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PROMIS Spins Web of Intrigue

By Kelly Patricia O'Meara

The dejected officer shakes his head. "We got further than anyone else ever did on this case," he says, "and nobody outside of law enforcement will ever know what we found because no one in law enforcement can ever tell anyone what we found." The speaker was talking about a case on which he had worked most of last year with Sean McDade and Randy Buffam, officers of the Royal Canadian Mounted Police (RCMP) who conducted an eight-month secret investigation in the United States in search of the truth about decades-old allegations concerning stolen software called **PROMIS** and its relation to suspected breaches in Canadian national security. Insight carefully has tracked the Mounties' ongoing investigation, code-named Project Abbreviation, a far-reaching international probe extending well beyond the theft of the breakthrough **PROMIS** computer software created in the late 1970s by Bill and Nancy Hamilton, owners of the firm Inslaw Inc. As a former congressional investigator tells Insight, "There is a putrid stench that reaches across party lines [in Washington] and involves cover-ups by governments which have spent millions of dollars pretending to investigate the Inslaw affair only to end up with nothing to show for it.

You don't have to wonder why so many investigations failed; you only have to look at the evidence that shows there is more to the [alleged] theft of **PROMIS** than meets the eye. And powerful people don't want it out." This also is what the RCMP investigators have told people interviewed by Insight about what the Mounties discovered as their probe quickly expanded from **PROMIS** to include a cast of characters engaged in or suspected of involvement in high-level espionage, organized crime, illegal-drug shipments, arms smuggling, murder and money laundering. In fact, McDade and Buffam are continuing to look at a case that has thwarted investigations by many others, including two congressional committees, the U.S. Justice Department, a special prosecutor, swarms of federal law-enforcement officers and prosecutors, a special commission in Canada and many journalists. But until the RCMP probe got under way, investigators were unable to solve the myriad of riddles and conundrums surrounding the Inslaw matter.

Many told Insight that as soon as anyone began to turn up answers about these shadowy figures and international intrigues, promising investigations suddenly were shut down on higher authority, witnesses

disappeared and careers of experienced cops and seasoned federal prosecutors were ruined. In the first three installments of this exclusive four-part investigative series, Insight tracked the Mounties and reported what they had said about their inquiries. We learned that the Mounties came to the United States in search of answers to two central questions.

First, they wanted to confirm that it was Inslaw's **PROMIS** software that Canada's law-enforcement and intelligence agencies were using and, second, whether the software had been modified with backdoor access to facilitate secret espionage against Canada. Because of the highly sensitive nature of such concerns, the RCMP investigators were careful not to make official contacts with government agencies in the United States, including those which years before had looked into the **PROMIS** caper. McDade and Buffam began by centering their investigation on people reportedly involved in the alleged theft of the computer software. Of great interest to the Mounties were the roles played by Peter Videnieks, a former U.S. Customs Service official on loan to the Justice Department in the 1980s who was accused of facilitating the theft of **PROMIS**, and Michael Riconosciuto, a computer genius convicted and jailed in an exotic drug case who claims to have been hired to put the backdoor in **PROMIS** for the purpose of international espionage and money laundering.

Although Canada long has denied having Inslaw software, and Videnieks has denied any involvement, the secret investigation by the Mounties was blessed from the highest levels of the RCMP and thousands of man-hours and great sums of money were expended to get to the bottom of what some see as a gravely serious breach of Canadian security. As with all of the other probes, this one started with **PROMIS** and, having discovered a shadowy network of bizarre criminal operations, branched out to include very serious allegations of wrongdoing beyond **PROMIS**. Details of these discoveries never were revealed in earlier public reports by Congress and the Justice Department. Yet there is proof positive that those probes delved into such areas and the American public was never told.

What appears to have made the RCMP probe different is that sources approached by the Mounties tipped Insight, leading to a cross-country investigation to determine why the national-security division of the RCMP was operating secretly in the United States and making inquiries about **PROMIS** and a series of international money-laundering schemes used by intelligence agencies and criminal enterprises. Consider this item: In September last year, a thick plain manila envelope was sent by the RCMP to a California address. In it was a transcript of a recorded 1992 conversation between Riconosciuto and an FBI agent. Riconosciuto had been arrested but not yet convicted on drug charges and he was offering information to the FBI agent in exchange for admission to the bureau's Witness Protection Program.

The details contained in this transcribed tape recording were explosive. The envelope had been sent for a specific reason to Cheri Seymour, a former journalist turned private detective whom McDade and Buffam had contacted six months earlier because of her work on stories about illegal-drug operations, gunrunning schemes and money laundering. In the transcript of this tape-recorded phone call (one of several obtained by the RCMP and Insight), Riconosciuto offers the FBI information about bank accounts in the Cayman Islands and the Bahamas, at Castle Bank and Savings, and the Workers Bank in Colombia (Banco de la Troba Hadores) in which he claims to have "set up virtual dead drops." Riconosciuto explains that this "is a way to get around reconciliations on ACH's [automated clearinghouses]," an interbank network for electronic fund transfers.

The transcribed telephone conversation contains references to legal and illegal enterprises and a diverse cast of characters, including Robert Booth Nichols, a self-proclaimed CIA operative, licensed arms dealer and partner with Riconosciuto in a company called Meridian Arms, which was a weapons- development firm.

The transcript also refers to Michael Abbell, a former Department of Justice official now serving time in a federal penitentiary for money laundering in connection with the Cali drug cartel. In detailing these activities, Riconosciuto pulls no punches. In fact, many of the claims he makes to the FBI agent later are confirmed, often years before any had been publicly known, such as the Abbell matter and a DEA sting operation in Lebanon (see "The Plot Thickens in **PROMIS** Affair," Feb. 5). As far as Insight has been able to learn, the FBI never followed up on what Riconosciuto told their agent. One reason may have been that Riconosciuto had told similar stories to others in a desperate attempt to get out of prison but dared not provide corroborating evidence.

Another reason may be that, prior to the RCMP probe, people fingered by Riconosciuto flatly denied his allegations or said they never had heard of him. But by tracking the Mounties and obtaining or reviewing originals or copies of much of the data they collected, Insight confirmed that the RCMP investigators found substantial evidence to confirm many of Riconosciuto's claims. Much of this data had been overlooked by previous investigators, including documents and computer tapes secreted for years in storage and in a house trailer in the middle of Death Valley. The transcript sent by the Mounties to Seymour takes on special significance because none of the information in it dealt with the alleged theft and modification of the **PROMIS** software. Or did it?

Was the RCMP sending a cryptic message about a change in the focus of the RCMP investigation, or was it signaling Seymour that the **PROMIS** software was being used in the international banking system for illegal activities? If the latter is true, the Mounties aren't the first investigators to run into the proposition that **PROMIS** has been manipulated for other nefarious purposes in addition to international espionage. Take, for example, the 1992 House Judiciary Committee investigation of the Inslaw affair. John Cohen, one of the lead investigators on the committee, suspected that there was much more involved with the **PROMIS** case than a contract dispute or alleged software theft. His committee was conducting its hearings when Seymour and Cohen first got together; she was pursuing a story about illegal-drug trafficking and money laundering and wrote to him about her findings and possible links to the panel's probe. "Cohen," recalls Seymour, "was very much on top of this; he knew what was going on."

The two investigators explored the idea that **PROMIS** was being used for illegal activities in the banking system. According to Seymour, Cohen "didn't mince words. He told me that he had a theory about why **PROMIS** was taken and that it was because it could be modified to track money laundering -and that it therefore could be modified to control hundreds of accounts and move money invisibly through the international banking system." Seymour further says that Cohen said "what a lot of people don't realize is that there are two banking systems. There's CHIPS and SWIFT, and the phrase 'Swift Chips' has been spread throughout this whole investigation without a lot of people realizing what that meant. Swift Chips is a referral to those two clearinghouse systems.

They do \$2 billion worth of banking transactions per day and, if one was able to move accounts through there [undetected], you could move money invisibly around the world." Notwithstanding that its chief investigator had pursued such theories during the panel's investigation, in the end there was no mention of money laundering in the official report the Judiciary Committee issued on the Inslaw matter. Cohen tells Insight that the committee was "strictly focused on the Hamiltons' allegations about the theft of their software. Drugs and money laundering certainly were topics, but it wasn't part of what the committee reported. That type of information was collected as part of the information provided by people interviewed by the committee." But it was never fully pursued, he says. "Another area," Cohen continues, "was this whole MCA element" that Riconosciuto had said was part of the larger **PROMIS** story. "We were able to support that Robert Booth Nichols had connections with organized crime because he was someone who was

identified on a FBI wiretap. That investigation [of MCA] for some reason was shut down.

We're not talking about wackos; we're talking about assistant U.S. attorneys and FBI agents who felt very strongly that the investigation was shut down because they started looking at the wrong people." Cohen is referring to the early 1980s FBI investigation of suspected drug trafficking by Nichols and Eugene Giaquinto, then-president of MCA Home Entertainment and a partner with Nichols in Meridian International Logistics - the parent company of Meridian Arms, in which Riconosciuto also was involved. Wiretaps had been placed by the FBI on selected phones which recorded Nichols, Giaquinto and many others speaking with or about reputed Mafia figures allegedly trying to move in on the movie industry. In transcripts of many of these wiretaps, which Insight has obtained, there are references to the FBI probe and how friends in Washington, including at the Justice Department, would see to it that nothing ultimately would happen.

Learning of this no doubt alarmed the FBI and federal prosecutors. One of these investigators was FBI agent Thomas Gates, the lead investigator on the MCA case. He was brought into the House Judiciary Committee's investigation because of his knowledge of the circumstances surrounding the 1991 death of freelance journalist Danny Casolaro and information concerning Nichols, et al. Like that of the Mounties, Casolaro's investigation focused on the theft of **PROMIS** software and grew to encompass other criminal activities, including drug trafficking and money laundering. One of Casolaro's sources was Nichols and, according to telephone records from that time, Casolaro spent hundreds of hours speaking with the shadowy figure in the months leading up to the journalist's death. At the same time that Casolaro was using Nichols as a source, he also was in contact with FBI agent Gates, whose case ultimately was shut down. Just days before his death, Casolaro allegedly was warned by Nichols to drop his investigation.

Casolaro reportedly had learned of the connection between former Justice official Abbell and Nichols and their alleged links to the Cali drug cartel - information provided by Riconosciuto that, at least as related to Abbell, proved accurate. Days later, Casolaro was found dead in a hotel room in Martinsburg, W.Va., where his arms had been savagely slashed nearly a dozen times. The death was ruled a suicide; the material resulting from his investigation disappeared. Another investigator who followed parallel paths was U.S. Customs agent Scott Lawrence. He was the lead investigator out of the Boston internal-affairs office looking into allegations that Peter Videnieks had committed perjury when he testified in the 1992 trial of Riconosciuto. Videnieks had been fingered by Riconosciuto as having facilitated the theft of **PROMIS** and of having visited Riconosciuto often at the Cabazon Indian reservation where Riconosciuto worked on his various technical projects. At the trial, however, Videnieks denied knowing Riconosciuto or having any dealings with anyone associated with him.

Others called to testify also denied knowing Riconosciuto. Despite the denials, Lawrence spent more than two years investigating Videnieks and interviewing many of the same characters who had been questioned by other investigators, including the Judiciary Committee. And, like those before him, Lawrence obtained much of the same information about the connection between Nichols, Abbell and the Cali drug cartel, and reportedly collected information that confirmed other Riconosciuto stories. Among those Lawrence contacted was Seymour, to whom he confided details of his probe, such as that Nichols would be testifying in Los Angeles in a 1993 lawsuit he had filed against the Los Angeles Police Department (LAPD) for pulling the weapons licenses necessary for his work with Meridian Arms. At this trial Nichols stated under oath that he was a CIA operative and, according to news accounts of the trial, Nichols' defense was that "he toiled quietly and selflessly for nearly two decades on behalf of the shadowy CIA keepers in more than 30 nations, from Central America to Southeast Asia."

The Customs agent was so fixed on the claims made by Riconosciuto about Abbell, Nichols, Videnieks and others that he had Seymour give a statement under oath about her knowledge of the convicted felon's claims. But Lawrence's investigation came to a sudden end when the Justice Department declined a request to impanel several grand juries in the United States, including one in Seattle, to depose officials from the CIA. Videnieks never was charged with any wrongdoing. Officially, Insight was told, Customs shut down its probe because Videnieks no longer was an employee of the service. And Videnieks tells Insight that he did nothing wrong, but can't remember much from that time. Although Insight made repeated attempts to speak with Lawrence and his then-supervisor, John (Tim) Kelly, neither agent would provide details of their investigation. Lawrence did say during a brief telephone conversation that "it's a good thing that you're working on this; it's a good thing to follow."

RCMP investigators must have thought so, too, since they tracked down Lawrence, who now is working in California, and obtained valuable assistance from him, Insight has been told. Now back in Canada, McDade and Buffam are keeping mum about what they ultimately found. The RCMP has confirmed that Project Abbreviation exists and that it remains ongoing. Officials of the Canadian Parliament, the Canadian solicitor general and even the prime-minister's office have declined, however, to talk about the RCMP case, including any aspect involving assistance provided to the probe by Great Britain's domestic-security (MI5) and foreign-intelligence (MI6) services, which Insight has been told provided substantial assistance to McDade and Buffam. The State Department is supposed to have filed a formal complaint with Canada about the secret treks into the United States by the RCMP investigators, and Insight has confirmed the FBI has launched a national-security investigation.

On orders from Washington, special agents of the bureau quietly have been interviewing people contacted by McDade and Buffam and asking what the Mounties were after and what they got, including computer tapes long sought by prior investigators that could establish convincingly that secret copies of **PROMIS** indeed were bootlegged, modified and sold illegally. Meanwhile, Riconosciuto remains in prison on what he believes were trumped-up charges to keep him silent about **PROMIS** and his related activities. Until now his claims have been dismissed as rantings from a lunatic or a pathological liar. But, as the RCMP investigators discovered, major elements of Riconosciuto's stories appear truthful. And, if so, his other claims and documentary evidence obtained by the RCMP could open a can of worms. The question now remaining is this:

Will the secrets of this strange case ever be made public? Investigators of the House Judiciary and Senate Intelligence committees have begun to ask questions as a result of the Insight series, as have officials at the Justice Department. And, based on what the RCMP has told Insight's sources, areas ripe for investigation include, in addition to illegal drugs, arms-smuggling and money-laundering schemes, the role of the Russian Mafia in international banking transactions and links to intelligence agencies, transfers of intellectual property and penetration of Canadian and U.S. corporations. Then there's the matter of potential backdoors to the classified computer systems at the U.S. nuclear-weapons laboratories where data continues to disappear. McDade and Buffam stumbled into more than a simple theft of computer software, say senior authorities on Capitol Hill. They uncovered a network involving friend and foe alike that may be using **PROMIS** and systems like it for a variety of illegal activities worldwide. Stay tuned.

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