹³ Rodriguez had provided North with a letter from John Piowaty, one of the resupply pilots, after he hit a mountain and almost crashed because of inadequate equipment. Piowaty complained of poor instrumentation, lack of night vision goggles and inadequate radar capabilities. He added:

And, finally, I demand respect for my life, the lives of my fellow crew members and some respect for those we are supposed to be supporting. I would like to think that we/you are all motivated by respect for life in this endeavor. How, then, can we be pressed into service . . . without the equipment listed above, without parachutes, without minimum survival gear, without adequate communications with the DZ, with inadequate (even withheld) intelligence, without secure communications? Is it simply greed that drives some of

the Polish supplier to obtain the same prices. Singlaub Congressional Testimony, supra, Exhibit JKS-4 (letter from Barbara Studley to Oliver North, dated October 30, 1985).

⁸⁹³Rodriguez testified that 81-millimeter ammunition manufactured in 1954 was delivered. It subsequently did not perform well in the field. Rodriguez Congressional Testimony, supra, p. 34-5 (May 28, 1987); Exhibits FIR-2 and 3 (lists of munitions and equipment taken from the warehouse at Ilopango between May 1 and September 29, 1986); Exhibit FIR-4 (undated letter of complaint about unsafe conditions from the Ilopango crews); and Exhibit FIR-5 (memorandum from Donald Gregg, dated August 8, 1966).

you to drive the rest of us?⁸⁹⁴

A little over two months later, the C-123 that Piowaty had his accident in was shot down by the contras. Only one crewman, Eugene Hasenfus, survived. He did so because his brother had provided him with a parachute before he left for El Salvador.

Rodriguez went back to the supply operation, but he and the FDN placed an FDN soldier on every flight so that the planes could not be stolen by the Enterprise.⁸⁹⁵

Some of Rodriguez's allegations were supported by the invoices provided to the Iran-Contra committees. In an invoice dated March 31, 1986, East, Inc., an Enterprise company, billed Lake Resources, another Enterprise company, \$450 a day on a 31-day-per-month basis, or approximately \$14,000 per month, for the services of men who were being paid \$3,000 a month. Even after living expenses were paid, the profit to the Enterprise was almost 100 percent.⁸⁹⁶

The Enterprise also converted the airplanes that private donors gave to the FDN to its own use. Joseph Coors testified before Congress that he did not give \$65,000 for a Maule plane to General Secord. "I gave it to the freedom fighters in

⁸⁹⁴ Rodriguez Congressional Testimony, supra, Exhibit FIR-4 (undated letter from John Piowaty).

⁸⁹⁵ Rodriguez Congressional Testimony, supra, pp. 285 and pp. 30-2 and 74 (May 28, 1987).

⁸⁹⁶ Rodriguez Congressional Testimony, supra, pp. 106-8 (May 28, 1987); Exhibit FIR-1.

Honduras."⁸⁹⁷ North gave Coors the number of Lake Resources' Swiss bank account when Coors agreed to contribute \$65,000 for the purchase of a Maule airplane for the contras. Coors was subsequently shown a picture of "his" Maule by North.⁸⁹⁸ William O'Boyle contributed \$130,000 for two additional Maules for the contras.⁸⁹⁹ Nelson Bunker Hunt donated over \$400,000 for both Maules and weapons.⁹⁰⁰

Obstruction of Justice: The Terrell-Florida Investigations

Both the press and various law enforcement agencies conducted investigations during the period of the Boland Amendment which reached certain aspects of the Enterprise's contra resupply operation. This lawsuit and the ensuing investigation also threatened to bring the illegal activity of the Enterprise to light. The Enterprise reacted to possible disclosure of its activities by using various obstruction tactics to impede investigations, thereby protecting itself from exposure.⁹⁰¹

In January of 1985, at approximately the same time Jack

⁸⁹⁷Coors Congressional Testimony, supra, p. 115.

⁸⁹⁸Coors Congressional Testimony, supra, pp. 51-2 and 101.

⁸⁹⁹Testimony of William O'Boyle before the Joint Committees, May 21, 1987 (hereafter "O'Boyle Congressional Testimony"), pp. 31-2. O'Boyle also testified that he intended his plane to be a donation to the contras.

⁹⁰⁰Iran-Contra Congressional Report, supra, p. 94.

⁹⁰¹Iran-Contra Congressional Report, pp. 105-113.

Terrell and other mercenaries had been present at a meeting where the assassination of Eden Pastora was discussed, Defendant Owen wrote Oliver North and suggested that Terrell be shut up as soon as possible. Owen wrote:

Would seem a good idea to deal with Flacko [Terrell] as soon as possible. Probably will not be scared off as he believes he has done nothing to violate the neutrality act. If he is held probably will still move forward after he is let out, unless he can be locked up for a good long time. Best bet might be to dry up his funds, have someone talk to him about National Security and put the word out that he is not to be touched . . . Posey has been doing the best he can to either sit on Flacko, or deal him out, but that is not possible because right now Flacko knows too much and it would do no one any good if he went to the press. He has to be finessed out.⁹⁰²

North then contacted Michael Boone, an agent in the Los Angeles office of the FBI, who was already investigating allegations that Terrell was planning to violate the Neutrality Act by recruiting mercenaries to invade Nicaragua, to encourage that investigation because Terrell "would do extreme damage to the contra movement." Terrell was not arrested but North bragged to FBI agents that he had secretly arranged for Honduran security forces to evict Terrell at gunpoint from that country on March 15, 1985, apparently because Terrell was attempting to organize an anti-communist guerilla force outside of the control of the Enterprise.⁹⁰³

By late 1985, Terrell was trying to get FBI agents in New

⁹⁰²Owen Transcript, supra, Exhibit 2 (memorandum from Robert Owen to Oliver North, dated January 31, 1985)

⁹⁰³"North Waged War on His Detractors," Chicago Tribune, August 30, 1987.

Orleans interested in the Enterprise. The Miami office was already investigating Defendant Posey and in August, it began to investigate allegations of arms and drug smuggling by the contras, particularly the March 6, 1985 shipment of arms from Fort Lauderdale to Ilopango.⁹⁰⁴ The original source of their information was Jesus Garcia, who had been recruited by Defendant Posey and had assisted in the March 6 shipment.⁹⁰⁵ Garcia began to talk after being prosecuted for on a weapons possession charge, and Defendant Corvo was already under investigation.⁹⁰⁶ The suspects were Defendants Posey, Corvo, Hull, Chanes, Vidal and Jones and Sam Hall, Francisco Hernandez, Peter Glibbery, Steven Carr, Robert Thompson and Terrell.⁹⁰⁷ Defendant Corvo and some of the others were also suspected to have participated in the bombing of the Continental Bank.⁹⁰⁸

On March 6, 1986, Terrell met with FBI agents and told them about many of the Enterprise's activities, including the plot to assassinate Ambassador Tambs and receive \$1 million from the

⁹⁰⁴ Deposition of Kevin W. Currier before the Joint Congressional Committees, May 5, 1987 (hereafter "Currier Congressional Deposition"), p. 6.

⁹⁰⁵ Waas, "Obstruction at Justice," Village Voice, March 31, 1987.

⁹⁰⁶ Feldman Deposition, supra, pp. 5-7.

⁹⁰⁷ Feldman Deposition, supra, pp. 20 and 34.

⁹⁰⁸ Feldman Deposition, supra, p. 34.

Ochoa drug family.⁹⁰⁹

On March 24, Deputy Attorney General Lowell Jensen, by order of Attorney General Edwin Meese, briefed Admiral John Poindexter, President Reagan's National Security advisor, on the investigation, and the Justice Department took over control of the investigation.⁹¹⁰

On March 25, 1986, Jeffrey Feldman, the assistant U.S. attorney in charge of the Florida investigation questioned Terrell for nine hours. Feldman then went to Costa Rica to interview Tambs, Joe Fernandez, the mercenaries Peter Glibbery and Steven Carr and Defendant Hull. While there, Feldman showed Tambs a chart of the supply operation with North, Owen, Hull, Jones and Jim Denby on it. Tambs "turned white," and called in Fernandez, and tried to "rip the credibility of the various people who were making the allegations."⁹¹¹

As a result, Fernandez told both persons in the CIA and North about the investigation.⁹¹² Defendant Hull, who refused to

⁹⁰⁹ Waas, "Ollie North's Private Dick: New Evidence of NSC Corruption, Village Voice, September 29, 1987, citing Justice Department memorandum of the interview of Terrell.

⁹¹⁰ Waas, "Ollie North's Private Dick," Village Voice, September 29, 1987, citing Jensen's testimony before the Iran-contra committees.

⁹¹¹ Feldman Deposition, supra, pp. 43 and 49-50.

⁹¹² Waas, "Ollie North's Private Dick," Village Voice, September 29, 1987.

be interviewed,⁹¹³ also called North to warn him that the entire contra supply effort was in jeopardy if the investigation continued. North contacted Admiral Poindexter, who called Attorney General Edwin Meese. Poindexter told Meese that the investigation would endanger the arms supply network and the contra war effort. Attorney General Meese said he would "get on top of the situation" and contacted U.S. Attorney Leon Kellner. Meese did so by contacting his deputy, Oliver (Buck) Revell. Revell told Mark Richard, deputy assistant attorney general for the criminal division, to "[p]lease get on top of this DLJ [Jensen] is giving a heads up to the NSC. He would like us to watch over it. Call Kellner, find out what is up, and advise him that decision should be run by you."⁹¹⁴

According to a memorandum prepared by investigators for a House judiciary subcommittee, assistant U.S. attorney David Leiwant, who met with Feldman and Kellner on April 4, Kellner stated that "Washington wanted him to go very slow on the case," because it could affect an upcoming congressional vote on contra aid.⁹¹⁵ Kellner repeatedly mentioned the name of Lowell

⁹¹³Hull refused to testify based on the advice of Kirk Kotula, the U.S. consul general in San Jose. Memorandum of Jeffrey Feldman cited in "Witness the Persecution," Village Voice, November 17, 1987.

⁹¹⁴Deposition of Mark M. Richard before the Joint Congressional Committees, August 19, 1987 (hereafter "Richard Congressional Deposition"), p. 54.

⁹¹⁵Waas, "Ollie North's Private Dick," Village Voice, September 29, 1987.

Jensen.⁹¹⁶ In May of 1986, Feldman recommended the convening of a grand jury, but Kellner rejected that recommendation.⁹¹⁷

Kellner subsequently submitted an altered, back-dated memo, purportedly from Feldman, stating that a grand jury investigation would be a "fishing expedition" to the Senate Foreign Relations Committee.⁹¹⁸ The memo was also used to oppose a request from Senator John Kerry for an investigation. Sen. Kerry told the committee that he could produce law enforcement officials who would state that their drug trafficking investigations had been called off because of CIA involvement or threats to national security.⁹¹⁹

Over the summer, Feldman and FBI Agent Kevin Currier did additional investigative work. They interviewed Defendant Corvo who basically admitted that there were weapons on the March 6 shipment. Nonetheless, Kellner told Feldman on August 29 that "Politics are involved . . . Politics aren't a factor for you to consider, but they are a factor for me to consider."⁹²⁰ Feldman had already received "hints" from Joe Tafe, who was in charge of

⁹¹⁶ Waas, "Witness the Persecution," Village Voice, November 17, 1987. Leiwant is now the subject of an investigation by the Justice Department's Office of Professional Responsibility (OPR). Id.

⁹¹⁷ Waas, "Obstruction at Justice," Village Voice, March 31, 1987.

⁹¹⁸ Feldman Deposition, supra, p. 94.

⁹¹⁹ "NSC, CIA, and Drugs: The Cocaine Connection," Covert Action Intelligence Bulletin, Summer 1987.

⁹²⁰ Feldman Congressional Deposition, supra, p. 105.

Neutrality Act violations at Justice.⁹²¹ When the Hasenfus plane went down, Kellner was forced into allowing Feldman to go to the grand jury.⁹²² He called Owen into the grand jury and was told to continue pursuing North and Hull.⁹²³ Despite the fact that this well-investigated matter has now been before a grand jury for almost 18 months and numerous witnesses and participants in the contra support operation are now afraid to talk publicly because the potential for indictment by the grand jury, not a single indictment has yet been issued.

Discrediting the Plaintiffs and Their Sources

For some time, Jack Terrell was perceived by members of the Enterprise as possessing too much information about their operation and being a potential danger. As early as January, 1985, the Enterprise was concerned that Terrell knew too much and had to be silenced. Terrell returned to the United States from Honduras in March 1985, moved to New Orleans and began to talk about his disillusionment with the contra cause and provide information to the press and law enforcement officials about the Enterprise's operation. Defendant Owen then wrote North

⁹²¹ Feldman Deposition, supra, p. 104.

⁹²² Feldman Congressional Deposition, supra, p. 114.

⁹²³ Owen was an important witness for Feldman. He testified, "[A]ll of a sudden . . . I was able to put Owen at a particular meeting in Miami . . . There were many meetings . . . Let me tell you right now that Rob Owen was at tons of them. Not tons, but a significant number of meetings with players involved in both the Cuban and the CMA organizations." Feldman Congressional Deposition, supra, p. 120.

concerning Terrell, stating: "It's time someone paid him a visit and told him to go back to the hole he comes from." Terrell claims that at this time contacts he had in the CIA told him "to keep a low profile and keep my mouth shut."⁹²⁴

Approximately a year later, Terrell moved to Washington, D.C., and began talking about the operation again.⁹²⁵ In March, 1986, the operation to silence Terrell was reactivated.⁹²⁶ Defendant Secord hired Glenn Robinette, a former CIA officer who worked for EATSCO and Defendant Clines, to investigate Terrell and Tony Avirgan and Martha Honey, the plaintiffs in this action, and their counsel. North confirmed that he and associates used their own "security apparatus" to investigate Terrell.⁹²⁷ Robinette was paid \$4,000 per month from April to December of 1986, and \$2,000 in March of 1987 and met once or twice a week with Defendant Secord and sometimes with Defendant Hakim.⁹²⁸ The money was taken from the profits from the Iranian arms sales, which Secord said belonged to the Enterprise, and were "legitimate" business expenses because the Plaintiffs' lawsuit

⁹²⁴ "North Waged War on His Detractors," Chicago Tribune, August 30, 1987.

⁹²⁵ "North Waged War on His Detractors," Chicago Tribune, August 30, 1987.

⁹²⁶ Iran-Contra Congressional Report, p.112.

⁹²⁷ "North Put FBI Heat on Critic," Chicago Tribune September 17, 1987.

⁹²⁸ Testimony of Glenn A. Robinette, Joint Hearings on the Iran-Contra Investigation, June 23, 1987 (hereafter "Robinette Congressional Testimony"), pp. 6-9 and 73-75 and Exhibits GAR-2A, GAR-2B and GAR-2C.

could have exposed the Enterprise.⁹²⁹ His "investigation" included a visit to Costa Rica from November 24 to November 29 during which he spent approximately \$8,000 to pay people for information.⁹³⁰

In July, Terrell appeared on CBS' West 57th Street and identified Col. Oliver North was the person running the contra war. Shortly afterwards, he was contacted by Robinette, posing as a lawyer, who offered Terrell spending money under various pretexts to attempt to obtain information. Terrell was introduced to Robinette by Walter Gold, manager of the D.C.-based Washington News Network and a former director of Overseas Press Service.⁹³¹

Based upon about eight meetings with Terrell,⁹³² Robinette described Terrell as "dangerous to our objectives" and suggested to North that the original "Sting" plan to produce a book, movie, etc., be abandoned in place of a plan to set up a "chopper service or air freight line in Costa Rica" for which one condition of the investors would be that Terrell stop his

⁹²⁹ "Contra Funds Used to Fight Suit," Washington Post, June 29, 1987, citing an interview with Secord.

⁹³⁰ Robinette Congressional Testimony, supra, pp. 123-125.

⁹³¹ "North's 'Security Officer' Linked to Alleged Arms Network," In These Times, August 19 - September 1, 1987.

⁹³² Deposition of Jack Terrell, February 10, 1988 (hereafter "Terrell Deposition"), p. 90; "Inside Moves," City Paper, August 7, 1987.

"political talking."⁹³³

As these plans were being sketched out, North put in place more direct measures to silence Terrell or at least discrediting him. In mid-1986, the FBI received a tip that Terrell was involved in an assassination attempt against the President. The timing of this tip is too coincidental to be anything other than part of the Enterprise's scheme against Terrell. Furthermore, on July 15, 1986, North spoke with Revell and for a debriefing on Terrell, put him in contact with one who was familiar with Terrell: Glenn Robinette.⁹³⁴

On July 17, 1986 North sent a memo to his superior, National Security Adviser Poindexter, portraying Terrell as a terrorist threat. The memo from North to Poindexter claimed that Terrell was conducting an active measures campaign against the contras. North claimed Terrell was a source of Congressional and media reports against the contras and that the FBI believed Terrell might be plotting to assassinate Reagan. Poindexter told North to write memo to forward to Reagan, which he did on July 28, 1986.⁹³⁵

⁹³³ Undated memorandum entitled "Notes on J. Terrell-Operational Use/Threat," written by Robinette; Robinette's calendar. After his meetings, Robinette frequently met with Oliver North. Id.

⁹³⁴ Iran-Contra Congressional Report at 112. "North Waged War on His Detractors," Chicago Tribune, August 30, 1987.

⁹³⁵ James Ridgeway, "Abroad at Home," The Village Voice, February 9, 1988. A White House source claimed that this procedure, informing Reagan of an assassination is highly unusual and a congressional source stated that the Iran-Contra Committee investigators were puzzled by the decision to inform Reagan.

In August 1986, two FBI agents picked up Terrell to ask him questions with regard to the alleged assassination plot. They took Terrell to the Navy yard office where he agreed to take a polygraph. They took then him to an underground room in the International building, a proceeded to administer a polygraph for two entire days. After he passed the polygraph, he was excused.⁹³⁶

Such operations demonstrate how the Enterprise attempted to discredit opponents of the contra aid program and individuals who had information that could expose the Enterprise.⁹³⁷ As was stated in the Report of the Congressional Committees Investigating the Iran-Contra Affair, it is clear that Oliver North, with Defendant Secord, "instigat[ed] and intensifi[ed] investigations of people and organizations perceived as threats to the Enterprise."⁹³⁸

The Southern Air Transport Investigation

On October 5, 1986, an arms-laden, C-123 cargo jet owned by Southern Air Transport crashed inside Nicaraguan territory. Two American pilots, William Cooper and Wallace Sawyer, died, but a

"Critic of Contras was 'Terrorist Threat,' North Told President," Washington Post, September 22, 1987.

⁹³⁶ Terrell Deposition, p. 132-136.

⁹³⁷ Iran-Contra Congressional Report, p. 113; "Critic of Contras was 'Terrorist Threat,' North Told President," Washington Post, September 22, 1987.

⁹³⁸ Iran-Contra Congressional Report, supra, p. 112.

"kicker", Eugene Hasenfus, survived.⁹³⁹ The log of a co-pilot killed in the crash listed two visits of a Southern Air Transport plane to Barranquilla, Colombia, in October of 1985. A secret witness, who had offered a "proffer" to the Senate Foreign Relations Committee, stated that she had witnessed a transaction involving a plane clearly marked as a "Southern Airways" during which U.S. guns were exchanged for drugs in Barranquilla in October of 1985. That information was provided to the FBI before the October crash in Nicaragua.⁹⁴⁰

The Federal Aviation Administration and the U.S. Customs Service began an investigation into the crash and Southern Air Transport. When Customs served a subpoena on Southern Air Transport for documents relating to the crash, SAT President Bill Langton contacted Robert C. Dutton, who was working with Defendant Secord, to warn him that "if they got into accounting records . . . they would come across other operations that Southern Air had been supporting." Langton further stated that "it would not be the desire of the people [in Washington] to have those operations exposed, and so possibly they should be made aware of that." Dutton, representing Defendant Secord, immediately called Oliver North and conspired to obstruct investigation. North told Dutton to call Langton and "tell him I

⁹³⁹ "Closing In On Meese," Village Voice, April 21, 1987.

⁹⁴⁰ "NSC, CIA, and Drugs: The Cocaine Connection," Covert Action Intelligence Bulletin, Summer 1987. The witness is a U.S. citizen, known as "Wanda Doe", who is married to a Colombian drug trafficker.

will take care of it." The next day, Langton called Dutton again and stated that the FAA and Customs were "pressing" for the information. Dutton called North, who told Dutton that he [North] had spoken to Attorney General Edwin Meese, "and that it would be taken care of."⁹⁴¹ Dutton called Langton with that information, "and the Customs and FAA people went away." North also called William Rosenblatt, assistant Customs commissioner. As a result, Customs narrowed its investigation.⁹⁴²

A second investigation of Southern Air Transport was initiated by the FBI, but it also was halted through the intervention of Dutton and Defendant Secord. Dutton testified that he advised Col. North of this investigation also. North stated that he would "take care of that," and the investigation was delayed.⁹⁴³ North discussed the FBI investigation of Southern Air Transport with his boss, Admiral John Poindexter, and Poindexter once again called Attorney General Meese to request a delay in the FBI's investigation. Meese contacted FBI Director Webster, and the delay was granted. Meese also called Treasury Secretary James Baker to discuss Customs' investigation.⁹⁴⁴

In January of 1987, information about "Wanda Doe", an FBI

⁹⁴¹ Testimony of Robert C. Dutton, Joint Hearings on the Iran-Contra Investigation, May 27, 1987 (hereafter "Dutton Testimony"), pp. 97-9.

⁹⁴² "Closing In On Meese," Village Voice, April 21, 1987.

⁹⁴³ Dutton Testimony, supra, p. 99.

⁹⁴⁴ "Closing In On Meese," Village Voice, April 21, 1987.

informant with eyewitness evidence of the connection of Southern Air Transport and Defendant Ochoa's drug trafficking operations was leaked to the Washington Times, allegedly by the Justice Department. Doe was forced into hiding.⁹⁴⁵

The Stealth Boat Investigation

Sometime after August of 1985, Karl Phaler, owner of Freedom Marine, sold three stealth boats to Defendant Singlaub for the contras. In the next year, the U.S. Customs Service began an investigation to determine whether criminal acts were involved in this transfer.⁹⁴⁶ In the middle of the investigation, some of the defendants contacted Col. Oliver North or other members of the executive branch to halt the investigation of Freedom Marine and the sale of the stealth boats.⁹⁴⁷

The Maule Aircraft Investigation

In the summer of 1986, the Customs Service began investigating allegations that Maule Aircraft Corporation had shipped four aircraft to the contras in violation of U.S. export laws. The aircraft were purchased by Defendant Secord for use in

⁹⁴⁵ "NSC, CIA, and Drugs: The Cocaine Connection," Covert Action Intelligence Bulletin, Summer 1987, citing interview with Doe's attorney.

⁹⁴⁶ Draft memo from Justice Department released by Iran-contra committees. Need to find it. "The Case of the 'Stealth' Boats," The Nation, January 9, 1988.

⁹⁴⁷ "The Case of the 'Stealth' Boats," The Nation, January 9, 1988.

his supply operation. In August, North, upon the suggestion of Defendant Secord, approached Customs Commissioner William von Raab and told von Raab that Customs agents were giving Maule a "hard time." Von Raab turned the investigation over to William Rosenblatt, assistant commissioner for enforcement. North told Rosenblatt that Maule sold only "super Piper Cubs" to a Central American country for humanitarian purposes, but promised to provide the documents Customs needed. Rosenblatt postponed the issuance of subpoenas based upon North's representations.⁹⁴⁸

North and Secord were able to hold off the investigation for several months. In November, North finally produced some documents, but they were not those requested. The investigation finally resumed in November.⁹⁴⁹

The Kelso Investigation

In the spring of 1986, Joseph Kelso, who was working for the Customs Service, went to Costa Rica to investigate the involvement of DEA agents there in drug trafficking and counterfeiting operations. In the course of his investigation, Kelso was detained and questioned and ultimately returned to the United States, where he told authorities he had been working for both Customs and the "intelligence community" and turned over to Customs tapes describing his work.⁹⁵⁰

⁹⁴⁸ Iran-Contra Congressional Report, supra, p. 105.

⁹⁴⁹ Iran-Contra Congressional Report, supra, p. 106.

⁹⁵⁰ Iran-Contra Congressional Report, supra, p. 106.

Defendant Hull knew about Kelso and his investigation because Kelso had come to Hull's ranch and was later detained by Costa Rican authorities there. In August of 1986, Hull wrote a letter to Owen asking Owen to look into the Kelso matter. Owen went immediately to North because of some concern about Plaintiffs' lawsuit.⁹⁵¹ North had already received cables from Tambs who was angry about Kelso investigating "his" agents.⁹⁵²

Owen -- representing himself as working for the Institute on Terrorism and Subnational Conflict⁹⁵³ -- then called the U.S. Customs Office in Denver, and spoke with Gary Hillberry, the agent in charge, about Kelso. At some point, Owen became aware of some tape recordings that Kelso had made concerning his investigation.⁹⁵⁴ Hillberry's superior, William Rosenblatt, chief of enforcement for Customs, had earlier spoken with North, and agreed to give the tapes to Owen, believing that Owen was an NSC employee or otherwise working with North.⁹⁵⁵ The transfer of tapes occurred although Hillberry knew of Kelso's concern that the tapes not fall into the wrong hands.⁹⁵⁶

Owen listened to some of the tapes and made notes on them. Sometime during the week of November 24-28, 1986. Despite the

⁹⁵¹ Owen Deposition, supra, pp. 18-9 and 29-31.

⁹⁵² Owen Deposition, supra, pp. 123-4.

⁹⁵³ Owen Deposition, supra, pp. 156-8.

⁹⁵⁴ Owen Deposition, supra, pp. 37-44.

⁹⁵⁵ Iran-Contra Congressional Report, supra, p. 106.

⁹⁵⁶ Owen Deposition, supra, pp. 121-3.

fact the tapes were part of a government criminal investigation, Owen threw the tapes out as he was preparing to move.⁹⁵⁷ happened at the same time as North was shredding huge piles of documents. What was contained in them was significant enough for Owen to have made two trips to Costa Rica to do further investigation, one in August and October of 1986.⁹⁵⁸ Owen has claimed attorney work product privilege concerning those trips, claiming they were done to investigate this lawsuit.⁹⁵⁹ He met with Robinette a number of times to discuss the lawsuit and Kelso.⁹⁶⁰

SECOND IRANIAN VENTURE

From late 1985 through 1986, Enterprise principals exploited and corrupted a United States Government initiative in the Middle East. The initiative involved the sale of arms to groups in Iran and efforts to obtain the release of American citizens held hostage in Lebanon. The Enterprise conspired to defraud the United States and violated other federal laws by engaging in such racketeering activities as wire fraud, in order to raise funds for the Enterprise and to divert a portion of the profits to the

⁹⁵⁷Owen Deposition, supra, pp. 144-7.

⁹⁵⁸Owen Deposition, supra, pp. 129-30.

⁹⁵⁹Owen Deposition, supra, pp. 130-2.

⁹⁶⁰Owen Deposition, supra, p. 395.

Nicaraguan contras.⁹⁶¹ Members of the Enterprise also took steps to insure that information concerning their off-the-shelf criminal activities in Iran, obtained by a pro-Iranian terrorist group through the torture of American hostage William Buckley, was not revealed.

Revolution in Iran

The Iranian revolution of 1979 ended the reign of the Shah, Mohammed Reza Pahlevi, and 25 years of close ties between Iran and the United States. The Ayatollah Khomeini's Shiite Muslim clergy, which the Shah had excluded from the political process and prohibited from exercising any secular power, formed a new government in February 1979.⁹⁶² From that time onward, relations between the government of the United States and the government of Iran were characterized by mutual hostility and tension.⁹⁶³

Iranian Seizure of U.S. Embassy Leads to Arms Embargo

On November 4, 1979, the U.S. Embassy in Tehran was seized by pro-Khomeini forces, and 66 American diplomats were held hostage until January 1981. The U.S. government retaliated by

⁹⁶¹United States District Court for the District of Columbia, United States v. John M. Poindexter, Oliver L. North, Richard V. Secord and Albert Hakim, Defendants. Indictment by Grand Jury Sworn in on January 28, 1987 (hereafter, "Poindexter, et al., Indictment"), pp. 17, 41-42.

⁹⁶²The Report of the Congressional Committees Investigating the Iran-Contra Affair, November 1987 (hereafter "Iran-Contra Report"), p. 157.

⁹⁶³Poindexter, et al., Indictment, supra, p. 5.

freezing all Iranian government assets in the United States, breaking diplomatic relations, blocking the transfer of Iranian government property and imposing a trade embargo. As part of the embargo, all U.S. arms shipments to Iran were prohibited.⁹⁶⁴

Although the eventual release of the American diplomats was achieved by reversing some of these retaliatory measures, the arms embargo remained in force. The embargo proved particularly costly to the government of Khomeini, which became engaged in a full-scale war of attrition after Iran was attacked by Iraq, Iran's neighbor to the west, on September 22, 1980. Iran's need for American spare parts and weapons arose from the Shah's Americanization of the Iranian military.⁹⁶⁵

Operation Staunch

On December 14, 1983, the United States Government initiated Operation Staunch, a program to persuade other nations to join in the embargo of arms sales to Iran. Countries were urged to stop shipments of arms to Iran "because of the broader interests of the international community in achieving a negotiated settlement to the Iran-Iraq war."⁹⁶⁶

Yet the U.S. Government was aware of Iran's need for

⁹⁶⁴ Iran-Contra Report, supra, p. 157.

⁹⁶⁵ The Shah had been allowed considerable access to U.S.-manufactured advanced weaponry. While this meant the Shah was able to build up a considerable military force, it also caused Iran to depend heavily on the U.S. for weapons and replacement parts in order to maintain its military strength. Marshall, Scott and Hunter, supra, p. 150.

⁹⁶⁶ Iran-Contra Report, supra, p. 159.

American military hardware, and recognized that it had lost an important ally in a strategically critical region of the world with the fall of the Shah. Members of the executive branch of the U.S. Government therefore considered the possibility of establishing ties with the Khomeini government.⁹⁶⁷

Terrorism

On January 20, 1984, in response to an outbreak of terrorist acts against United States targets, U.S. Secretary of State George Shultz named Iran as one of several nations espousing and sponsoring international terrorism. Four days later, the Administration announced that Iran would be subject to U.S. Government regulations limiting the export of U.S. military equipment to "countries that have repeatedly provided support for acts of international terrorism."⁹⁶⁸

Hostages in Lebanon

Beginning in March 1984, a number of Americans were taken hostage in Lebanon. Three Americans were seized in Beirut in 1984, including CIA station chief William Buckley. The State

⁹⁶⁷ "Reports persisted that Israel still actively supplied the Iranian military despite the US efforts to stop arms sales through Operation Staunch. Other reports hinted that US and Israeli representatives met regularly to discuss Tehran's war needs. Widespread reports, particularly from the Middle East, also suggested that the United States was violating its own arms prohibitions." Iran-Contra Report, supra, p. 159.

⁹⁶⁸ Iran-Contra Report, supra, p. 160, citing 15 C.F.R. Section 385.4(d).

Department, citing Iranian support for such terrorist acts, imposed further restrictions on the export to Iran of aircraft, aircraft spare parts, and other military goods and technology. Four more Americans were taken hostage in 1985.⁹⁶⁹

William Buckley was the CIA station chief in Beirut. More significantly, he directed anti-terrorist activities for the CIA worldwide. He was kidnapped on March 16, 1984, by members of the pro-Khomeini Lebanese faction of the Hizbollah.⁹⁷⁰

A former associate of Defendant Shackley, Buckley was privy to information regarding the Enterprise's involvement in assassinations in Iran.⁹⁷¹ Buckley's capture was therefore of great concern to members of the Enterprise, especially after they learned that Buckley was being tortured to gain information. Anxious to obtain Buckley's freedom, Defendant Shackley took steps to cause the Reagan Administration to begin negotiations with Iran for Buckley's release. It was later confirmed that Buckley had been tortured to death, and that a 400-page video-taped confession had been extracted from him.⁹⁷²

Shackley-Ghorbanifar Meeting

⁹⁶⁹ Iran-Contra Report, supra, p. 160.

⁹⁷⁰ The National Security Archive, Secret Military Assistance to Iran and the Contras: A Chronology of Events and Individuals, July 6, 1987, p. 62, citing Miami Herald, December 7, 1986 and Los Angeles Times, January 21, 1987.

⁹⁷¹ Wilson Statement, supra, p. 160.

⁹⁷² Cockburn, supra, p. 200.

Upon his retirement from the CIA in 1979, Defendant Shackley set up a "risk management" firm named Research Associates, Inc., which shared office space with two other Enterprise companies: SSI and IRT.⁹⁷³ Through Research Associates, Shackley had maintained contact with the former head of the Shah's SAVAK counterespionage Department VIII, General Manucher Hashemi.⁹⁷⁴ Through Hashemi, Shackley was able to meet with a group of Iranians in Hamburg, West Germany, in November 1984. This group included Manucher Ghorbanifar, an Iranian agent living in Paris; an Iranian official known as the "First Iranian"; and Dr. Shahabadi, chief of the Iranian purchasing office in Hamburg and a friend of Saudi arms dealer Adnan Khashoggi. At one of the group's meetings, Ghorbanifar told Shackley that he had contacts through which a ransom deal could be arranged for the release of the U.S. hostages in Lebanon, specifically William Buckley.⁹⁷⁵ Ghorbanifar, the First Iranian and Khashoggi would all play major roles in later arms deals.

Upon his return to the U.S., Shackley sent a memorandum on his meetings with the Iranians to Lt. Gen. Vernon Walters, ambassador-at-large in the State Department. Walters passed the memo on to Hugh Montgomery, director of intelligence and research

⁹⁷³ "Ex-CIA Agent's Associates Run Arms Export Concern," New York Times, September 6, 1981.

⁹⁷⁴ From 1980 to 1983, Shackley had served as a consultant to Stanford Technology Corp., Defendant Hakim's firm, which had picked up several electronic intelligence contracts in Iran. Marshall, Scott, and Hunter, supra, pp. 28, 157.

⁹⁷⁵ Iran-Contra Report, supra, p. 164.

in the State Department; Robert Oakley, head of State Department counterterrorism efforts; and Richard Murphy, assistant secretary of state for Near Eastern Affairs.⁹⁷⁶ On December 11, 1984, Montgomery informed Shackley that the State Department was not interested in pursuing the Ghorbanifar proposal.⁹⁷⁷ Although the proposal was rejected, Shackley's meeting with Ghorbanifar paved the way for the later secret negotiations for the release of William Buckley.

In May 1985, Shackley met with Michael Ledeen, who in his official capacity was a consultant on terrorism to the National Security Council. Shackley and Ledeen discussed Shackley's Hamburg meeting and the possibility of working out a deal with Ghorbanifar. By the late summer or early fall of 1985, the pieces were in place for arms deals with Iran.⁹⁷⁸

Arms Transactions

The Report of the Congressional Committees Investigating the Iran-Contra Affair (hereafter "Iran-Contra Report") identifies

⁹⁷⁶ It appears that there were other meetings in Hamburg at this time that Shackley did not report. One was with British arms dealer Leslie Aspin and another was with Lt. Col. Oliver North. Cockburn, supra, pp. 195-196.

⁹⁷⁷ Iran-Contra Report, supra, p. 164, citing interviews with Theodore Shackley (February 27, 1987) and Hugh Montgomery (March 4, 1987) and "The Report on American Hostages in Lebanon" (December 22, 1984).

⁹⁷⁸ Marshall, Scott, and Hunter, supra, p. 156. According to Senator Cohen, the memo Shackley wrote was rewritten on June 7, 1985 and given to Michael Ledeen, who handed it on to Oliver North.

six separate arms sales to Iran. These shipments began in the summer of 1985 and concluded in October 1986, just before the Iran arms initiative and the diversion of funds to the Nicaraguan contras were made public. The Enterprise's activities in the arms sales initiative involved violations of federal law, including a conspiracy to defraud the United States Government.

Arms Sale #1 - August 1985, 96 TOWs for zero hostages

The first transaction, in August 1985, involved the sale of 100 TOW missiles in return for the release of an undetermined number of U.S. citizens held hostage in Lebanon. The missiles were to be provided from the weapons stock of the Israeli Defense Forces. The U.S. agreed to replenish the Israeli weapons stock after the transaction with Iran was completed.

On August 20, 1985, a DC-8 transport aircraft flew from Israel to Iran loaded with 96 TOW missiles (rather than the agreed-upon 100). Ghorbanifar was on the flight. Contrary to the agreement, no hostages were released. Ghorbanifar contended that the TOWs were mistakenly delivered to the Commander of the Iranian Revolutionary Guard rather than to the Iranian faction for whom they were intended.⁹⁷⁹

On August 27, 1985, the government of Iran transferred \$1,217,410 to Ghorbanifar's Swiss bank account.⁹⁸⁰

⁹⁷⁹ Iran-Contra Report, supra, p. 168

⁹⁸⁰ Iran-Contra Report, supra, p. 168.

Arms Sale #2 - September 1985, 408 TOWs for 1 hostage

Despite the failure of the first arms transaction, the Iran initiative was continued. Negotiators agreed that the U.S., through Israel, would provide Iran with 400 TOW missiles. In return, the Iranians would arrange for the release of any U.S. hostage except Buckley. The transaction was to take place in the same manner as the first: Israel would provide the missiles, and the U.S. would later replenish the Israeli supply. Lt. Col. Oliver North, on the staff of the National Security Counsel in his official capacity, was to make the necessary arrangements to receive any hostages who might be released.⁹⁸¹

On September 15, a DC-8 loaded with 408 TOWs flew to Tabriz, Iran. On the same day, American hostage Benjamin Weir was released in Beirut.⁹⁸² On information and belief, this transaction was effected to demonstrate the ability of the negotiators on each side to deliver--by providing TOW missiles and releasing Buckley, respectively.

On September 17, Ghorbanifar paid \$290,000 to the Israeli intermediary to cover the costs of transporting the TOWs. The following day, Iran paid \$5 million into Ghorbanifar's Swiss bank account.⁹⁸³

Arms Sale #3 - November 1985, HAWKs

⁹⁸¹ Iran-Contra Report, supra, p. 169.

⁹⁸² Iran-Contra Report, supra, p. 196.

⁹⁸³ Iran-Contra Report, supra, p. 169.

The third arms transaction was again largely dependent upon the use of Israeli intermediaries. Ghorbanifar told the U.S. and Israeli negotiators that Iran now wanted HAWK anti-aircraft missiles. A deal was worked out to ship a total of 80 HAWKS from Israel to Iran. In order to prevent public exposure of the initiative, the HAWKS were to be sent from Israel to a third country (identified in the Iran-Contra hearings as Country 15, and assumed to be Portugal), and subsequently transferred from that country to Iran.⁹⁸⁴

The leader of Country 15, however, was hesitant to comply with the request, both because the Iran initiative stood in direct contradiction to stated U.S. policy, and because of the unprofessional approach taken by U.S. representatives of the initiative in seeking permission to use Country 15 as a transshipment point for the HAWKS. This government leader asked for a detailed diplomatic note from U.S. government representatives, explaining the initiative, the role of the U.S. in the initiative, and the need for Country 15's assistance. The Enterprise was ultimately unable to provide this note.⁹⁸⁵

The Enterprise Becomes Involved

On November 18, 1985, Lt. Col. Oliver North contacted Defendant Richard Secord to enlist the Enterprise's assistance with this transshipment. North had recently been put in charge

⁹⁸⁴ Iran-Contra Report, supra, p. 178-179.

⁹⁸⁵ Iran-Contra Report, supra, p. 179.

of the Iran initiative by Robert C. McFarlane, who in his official capacity was National Security Adviser until December 1985.⁹⁸⁶ At the time, North was already involved in other Enterprise criminal activities, including the unlawful operations in support of the contras in Nicaragua. Secord later testified that this was the first he knew of the Iran arms initiative.⁹⁸⁷

Also on November 18, North arranged for the transfer of \$1 million from the Israeli intermediaries into the account of Lake Resources, a Panamanian company controlled by the Enterprise. The transfer was completed on November 20. Prior to this transfer, Secord and North had used the company exclusively as a front for supporting the contras.⁹⁸⁸

Lake Resources was the principal corporation used by the Enterprise. Primarily through Defendant Hakim in coordination with North and Defendant Secord, the Enterprise developed a "clandestine financial infrastructure." The secret infrastructure consisted of foreign corporations and Swiss bank accounts previously under Hakim's control, newly created foreign corporations and additional Swiss bank accounts. Numerous wire

⁹⁸⁶ Iran-Contra Report, supra, p. 177.

⁹⁸⁷ Joint Hearings before the House Select Committee to Investigate Covert Arms Transactions with Iran and Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition (hereafter "Iran Contra Hearings"), Testimony of Richard Secord, May 5, 1987 (U.S. Government Printing Office edition), 100-1, p. 41 .

⁹⁸⁸ Iran-Contra Report, supra, p. 179. Lake Resources and its account at Credit Suisse in Geneva, Switzerland had been established by North and Secord in May 1985 to receive money in support of the covert operations.

transfers of funds into and out of these accounts were conducted by the Enterprise in the course of this operation.⁹⁸⁹

The Enterprise became involved in the Iran arms deals, using the same modus operandi and players as in its previous ventures.⁹⁹⁰ According to the Iran-Contra Report:

⁹⁸⁹ Poindexter, et al., Indictment, supra, p. 14. By November 1986, the financial network of the Enterprise included the following foreign corporations and bank accounts: Hyde Park Square Corp., Dolmy Business Inc., Albon Values Corp., Gulf Marketing Consultants, Ltd., Toyco Inc., Udall Research Corp. and Defex S.A. Id.

⁹⁹⁰ The Secord-Hakim-Clines Enterprise referred to in the Congressional Iran-Contra investigations is alleged to be only a part of the Defendants' criminal racketeering Enterprise. Hakim described this venture as a covert organization with a chain of command headed by North, and also as a chain of Swiss accounts which he set up and partially owned. Secord described it as the group of offshore companies that carried out the Iran-Contra operations, and conceded that it was fair to describe it as his own covert operations organization. Iran-Contra Report, supra, p. 327, citing testimony by Hakim and Secord.

"Secord consistently turned to the same group of individuals to accomplish the tasks that North assigned to him. Albert Hakim... was his partner and, by agreement, Secord and Hakim were to share equally in any Enterprise profits. Hakim controlled the Enterprise's bank accounts. Rafael Quintero... handled the logistics of arms deliveries from various locations in Central America. Glenn Robinette... investigated those who made accusations about operations of the Enterprise and performed other tasks... Thomas Clines... served as the primary broker for the Enterprise's arms transactions.

"The relationships were not new. Secord had been in contact with the group throughout his career; apparently he trusted these individuals and they trusted him..."⁹⁹¹

"The Enterprise was involved in every NSC-connected shipment of weapons to Iran from November 1985 on. The net surplus generated by these transactions for the benefit of the Enterprise was \$16.1 million."⁹⁹²

On November 20, Secord arrived in Country 15. Secord and his associate, Defendant Thomas Clines (who, according to Secord's testimony, "had really been handling all of the matters for the Enterprise" in Europe) started "to work the problem . . . through our colleagues in the armaments industry . . ." ⁹⁹³ Despite the efforts of Secord, Clines and the other participants in the Iran initiative, Country 15 refused to permit trans-shipment, and another route had to be established.

On November 24, 18 HAWK missiles were delivered from Israel to Iran, the first of several shipments totalling 80 HAWKS.

⁹⁹¹ Iran-Contra Report, supra, p. 327.

⁹⁹² Iran-Contra Report, supra, p. 341.

⁹⁹³ Secord Testimony, supra, May 9, 1987, p. 209.

After leaving Iran for Israel to pick up a second load of HAWKS, however, the plane was directed not to return to Israel because of problems arising in Washington and Iran. The airline's role in the HAWK transfer was discontinued; Secord wired a \$127,700 payment to the airline from funds in the Lake Resources account. None of the remaining 62 HAWKS was delivered, and no hostages were released.⁹⁹⁴

Another problem developed. The Iranians were dissatisfied, both because they had received older-model HAWKS incapable of meeting their needs, and because many of those HAWKS bore Israeli markings, which they took as an insult. The Iranians requested that the 18 HAWKS be retrieved from them.⁹⁹⁵

North and Secord testified that the \$1 million deposit into the Lake Resources account, made by Israeli businessman Al Schwimmer, was to cover the cost of chartered planes to deliver the 80 HAWKS to Iran.⁹⁹⁶ Yet that contention appears unlikely, because at the time of the deposit, the Enterprise's assignment was simply to obtain landing clearances for planes already chartered by Schwimmer.⁹⁹⁷

The Select Committees investigating the Iran-contra affair later ascertained that, of the \$1 million, Secord paid

⁹⁹⁴ Iran-Contra Report, supra, p. 185, citing Airline Proprietary Receipt Records, 11-29-85 and 12-3-85, CIIN 2581 and 2587.

⁹⁹⁵ Iran-Contra Report, supra, p. 187

⁹⁹⁶ Secord Testimony, supra, May 5, 1987, pp. 80-84.

⁹⁹⁷ Iran-Contra Report, supra, p. 179.

approximately \$150,000 for aircraft to carry HAWKS to Iran. This left a net of \$850,000, part of which was diverted to the Nicaraguan contras. The remainder was disbursed as profit to Secord and his Enterprise associates, Defendants Albert Hakim and Thomas Clines. This represented the first diversion of funds from the Iran arms initiative to the contras.⁹⁹⁸

The Diversion

On December 6, 1985, North met with Israeli officials in New York to discuss a plan to use profits from the upcoming arms sale to Iran to fund operations in support of the contras in Nicaragua. On the same day, North went to London to meet with Secord, Ghorbanifar, Schwimmer, David Kimche, former director general of Israel's Foreign Ministry, and Yaacov Nimrodi, former Israeli defense attache to Iran, to discuss the sale of TOWs to Iran. On December 8, McFarlane flew to London to join the discussions. On December 9, McFarlane, Secord and North returned to Washington. North then proposed a direct sale to Iran by the U.S., using Secord as an operational "conduit."⁹⁹⁹

A criminal indictment, handed down in March 1988 by the grand jury supervised by Independent Counsel Lawrence Walsh, charges that certain Enterprise conspirators, including Secord, were responsible for the shipment of thousands of pounds of

⁹⁹⁸ Iran-Contra Report, supra, p. 179, citing "Financial Chronology, Accounting Workpaper;" Poindexter, et al., Indictment, supra, p. 19.

⁹⁹⁹ Iran Contra Report, supra, p. 199.

lethal military supplies to Central America for use by the contras in December 1985.¹⁰⁰⁰

The activities of the Enterprise in engineering the diversion of funds to the contras represent a conspiracy to defraud the United States by obstructing its lawful government functions, by "deceitfully and without legal authorization organizing, directing and concealing a program to continue the funding of the logistical and other support" for the contras during the time that "the prohibitions of the Boland Amendment and other legal restrictions on the execution of covert actions were in place."¹⁰⁰¹

This conspiracy to defraud the United States Government was furthered by the Enterprise's exploitation of the November arms deal, as well as the remaining arms transactions described below, for its own purposes. The Enterprise was thereby "corrupting a United States Government initiative...rather than pursuing solely the specified governmental objectives of the initiative."¹⁰⁰²

Arms Sale #4 - February 1986, 1000 TOWs

Despite the problems with the HAWK transaction and the failure to secure the release of the hostages, the Enterprise began plans for another arms deal. This time, however, North sought to deal directly with the Iranians, using weapons from

¹⁰⁰⁰ Poindexter, et al., Indictment, supra, p. 19.

¹⁰⁰¹ Poindexter, et al., Indictment, supra, p. 9.

¹⁰⁰² Poindexter, et al., Indictment, supra, pp. 9-10.

U.S. stocks and relegating the Israelis to a minor role. This provided the opportunity to generate more profits on the sale of weapons, to be used for the other racketeering activities of the Enterprise, including its illegal support for the contras.¹⁰⁰³ This arrangement was also, on information and belief, intended to ensure that the Iranians would remain silent about the off-the-shelf activities revealed to the pro-Iranian terrorist group by Buckley during his tortured confession.

The Enterprise's Role Expands

The role of the Enterprise in the Iran initiative changed significantly when National Security Adviser John Poindexter and North arranged in January 1986, for Secord to participate in a second transaction.¹⁰⁰⁴ Beginning with the February 1986 transaction, the Enterprise played a more active role in all facets of the Iran initiative, from negotiation of arms deals to distribution of funds.¹⁰⁰⁵

The Independent Counsel's criminal indictment charges that, in January 1986, Poindexter and North arranged for Secord, and through him the Enterprise, "to assist the United States

¹⁰⁰³ Iran-Contra Report, *supra*, p. 193. On January 4, 1986, North wrote a memo to John Poindexter, who succeeded McFarlane as national security adviser on December 4, 1985, stating that he believed the sale of U.S. weapons by Israel to Iran would violate the Arms Export Control Act. Iran Contra Report, *supra*, p. 202, citing "memo from North to Poindexter, subject: Covert Action Finding on Iran, 1-4-86."

¹⁰⁰⁴ Secord Testimony, *supra*, May 6, 1987, p. 96.

¹⁰⁰⁵ Iran-Contra Report, *supra*, pp. 193-209.

initiative to Iran by acting as an agent and intermediary of the United States Government,... to receive for the United States funds in payment of the weapons to be shipped to Iran, to transmit funds to the CIA and to transport weapons from the United States to Iran." The use of the Enterprise to fill this role "created circumstances under which the Enterprise [was] able secretly to control the proceeds from the sale of arms to elements in Iran and divert a substantial part of such proceeds into the financial network of the Enterprise... thereby depriving the United States of the honest and faithful services of employees free from conflicts of interest, corruption and self-dealing."¹⁰⁰⁶

The Plan to Sell TOWs

The February 1986 arms deal, negotiated by Oliver North on behalf of the Enterprise, and an Iranian representative, involved the transfer of 4,000 TOWs to Iran at a price of \$10,000 per missile. The TOWs were to be shipped to Iran in increments of 1,000.¹⁰⁰⁷ On information and belief, the deal also included an agreement on behalf of the Iranians not to reveal the information they learned from Buckley's confession about the Enterprise's off-the-shelf activities.

On January 29, 1986, North held a meeting in the Old Executive Building with Secord, Noel Koch, who in his official

¹⁰⁰⁶ US v. Poindexter, et al., Indictment, supra, pp. 19-20.

¹⁰⁰⁷ Poindexter, et al., Indictment, supra, p. 20.

capacity was Deputy Assistant Secretary of Defense under Richard Armitage, and Charles Allen, who in his official capacity was CIA National Intelligence Officer. At the meeting, the group decided that the TOWs would be transported from a domestic storage facility to Kelly Air Force Base in Texas, where Secord would accept delivery and ship them via Southern Air Transport to Israel. Secord would then arrange for the cargo to reach Bender Abbas, Iran from Tel Aviv.¹⁰⁰⁸

Pricing

Ghorbanifar, acting as middleman, agreed to pay \$10,500 for each TOW (roughly \$10 million for the first 1,000). Ghorbanifar arranged for Saudi arms dealer Adnan Khashoggi to advance the \$10 million, which was deposited into Lake Resources Credit Suisse account.¹⁰⁰⁹

Defendant Secord and Oliver North agreed, in early 1986, "to retain for the Enterprise a substantial part of the \$10 million payment for the first shipment of TOW missiles by having Defendant Secord transmit to the United States substantially less than was paid for these missiles on behalf of the Iranians."¹⁰¹⁰ As part of this plan, North claimed that a price of \$6,000 per TOW was too high a payment for the Enterprise to make, and that the price should be lowered. North knew at the time that the

¹⁰⁰⁸ Iran-Contra Report, supra, p. 217.

¹⁰⁰⁹ Iran Contra Report, supra, p. 217; Cockburn, supra, pp. 203-204.

¹⁰¹⁰ Poindexter, et al., Indictment, supra, pp. 20-21.

Iranian middleman was willing to pay the Enterprise \$10,500 per TOW.¹⁰¹¹

The pressure from Enterprise members to lower the price on the TOWs, combined with irregular billing procedures, brought the final payment to \$3,469 per TOW purchased from the Department of Defense; this represented less than half the normal price.¹⁰¹²

The Enterprise directed that only \$3.7 million be transmitted for the TOWs. Thus, on February 10, 1985, \$1.85 million was transferred to a U.S. Government Swiss account from the Enterprise's Credit Suisse account, Lake Resources. The next day, an additional \$1.85 million was transferred. The \$3.7 million was then paid to the Department of Defense for 1,000 TOWs.¹⁰¹³

Profit

The February sale of TOW missiles generated a \$10 million gross payment to the Enterprise. Of this amount, \$3.7 million was transmitted to the U.S. Government to pay for the TOWs. Lake Resources made approximately \$6.3 million net profit on the TOW shipment.

Funds from the inflated profit margin created by the Enterprise's underpayment to the U.S. government and overcharge to the Iranians were then used by the Enterprise to "purchase and deliver military weapons and supplies for the Contras," and for

¹⁰¹¹ Poindexter, et al., Indictment, supra, pp. 20-21.

¹⁰¹² Iran-Contra Report, supra, p. 215.

¹⁰¹³ Iran-Contra Report, supra, p. 217.

the personal enrichment of members of the Enterprise.¹⁰¹⁴ Secord determined the final distribution of profits from the initiative, after discussions with North.¹⁰¹⁵

Shipment

On February 17, an Israeli-chartered plane piloted by a crew working for the Enterprise delivered 500 TOWs to Bender Abbas, Iran, and returned to Tel Aviv with the HAWK missiles previously rejected by Iran. The next day, Secord transmitted a message to North describing the delivery.¹⁰¹⁶

On February 27, a second Israeli plane, arranged by Secord and piloted by a crew under his supervision, delivered another 500 TOWs to Bender Abbas, Iran.¹⁰¹⁷

In March and April 1986, Enterprise members, including Defendant Secord, arranged for additional shipments of thousands of pounds of lethal military supplies to be delivered to Central America for use by the contras.¹⁰¹⁸

Arms Sale #5 - May 1986 - HAWK spare parts

On April 14, 1986, Ghorbanifar relayed a new Iranian demand for a meeting in Iran and for delivery of HAWK spare parts in

¹⁰¹⁴ Poindexter, et al., Indictment, supra, p. 21.

¹⁰¹⁵ Secord Testimony, supra, May 7, 1987, p. 110.

¹⁰¹⁶ Secord Testimony, supra, May 7, 1987, p. 106.

¹⁰¹⁷ Secord Testimony, supra, May 7, 1987, p. 109.

¹⁰¹⁸ Poindexter, et al., Indictment, supra, pp. 21-22, 33-34.

return for the release of the hostages.¹⁰¹⁹ It was agreed that the Enterprise would secure a price for the Iranians of \$15 million for the spare parts. In order to determine the price, North instructed an assistant to calculate the price to be charged by the Enterprise by multiplying by a factor of 3.7 the official U.S. government prices for the spare parts.¹⁰²⁰

In May 1986, North directed financiers working on behalf of the Iranians to deposit \$15 million into an Enterprise bank account. An additional deposit of \$1.46 million was made to the Enterprise account, to cover 508 additional TOWs which were to be provided to Israel as replenishment for the previous Israeli TOW shipments. Of the approximately \$16.5 million the Enterprise received for this hardware, the Defendants caused only \$6.5 million to be paid to the United States Government to cover the cost of the HAWK spare parts and the 508 TOWs, leaving a profit for the Enterprise of almost \$10 million.¹⁰²¹

On May 22, a Southern Air Transport 707 plane landed in Israel, loaded with thirteen pallets of HAWK missile spare parts for delivery to Tehran. On May 24, a second 707 arrived in Israel with 508 TOW missiles for Israeli replenishment of arms delivered earlier to Iran. In Israel, twelve pallets of the HAWK spare parts were loaded into a disguised Israeli Air Force

¹⁰¹⁹ Iran-Contra Report, supra, p. 227.

¹⁰²⁰ Poindexter, et al., Indictment, supra, p. 22.

¹⁰²¹ Poindexter, et al., Indictment, supra, pp. 22-23.

On May 25, 1986, a delegation headed by McFarlane and including North left Israel for Tehran on a plane carrying one pallet of the HAWK spare parts. As part of the plan, Defendant Secord remained in Israel with the 707 loaded with the additional twelve pallets of spare parts. Secord stood ready to deliver them to Iran, upon receiving word from the delegation.¹⁰²³ The delegation had firm instructions not to transfer any more weapons to Iran until all the hostages had been released.¹⁰²⁴

The Iranians, however, did not release the hostages. At the end of three days of negotiations, the Iranians offered the U.S. delegation the release of two hostages in return for the delivery of the remaining 12 pallets of HAWK spare parts. North was ready to accept the offer, but McFarlane refused; and the delegation left Tehran.¹⁰²⁵

McFarlane testified that North was so determined to transact the deal that while McFarlane was asleep, North violated McFarlane's orders and instructed Secord to send the plane from Israel with the rest of the HAWK parts. Upon learning of North's actions, McFarlane ordered the plane to return.¹⁰²⁶ After the

¹⁰²² Iran-Contra Report, supra, p. 232.

¹⁰²³ Iran-Contra Report, supra, p. 232.

¹⁰²⁴ Iran-Contra Report, supra, p. 237.

¹⁰²⁵ Iran-Contra Report, supra, p. 245.

¹⁰²⁶ Iran-Contra Hearings, Testimony of Robert C. McFarlane, May 12, 1987, p. 79.

delegation had left Tehran, North told McFarlane that the Iranian arms deals had produced at least one benefit: the proceeds of the arms sales were being used to support the contras.¹⁰²⁷

Adnan Khashoggi had furnished \$15 million to Ghorbanifar to finance the spare parts transaction, which Ghorbanifar had transferred to the Enterprise's Lake Resources account prior to the shipment. The Israeli government had provided \$1.5 million to the Enterprise to finance the 508 TOWs, which were to be shipped to them. The Enterprise had, in turn, provided \$6.5 million for payment to the Defense Department for the spare parts, and had incurred expenses of \$1.7 million for transportation and related activities.¹⁰²⁸ This left a profit of roughly \$10 million, a portion of which was used by the Enterprise to supply the contras with thousands of pounds of lethal military equipment in May 1986. The remainder was transferred to Enterprise bank accounts for the personal benefit of the Defendants.¹⁰²⁹

Four days after the last of Khashoggi's payments was deposited in the Lake Resources account, Albon Values, an Enterprise company, paid \$26,490 to an Enterprise account named "Korel." Four days later, Hyde Park Square, another Enterprise company, dispensed \$200,000 as "capital" for the "Button"

¹⁰²⁷McFarlane Testimony, supra, May 14, 1987, p. 4.

¹⁰²⁸Secord testimony, supra, May 7, 1987, p. 119.

¹⁰²⁹Poindexter, et al., Indictment, supra, pp. 22-23.

account set up by the Enterprise for the North family.¹⁰³⁰

Overcharging

Shortly after the spare parts were delivered, the Iranians discovered that they had been overcharged by 600% for the HAWK parts.¹⁰³¹ The Iranians sent a price list to the Israelis detailing the overcharge, but a refund was never considered. Nor did the Enterprise intend to eliminate the overcharge on future shipments. The solution to the Iranian complaint was to have the a false price list prepared to justify the charges.¹⁰³²

Arms Sale #6 - October 1986 - 500 TOWs for 1 hostage

After the Tehran mission failed, and added financial complications arose with Ghorbanifar, the Enterprise sought a new opening to Iran. Defendant Hakim testified that he believed the idea to open a "second channel" was Secord's. Hakim took the lead in locating new Iranian contacts, informing Secord and North

¹⁰³⁰ Cockburn, supra, p. 208; Poindexter, et al., Indictment, supra, p. 14.

¹⁰³¹ Iran-Contra Report, supra, p. 245.

¹⁰³² Iran-Contra Report, supra, pp. 245-246. On July 26, the Iranians obtained the release of Rev. Lawrence Jenco. The Iranians were apparently convinced by Ghorbanifar that the release would lead to the delivery of the remaining HAWK parts. After a meeting between North and Amiram Nir, adviser to Israeli President Shimon Peres, the remaining HAWK spare parts were sent to Iran on August 4. The plane for the shipment was provided by Israel, while the crew was provided by the Enterprise. Id., p. 247.

of his progress.¹⁰³³ According to the Iran-Contra Report:

Hakim thus had an opportunity to promote his business interests and to serve both his newly adopted country, the United States, and his native country, Iran. Hakim estimated the trade market between the United States and Iran to be worth \$15 billion. He hoped that his role in renewing relations between the two countries would win him a part of this market. Hakim and Secord intended to use part of the surplus from the Iranian sales to invest for their own benefit in commercial opportunities in Iran.¹⁰³⁴

The Second Channel

Hakim contacted an Iranian expatriate (the "First Contact"), who travelled to the U.S. to meet with Hakim and consultant George Cave on July 10 and 11, 1986. Hakim promised the First Contact a payoff in return for assistance in identifying a new Iranian contact. The First Contact turned to another Iranian businessman, the "Second Contact"; and together they set up a new contact, known as the "Relative" in Iran. The "second channel," consisting of these newly developed contacts, was in place by late July.¹⁰³⁵

Hakim's and Secord's roles in the Iran initiative expanded significantly with the advent of the second channel. Hakim and Secord attended all meetings with the Relative from August through November, and both conducted important negotiations on

¹⁰³³ Iran-Contra Report, *supra*, p. 249, citing Hakim testimony before the Committee.

¹⁰³⁴ . Iran-Contra Report, *supra*, p. 249, citing Hakim testimony, June 3 and 4, 1987, and a Hakim interview on Nightline, July 9, 1987.

¹⁰³⁵ Iran-Contra Report, *supra*, p. 249.

behalf of the U.S. involving the release of the hostages.¹⁰³⁶

On August 25, 1986, a meeting was held in Brussels, Belgium among Secord, Hakim and the new contacts (the First and Second Contacts and the Relative). Secord arranged for a two-day visit for the Relative to Washington on September 19, 1986. The Relative met with North, Secord and Cave, in North's office in the Old Executive Building. Hakim attended part of the meeting. After leaving Washington, the Relative maintained contact with Secord and Hakim.¹⁰³⁷

The U.S. negotiating team, including North and Defendants Secord and Hakim, met with the Iranian team in Frankfurt, West Germany, from October 6 through October 8, 1986, to negotiate the next arms deal.¹⁰³⁸ Secord and Hakim played key negotiating roles in these meetings; at one point, Hakim was the sole negotiator present on behalf of the United States.¹⁰³⁹

Hakim eventually worked out a deal which called for the release of "1 1/2" hostages (the Iranians would definitely obtain the release of one hostage, and make their best effort to obtain the release of a second). Before the release of any hostages, the U.S. was to provide 500 TOWs to Iran. After the release of the hostages, the U.S. promised to provide 1,000 more TOWs, as

¹⁰³⁶ Iran-Contra Report, supra, p. 251.

¹⁰³⁷ Iran-Contra Report, supra, p. 253, citing testimony by Albert Hakim.

¹⁰³⁸ Iran-Contra Report, supra, p. 254.

¹⁰³⁹ Iran-Contra Report, supra, p. 256.

well as technical assistance for previously delivered HAWK systems and military intelligence.¹⁰⁴⁰

The Iranians agreed to pay the U.S. \$3.6 million for the 500 TOWs, and deposited this amount into an Enterprise bank account. Of the \$3.6 million, the Enterprise paid approximately \$2 million to the U.S. Government for the TOWs, leaving a surplus after costs of approximately \$1.3 million.¹⁰⁴¹

In accordance with the terms of the plan negotiated by North and the Iranians in Frankfurt, 500 TOWs arrived in Tehran on October 28, on a flight piloted by an Enterprise crew.¹⁰⁴² On November 2, David Jacobsen, an American hostage held in Lebanon, was released.¹⁰⁴³

On the following day, the entire arms initiative was exposed by a Lebanese magazine, Al-Shiraa. Despite the revelations, both the Iranian and United States negotiators wished to continue the initiative.¹⁰⁴⁴

North contacted Nir on November 23 to inform him that he had been interviewed by Attorney General Edwin Meese, and that Meese had questioned him on the diversion of the profits from Iranian arms sales to the contras. North asked Nir to make arrangements for Israel to assume responsibility for the diversion. According

¹⁰⁴⁰ Iran-Contra Report, supra, p. 257.

¹⁰⁴¹ Second testimony, supra, p. 123-124.

¹⁰⁴² Iran-Contra Report, supra, p. 259.

¹⁰⁴³ Iran-Contra Report, supra, p. 261.

¹⁰⁴⁴ Iran-Contra Report, supra, p. 261.

to North's notes, Nir rejected the request.¹⁰⁴⁵

On November 25, 1986, Attorney General Meese held a televised press conference to announce that an investigation conducted by his office had revealed the diversion of funds from the Iran initiative to aid the contras.¹⁰⁴⁶ The disclosure put an end to the Iranian venture.

Congressional investigations and hearings, and grand jury investigations and indictments followed. However, the Enterprise continues to engage in criminal racketeering activity.

ON-GOING VENTURES OF THE ENTERPRISE

"The Fish Farm" and Off-the Shelf Assassinations

It is believed that Defendant Theodore Shackley is a "secret shareholder" of ANV, a Jupiter, Florida-based corporation known as the "The Fish Farm" which trains foreign nationals in the United States for "sabotage and subversion" missions on Andros Island in the Bahamas.¹⁰⁴⁷ The Fish Farm is an organization set up by a group of former intelligence officers of the military and the CIA as a private corporation with a board of directors, that does legitimate business in Florida, but also has a covert program train assassins for hire to various groups and

¹⁰⁴⁵ Iran-Contra Report, supra, p. 262.

¹⁰⁴⁶ Iran-Contra Report, supra, p. 317.

¹⁰⁴⁷ Wheaton Deposition, supra, p. 369.

governments around the world.¹⁰⁴⁸ Gene Wheaton, a retired U.S. Army criminal investigator for the Criminal Investigation Division (CID) with a long history as a law enforcement officer, was approached by a headhunter for ANV who stated that its function was intelligence security, high-tech security, port security, shipping security, active measures in counter-terrorism. ANV is a wholly owned subsidiary of CSA on whose board Defendant Shackley sits. The founder of CSA is Robert C. "Stretch" Stevens, Jr.¹⁰⁴⁹

Shackley, as a "secret shareholder" of ANV, exerts almost total or very heavy influence over the activities of Robert "Stretch" Stevens, CEO of ANV. Stevens, a maritime paramilitary operative had worked for Shackley for 25 years, in various ventures of the Enterprise, including the anti-Castro operations in Cuba and in Southeast Asia.¹⁰⁵⁰

William Hamilton, who, as discussed above, had recruited Sam Hall for the Phoenix Battalion, a covert plan to mount world-wide preemptive strikes, is the senior Vice President of ANV. On the advisory board are Gen. Kingston, Adm. Scarborough, Adm. Kidd, Francis J. "Bing" West.¹⁰⁵¹

William Hamilton confirmed that the training of non-

¹⁰⁴⁸Wheaton Deposition, supra, pp. 222 and 227-8.

¹⁰⁴⁹Wheaton Deposition, supra, pp. 222-8.

¹⁰⁵⁰Wheaton Deposition, supra, p. 360, 359.

¹⁰⁵¹Wheaton Deposition, supra, pp. 229-230.

government commandos and assassins in obscure training camps is being set up around the United States and that these commando battalions were to train Haitians, Southeast Asians, Koreans, and Americans in paramilitary operations.¹⁰⁵² It is likely that ANV had originally been a U.S. government proprietary that had then gone private.¹⁰⁵³

ANV is in all likelihood conducting operational training on Andros Island, in the Bahamas.¹⁰⁵⁴ Furthermore, it has been reported by a television network that as of July 1987, foreign nationals were being trained for "sabotage and subversion" missions on a Caribbean island by "a Jupiter Florida-based company."¹⁰⁵⁵ An ABC helicopter had been shot down over Andros Island two or three years ago, killing a reporter; and the incident was kept secret for national security reasons.¹⁰⁵⁶

It is apparent that ANV functions as an umbrella organization for various commando groups, including the Phantom Battalion near Memphis and Peregrine in Texas.¹⁰⁵⁷ ANV and one or more of the commando groups involve many of the same individuals, and there are numerous ties between them and the

¹⁰⁵²Wheaton Deposition, supra, pp. 310, 315, 356-357

¹⁰⁵³Wheaton Deposition, supra, pp. 356-357. Champlain, ANV headhunter, who had previously worked for Consultants International under Ed Wilson, provided this information to Wheaton.

¹⁰⁵⁴Wheaton Deposition, supra, p. 369

¹⁰⁵⁵Karen Burnes, "ABC World News Tonight," 16 July 1987.

¹⁰⁵⁶Wheaton Deposition, supra, p.372.

¹⁰⁵⁷Wheaton Deposition, supra, p. 373.

Secord-Shackley-Clines-Hakim Enterprise.¹⁰⁵⁸

Jim Turney of Posey's CMA, was involved in the Phantom Battalion, which had a nucleus of people from Defendant Posey's organization.¹⁰⁵⁹ Vang Pao, former Shackley and Clines' associate in the opium drug trade and assassination program in Laos, and former military and intelligence officers associated with him were planning to establish one such group in Arkansas, to train Laotian tribesmen. A meeting to further this project was held in March 1987 at the Heritage Foundation in Washington, DC.¹⁰⁶⁰ Others involved in the Arkansas project include Rick Wade from Valdez, Alaska; Bill Bode, who was closely aligned with Defendant Owen and Vaughn Forrest, administrative assistant to Congressman William McCollum;¹⁰⁶¹ Carl Jenkins, who had originally recruited and trained such Enterprise members as Defendants Clines and Quintero,¹⁰⁶² and Carl Bernard, retired U.S. Army Colonel, special operations. Some managers of the Daisy Air Rifle Company provided property in western Arkansas for

¹⁰⁵⁸Wheaton Deposition, supra, pp. 381, 395.

¹⁰⁵⁹Wheaton Deposition, supra, pp. 380, 379.

¹⁰⁶⁰Wheaton Deposition, supra, pp. 373, 374, 376.

¹⁰⁶¹Bode worked in close collaboration with Owen and Forrest in the resupply efforts to the contras during the period the Boland Amendment was in effect and also in a covert supply operation to aid the Afghan rebels. Forrest has maintained that there can be a justification in certain circumstances for going outside the law and creating a death squad. Wheaton Deposition, pp.90-110, 198.

¹⁰⁶²Jenkins remains close with Clines and Quintero, speaking with them weekly. Wheaton Deposition, pp. 122-123.

the training camp.¹⁰⁶³

Gary S. Howard and Ronald R. Tucker founded Peregrine International Associates in 1981 and claim they worked on covert operations with Defense Department approval from then until 1984, when the company folded. Many of Peregrine's personnel were veterans of the Army Delta Force unit; the company hired both retired and active-duty military personnel on leave to act as "guns: guys who had no qualms about blowing people away, which is real fine for protective-type work." Peregrine would receive funds for these operations from U.S. agencies such as Customs or from foreign governments, which may have been drawing on U.S. military assistance funds. Their operations include killing drug smugglers in Peru, Honduras, Belize, and Caribbean nations; arming and training contras; and arming and training official military commando units in El Salvador, Honduras, and Peru. Richard J. Meadows served for a time as Peregrine's president; Charles Odorizzi and William Patton worked for the group. Peregrine's key contacts were retired Army Lt. Gen. Samuel V. Wilson (former director of the DIA) and Lt. Col. Wayne E. Long, who as of April 1987 worked as a senior officer in the Foreign Operations Group, which is part of the Army's Intelligence Support Activity office.¹⁰⁶⁴

¹⁰⁶³Wheaton Deposition, supra, p. 377

¹⁰⁶⁴Frank Greve, Matthew Purdy, and Mark Fazlollah, "Firm Says U.S. Urged Covert Plots," Philadelphia Inquirer, 26 April 1987, p. 1-A.

Singlaub in the Philippines

In 1986, Defendant Singlaub moved his base of operations to the Philippines, where Ferdinand Marcos has just been deposed. In November, Singlaub and retired Lt. Gen. Robert L. Schweitzer, a one-time employee of the NSC and currently an adviser to GeoMiliTech, traveled to the Philippines to meet with General Luis Villa-Real, head of the Philippine National Intelligence Coordinating Authority, and Chief of Staff Fidel Ramos. Villa-Real is president of the Philippine chapter of the World Anti-Communist League and was instrumental in the creation of right-wing, para-military groups there.¹⁰⁶⁵ Singlaub also met with CIA station chief Earl Norbert Garrett, Ray Cline and then-Defense Minister Juan Ponce Enrile, an opponent of President Corazon Aquino.¹⁰⁶⁶

Shortly after that meeting, the Philippine vigilante groups, armed with sophisticated M-283 rifles with grenade launchers attached, intensified their operations. In March of 1987, in a move reminiscent of his early campaign against Nicaragua, President Reagan signed a finding directing the CIA to conduct increased counterinsurgency operations against the New Peoples Army in the Philippines. The finding specified ten activities, including media operations and disinformation campaigns, intelligence gathering, increased military advisers and CIA

¹⁰⁶⁵ "Singlaub and Cline, Americans Involved in the Coup?" Philippine Daily Inquirer, November 17, 1986.

¹⁰⁶⁶ "What's General Singlaub Doing in Pasong Tamo?" Philippine Daily Inquirer, December 19, 1987.

staff, and overflights.¹⁰⁶⁷ Former intelligence personnel have noted the striking similarities to the CIA's Phoenix Program in Vietnam.¹⁰⁶⁸

Thus, the Enterprise continues to be involved in criminal racketeering activity. The full range of these violations of law can only be uncovered and enjoined if the Plaintiffs are granted the relief sought in the accompanying filings: leave to file an amended complaint, lifting of the temporary restrictions on discovery and a continuation of the trial date.

¹⁰⁶⁷ San Francisco Examiner, March 22, 1987.

¹⁰⁶⁸ Oltman and Bernstein, "The El Salvador of the Pacific: Counterinsurgency in the Philippines," Covert Action Intelligence Bulletin, Winter 1988.

We declare under penalty of perjury that the foregoing is true, correct and grounded in fact to the best of the signers' knowledge, information and belief formed after reasonable inquiry.

Dated: March 25, 1988, Washington, DC.

Of Counsel:


DANIEL P. SHEEHAN, Esq.



NORMA KERLIN, Esq.


LEWIS PITTS, Esq.


LANNY SINKIN, Esq.


EDITH A. HOLLEMAN, Esq.


ANDREW S. LOVE, Esq.


DONNA J. HENDERSON, Esq.

CHRISTIC INSTITUTE
1324 North Capitol St., N.W.
Washington, DC 20002
(202) 797-8106

Counsel for the Plaintiffs
TONY AVIRGAN and MARTHA HONEY

MARY FERRELL
FOUNDATION

