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## ***FOLLOW THE YELLOW BRICK ROAD: FROM HARVARD TO ENRON***

### **PART THREE**

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#### ***What was so special about 1974?***

A rose by any other name is still a rose. A syndicate, by any other name, may just be a consortium. It was in 1973 that the consortium members who owned shares in the Arabian American Oil Company (Aramco) sold 25% of their stock in the corporation to the Saudi Arabian government. In 1974 an additional 35% was transferred, with 100% becoming vested in the Saudis in 1980. Could the payments made for this stock equity to some of the members of the consortium have been laundered through Pacific Holding Corporation? Furthermore, could such funds have been used to acquire companies that now make up the company known as DynCorp? Was Pug Winokur involved in this operation, and did it have anything to do with his work at Enron a few years later?

In Part Three we will examine, though not answer, these questions. We will follow the yellow bricks we find along the way. It will be up to you and other researchers to add more bricks until we can clearly see the path that has taken us to Enron. In doing so, it is very important to have a clear understanding about how money works in America. For that reason this section will start with a review of previous parts of this series, adding a general overview that will clarify the focus we are seeking. Because of the complexity of the concepts and the confusing nature involved in financial and corporate matters, a Part Four will be forthcoming in an attempt to make all the connections more understandable.

In Part Four we will return again to the year 1974 to look at the federal law passed by Congress to design the present Department of Housing and Urban Development (HUD), and we will examine how real estate is used to launder massive amount of drug money. We will also trace the history of DynCorp and relate it to what has been written up to now. Finally, we will look at Enron's history and try to answer WHERE THE MONEY WENT.

#### ***Is Pug Still Important?***

Pug Winokur knows how money works in America. He knows how to manage systems of data and

knowledge, analyze and interpret that data, and synthesize it into a form understandable by the action men in the business world. Though he has resigned from the Harvard Corporation, he is still in the center of record-keeping of syndicate accounts in various investments. There are important reasons for the types of investments Pug Winokur manages. It has to do with how the money stream flows from beginning to end. It has to do with receiving capital from a source, using it as seed money in a business concept which can be taken public (thus increasing the value to up to 30 times the earnings thereof), then dumping the stock into another account or a new enterprise. Because he handles these funds confidentially through venture capital companies based in Connecticut (near where George Bush, Sr. grew up), it is not easy to sort out who the actual owners of the original cash and its accretions are. That is why his mathematical and statistical background is so extremely valuable.

As we discussed in Part One, Pug began his career after Harvard in the Army, assigned to the Defense Department. This was at the height of the Vietnam War and probably involved his obtaining an educational deferment, possibly delaying his military service. It would be interesting to learn what the terms of his Army enlistment were. However, lacking that, it does appear that, after leaving the Defense Department, he still continued to pursue the same goals in which that department was interested at the time, as evidenced by the findings of the Kerner Commission (established under LBJ's Executive Order 11365) and the consequential "Operation Garden Plot" created for the Defense Department in 1968 by Plan 55-2 issued directly by the Department of Defense, which is being used as a pattern by Homeland Security today. (1)

After establishing a number of investment companies which handled many funds from the Harvard endowment, he returned to low-income and "affordable" housing projects which create tax write-offs for limited partner participants in such programs under HUD Regulations. These projects also create real estate mortgages and leases which can be pooled into asset-based securities which may then be sold to secondary sources--without the necessity of holding the original mortgages or leases. Services for maintenance and management of the projects can be contracted out to related firms within the syndicate network. Such types of transactions are not closely scrutinized by HUD in the manner they would be if they fell under the rules of the SEC, so it is theoretically possible to create hidden accounts within government where secret slush funds could be stored for use in black budget operations.

## ***Review and Overview of the Capital Syndicate***

In Part One we pointed out that Pug's employment with Pacific Holding Corporation in Los Angeles came in 1974 (the year Richard Nixon was forced to resign because of the impending impeachment proceedings), and brought him in contact with a corporation which held all the stock of International Mining Co., which was then the majority shareholder of George Bush's former corporation, Zapata. When Bush left his position there in late 1966, the corporation became Zapata Norness, a subsidiary of the original corporation founded in Midland, Texas with the Liedtke brothers. The Liedtkes took over South Penn Oil Co. in Philadelphia--like Magnolia and Atlantic, one of the original Standard Oil subsidiaries--and merged their holdings into Pennzoil, spinning off the Zapata Norness subsidiary, which then reverted to the old name of Zapata Corporation.

Having read Part Two, including the two sub-parts about the investment syndicate and brief history of United Fruit Company, you no doubt have an inkling of why people who work for the CIA have invariably referred to their employer as "The Company," rather than the American taxpayer. You also have a better idea why members of the American Mafia said they were working for "The Syndicate." The truth is these two groups make up two tentacles of the octopus that runs American society today. People disagree about when it began, though we have traced the roots as far back as the reorganization of United Fruit in around 1900. It was at that point that the men

who ran Harvard Corporation--primarily the remnants of the Cabot family of chartered company fame and their descendants, like the Lodges, Lowells, Perkinses and Paines--merged with the New York faction incorporated into the Empire Trust and its eventual successor Bank of New York. The two groups also received debt financing from British and Canadian sources, which would eventually acquire a hidden equity position in the syndicate, as defaults in repayment occurred, and entities were reorganized. As competition arose from a New Orleans-based company, composed of European organized crime members from Sicily and Eastern European Jews, the syndicate was enlarged to add that faction as well. Each segment of the syndicate maintained its own distinct responsibilities.

The Boston group became the money launderers making capital which arose from profits available for investment to others in legitimate business. Much of the funds were routed through the university endowment of Harvard and also Yale, which was an offshoot of the Massachusetts families who had made their initial fortune in opium. (2) Much of this was funneled to venture capital and insurance companies based in Massachusetts and Connecticut.

The New York group was based on Wall Street and grew to become elite lawyers and bankers who dealt with issues of stocks, bonds and contracts. The New Orleans group became the distribution and enforcement mechanism for the syndicate's operations. They created a network in every major city with either a port or railroad hub in order to control the transportation and distribution system. The financial model which was developed became a legal framework, or infrastructure, which could be used in other types of investments in which the syndicate members had placed their capital--from railroad industrials to petroleum and mineral production, distribution and refining to other forms of manufactured products.

### ***How the CIA Grew out of the Syndicate's Collection and Enforcement Mechanisms***

In 1900 there was no intelligence agency in the United States, other than what began in the Navy and later with Division Five of the FBI, which was set up as Special Training School 103 by the SOE (Special Operations Executive), a branch of the British MI-6. It was established December 6, 1941, at Whitby, Ontario, Canada through co-operative efforts of the British Security Co-Ordination (BSC) and the Government of Canada. (3)

It was not until William J. Donovan was appointed coordinator of information on July 11, 1941 that work was begun to establish in America a foreign-intelligence service made of civilians. Almost without exception, the men trained as agents for the Office of Strategic Services (OSS) were investment bankers and attorneys either on Wall Street in New York or affiliated in some manner with such firms through a network of business relationships that spanned the American continent and reached across international boundaries. It was the only model available to copy at that time. While managing investments of capital coming into America, as well as going abroad, these bankers and lawyers were necessarily concerned with intelligence gathering to protect their own commercial interests. They had established relationships abroad to assist in collecting and enforcing delinquent loans and to seize assets to secure their investment. Additionally, they had learned to use the U.S. diplomatic service in negotiating with foreign governments to protect American capital invested abroad--often using diplomats in covert roles to protect their own commercial, rather than a purely national, interest.

After World War II, the permanent CIA was created under Allen Dulles, who had been an attorney with Sullivan & Cromwell on Wall Street--along with his brother, John Foster Dulles, who became Eisenhower's Secretary of State. Sullivan & Cromwell had been the law firm which had long

represented the United Fruit Company. (4) The firm had acted on behalf of the Rockefellers in business and banking. Through Allen Dulles, the firm also represented investment banker Brown Brothers, Harriman interests beginning in 1936 to "dispose of Standard Oil investment stock," which had been combined with German chemical corporation I.G. Farben. Dulles also directed U.S. business affairs for Fritz Thyssen, Hitler's primary financial backer. (5)

After the stock market crash of 1929, the syndicate's management committee went through a change in control from Morgan Stanley to Rockefeller when the Equitable Trust merged into the Rockefeller's Chase National Bank of New York. After the Standard Oil Trust was ordered to be dissolved by the Supreme Court in 1911, we can only assume that an agreement had been worked out among the various equity owners (6) to handle their respective interests. Who better to ensure that Sullivan & Cromwell's clients would collect debts from both the Germans and the Russians than attorneys from the law firm, appointed in a political capacity by the U.S. government? (7)

The Rockefellers used more than one law firm, depending on the type of legal work desired. Nelson Aldrich's old firm--called Murray, Aldrich & Webb in 1931--developed into Milbank Tweed Hadley & McCloy, and traditionally handled real estate matters. Standard Oil took its legal work to Sullivan & Cromwell--which was also United Fruit's attorney. Banking business for the Rockefellers was handled by Milbank Tweed. In 1947 Milbank hired John McCloy, whose legal career began at Cravath, Henderson & DeGersdorf--later called Cravath, Swaine & Moore. Cravath had long been the attorneys for investment bank Kuhn, Loeb (which handled Union Pacific's bond issues for E.H. Harriman at the close of the 19th century), and by the post-World War I years was handling syndication of war reconstruction loans for Europe. Kuhn Loeb, the investment banker for British investors in the syndicate, was noted for partners Otto Kahn, Jacob Schiff, an agent from the Rothschild bank, Felix and Max Warburg transplanted to New York from Hamburg, Germany, as well as Sir William Wiseman from Canada.

In the years after World War I, McCloy had noticed a shift in world investment. Whereas prior to the war, Cravath represented Europeans investing in American securities, after the war capital flowed in the other direction. McCloy was sent to Milan, Italy and traveled extensively throughout continental Europe--floating bonds in Europe to be sold in America--which McCloy considered a form of a private "Marshall Plan" to reconstruct post-war Europe. While in Europe McCloy socialized with Allen Dulles, Sullivan & Cromwell's man in Paris. McCloy's work in Europe was interrupted in 1931 to work on the "Black Tom" sabotage case, working closely with British intelligence--a case which did not end until 1941. After a decade of studying how the intelligence gathering agencies of other nations operated, McCloy returned to legal practice where his clients' goal was to reconstruct a world order with the United States as the dominant economic and military power. The shift from the Morgan and Kuhn Loeb banks to the Rockefeller empire exemplified this desire. So did McCloy's move from Cravath to Milbank Tweed, as well as his eventual chairmanship of the Chase Manhattan Bank.

### ***Importance of Post War Commissions for Reparations***

World War II set the stage for a massive plan for moving assets (many of which were seen either as property in which the syndicate had an equity interest, or collateral securing its debt) across international borders through mechanisms set up by international businessmen and lawyers strategically placed within their respective governments--following the same model used after the first world war. Since the Democrats were in power in Washington throughout the war and into 1953, operatives were placed within that Party's structure. It was necessary to ensure that the

people in power would appoint the "right" person to be in charge of dividing the spoils of war. It was mentioned in Part Two that the American in charge of reparations after World War I had been Charles G. Dawes, a founder of the Pure Oil Co., who as the American member of the Allied Reparations Committee, helped reorganize German finances with the assistance of loans from U.S. investors. The punitive obligations imposed to collect the war debts affected the currency system as well as bringing into play the question of how to foreclose on assets in event of default in the payments. The job required considerable coordination between private investors, lenders and the government.

At the close of World War II, in April 1945 Truman appointed Edwin W. Pauley as the U.S. representative to the Allied Reparations Committee, with the rank of ambassador, as well as industrial and commercial advisor to the Potsdam Conference. The reparations agreement reached at Yalta in February of that year had been negotiated by two important members of the syndicate involved in United Fruit--Lord Beaverbrook (Max Aitken) and Averell Harriman. Beaverbrook was closely tied to the money-laundering Canadian banks such as the Royal Bank of Canada and the Bank of Nova Scotia, and the Brown Brothers, Harriman investment bank had as clients others who were named in the lists of investors set out in Part Two-B, such as British Linen Company and the Bank of Scotland. In addition, Harriman's participation in Yale's Skull and Bones meant that he had loyalty to the Russell Trust, successor to the Bostonian opium traders--Cabot, Perkins, Forbes and Russell.

A month after Pauley's appointment, Averell Harriman was meeting with Skull and Bones mentor, Henry Stimson, along with John McCloy and Bonesman Harvey Bundy (whose two sons from the same secret society would later manipulate world foreign policy for Kennedy and Johnson). (8) Their concern was the role the Soviet Union would play in the division of Germany's assets, as well as the additional problem of Chiang Kai-shek, who had been forced off the Chinese mainland by Japan. The irony in these meetings cannot be overlooked by students of the syndicate. Not only was Wall Street lawyer McCloy assistant secretary of war under Stimson, he also became High Commissioner in Germany and, as partner of Milbank, Tweed, Hadley & McCloy, served as legal counsel to the "Seven Sisters" oil companies--a consortium which will be discussed below.

### ***Edwin W. Pauley and the California Arabian Standard Oil Company (Casoc)--later Aramco***

Pauley seems to have appeared out of nowhere, much like David Murdock. His *Who's Who* biography in 1954 states he was born in 1903 in Indiana to Elbert L. Pauley and the former Ellen Van Petten, that he attended Occidental College northeast of Los Angeles during 1919-20 before getting a degree from the University of California in Berkeley in 1922 and an M.S. a year later. It also indicates that he founded a company in 1923--an extremely adventuresome act for one so young--called Petrol Corp. The Petrol Corp.--a business that fueled oil tankers--was located at 4020 Bandini Blvd. in Los Angeles, California--southeast of downtown L.A. and to the west of the intersection of S. Atlantic Blvd. Bandini is parallel to both the Los Angeles River and the railroad tracks for Union Pacific and Burlington Northern Railroads. This area is now part of the Alameda Corridor, a \$2 billion project designed to clean up the pollutants left by the railroads and redesign the community around the site--in South Central L.A., the same area where crack cocaine kingpin Freeway Ricky Ross had operated in the mid and late 1980s. (9) The significance of this fact will be pointed out in the footnote and in Part Four.

Ten years after founding Petrol, Pauley was president of Fortuna Petroleum, associated with Standard Oil of California (SOCAL), which later became Chevron. Fortuna Petroleum Co. is now a U.S. subsidiary of the Canadian company, Talisman Energy, which is a successor to BP Canada,

and is involved in a joint venture with Cuba, while Talisman has been accused of abusive practices in the Sudan. British Petroleum (BP) would eventually merge with Standard Oil of Ohio (SOHIO) and with ARCO (AtlanticRichfield), and even later with Amoco. In 1935 Pauley was listed as being connected with Seaboard Royalty Co., a part of Texaco, whose connection with Social will be explained shortly. In 1938 he was appointed to fill an unexpired term on the UC Berkeley Board of Regents, and remained a regent until 1972. In 1940 he served as a member of the Interstate Oil and Compact Commission; then in 1941 became Roosevelt's petroleum coordinator for war in Europe on petroleum lend-lease supplies for Russia and England. (10)

He was given several assistants for his work, all of whom had much more diplomatic expertise than he. One of these was Isador Lubin, a Harvard-educated economist, who had a statistical background with work in numerous government agencies and commissions since the first world war. Another was Luther Gulick, a contract employee with the Bureau of the Budget, whose salary was paid through that channel, under protest by the director. It appears that Pauley was there simply to represent the interests of the company which owned the oil reserves the Allies decided were necessary to fight the war against Germany and Japan. There were numerous other diplomats involved in similar activities. One was Ambassador Joseph E. Davies, a special envoy appointed by President Roosevelt to confer separately with Stalin and Churchill and as an adviser to Potsdam. He also served as vice chairman of the Democratic National Committee in 1936 and of Roosevelt's inaugural committee in 1941--strangely causing one to wonder about the connection between campaign chairmen and special economic envoys.

### *California Oilmen, Envoys, and Flying Tigers*

The pilot who flew Ambassador Joseph Davies to Moscow was a Californian named Robert W. Prescott, who founded the Flying Tiger Line in 1945, and served as chairman of the airline's parent company, Tiger International, which was created in 1974 --the year Pug Winokur went to work for David Murdock's Pacific Holding Corp. In November, 1944 Prescott had met with a group of Los Angeles businessmen in Acapulco, including one of Pauley's fellow UC Berkeley regents, Samuel B. Mosher, who wanted to establish an air freight line along the U.S. and Mexican west coast, to be called Aero-Azteca. The investors included Signal Oil Company. They agreed to form a syndicate, with Mosher's group matching whatever Prescott could raise. Prescott found 14 Navy surplus cargo aircraft from the War Assets Administration and collected cash from friends from the American Volunteer Pilots unit (AVP) who had flown with him in China. This group of American civilians who fought with Chiang Kai-Shek in China before the U.S. entered the war (all of whom received the same commendation Cloud and Banner award given to Pug Winokur's father during his war service) had an important role in the setting up what William Casey would later call an "off-the-shelf" method of financing covert operations for the CIA and other black operations not disclosed to Congress. A brief history of that role is set out in the footnote. (11)

The airline was initially called National Skyways Freight Corporation and included General Claire Chennault and others. In 1946 Chennault invited the men to go back to China to work for him at Civil Air Transport, which he was in the process of founding. By 1970 Nixon's attorney Herbert Kalmbach claimed to be representing the Flying Tiger Line, which merged with Seaboard World Airlines in 1980 and into Federal Express in 1989. In the beginning the California airline transported mostly foodstuffs but in late 1946 was awarded its first military contract with Army Air Transport Command--two flights daily to Tokyo and to Honolulu for a total of 1.2 million miles per month. The flights were to leave from San Francisco Fairfield Air Base, but the company remained based at Lockheed in Burbank.

In Mosher's 1954 *Who's Who* listing his home address was given as 10401 Wilshire, located just

west of the Los Angeles country club and one mile east of the office building David Murdock constructed across the street from the Occidental Petroleum Co. The close proximity is very intriguing, considering the fact that in 1966, the year George Bush left Zapata, Mosher's Signal Oil sold its European refining and marketing arms to Occidental, after Armand Hammer obtained a concession from Libya's King Idris, who would later be replaced by Quaddafi. (12) Mosher's office address in 1954 was given as 811 W. 7th in Los Angeles. This is just over five miles from Pauley's Bandini office. AtlanticRichfield's 12-story office building in Los Angeles was at the corner of 6th and Flower, a mere two blocks from Mosher's location. In 1954 Mosher was also serving as vice president and director for American Independent Oil Co. (whose president was Ralph K. Davies), and as director of the Southwest Exploration Co. and the American President Lines, as well as numerous oil and gas associations.

American President Lines was a merchant shipping company originally founded in 1846 as Pacific Mail Steamship, and around 1918 becoming a subsidiary of the Grace lines. The company was seized by the War Shipping Administration during World War II and used by the government until 1952, when it was sold to oilman Ralph K. Davies and other investors. Davies, a 1916 graduate of UC Berkeley, lived in San Francisco and was president of American President Lines in 1948 and chairman in 1952. Before and during the war he was deputy petroleum coordinator and a member of the President's Mission to London to negotiate the Anglo American oil treaty, as well as being a special consultant to Secretary Ickes. He was the first director appointed to the Oil and Gas Division of the Interior Department in 1946 and a member of the National Petroleum Council in 1950.

As president and director of American Independent Oil Co. (Aminoil) beginning in 1947, and of its Mexican subsidiary in 1949, he joined with Signal Oil and Edwin Pauley in signing the first "service contract" with Pemex, an oil company owned by the government of Mexico on March 5, 1949. The terms of this contract were disclosed by Everette DeGolyer in a letter to a friend, Ambassador Lewis Douglas, and were quoted in the book by Lon Tinkle, *Mr. De: A Biography of Everette Lee DeGolyer* (Boston - Toronto: Little, Brown & Co., 1970), pp. 325-26. During that same time a syndicate called Aminoil--which was said by Leonard Mosley in his book *Power Play: Oil in the Middle East*, to be a consortium composed of two individuals (Ralph K. Davies, a California lawyer and former Socal vice president, and James S. Abercrombie, a Houston oilman) and eight oil corporations, the largest of which was Phillips--was also heavily involved in explorations in the Middle East. It made a successful bid to buy 50% of the concession in the Neutral Zone between Kuwait and Saudi Arabia for a 60-year term. J. Paul Getty's Pacific Western Oil bid on the other half for a much higher price. With Aminoil's connections, it was able to convince the U.S. Treasury to pay \$50 million to Saudi Arabia in order to match the Getty offer. According to Mosley, Getty had not calculated on "incompetence, inexperience and stubbornness, and he soon discovered that his mandatory partners in the Neutral Zone concession were afflicted with all these vices." (p. 185)

Whether Ralph Davies was related to Ambassador Joseph Davies is unknown. However, Ralph was a frequent visitor to Secretary Ickes, as evidenced by Ickes "Secret Diary." In fact on December 21, 1940 Ickes wrote that he had been visited by Edwin Pauley with regard to an oil regulation bill in California, suggesting that Ickes talk to R.K. Davies, vice president of the Standard Oil Company of California, who needed some encouragement in his support for the Atkinson law. This information prompted Ickes to invite Davies to meet with him for the first time. The next reference to Davies in the diary came the following March, following the passage of the lend-lease bill, when Ickes was clearly impressed with Davies' interest in conserving oil. That favorable impression had significantly increased two months later. When Ickes' assistant Abe Fortas was transferred to the Securities & Exchange Commission, Ickes told Roosevelt he would choose either

Pauley or Davies as Deputy Coordinator. Pauley indicated that he thought the president had a different job in mind for him, but, when asked, Roosevelt related to Ickes that it was Ed Flynn, chairman of the Democratic National Committee 1940-42, who kept pushing Pauley off on him. Flynn was a New York Catholic and member of the Knights of Malta, according to his *Who's Who* listing. Pauley would be named as Flynn's successor at the DNC and go on in 1944 to serve as director of the Democratic national convention.

Pauley had been in the center of the California oil industry since leaving college. In 1933 Saudi Arabia granted an oil concession to a newly formed corporation called California Arabian Standard Oil Company (Casoc)--an affiliate of Standard Oil of California (Socal--now Chevron), which would almost certainly have been an affiliate of Fortuna, and in 1936 the Texas Company (now Texaco) acquired 50 percent interest in Socal's concession. It was in 1935 that Pauley was involved with Seaboard, a Texaco affiliate. The first oil discovery was made in Dhahran, which became the headquarters for Casoc. Oil was first transported by tanker to the refinery in Bahrain in 1939, and the company was renamed Aramco in 1944. The new refinery built with military financial support opened in 1945. Overlapping all these business pursuits, from 1938 until 1972 Pauley served on the Board of Regents at the University of California at Berkeley. (13)

It was Pauley and Davies who in 1943 convinced Ickes to form a government corporation, Petroleum Reserves Corporation, to make public funds available if necessary to prevent the British government, which owned 51% of the oil in Iran, from moving into Saudi Arabia where the California oilmen were centered. Oil was produced in Iran pursuant to a detailed agreement worked out with the seven major oil companies, the "Seven Sisters," all of whom were represented by the same attorney--John J. McCloy. Everette DeGolyer, the famous geologist, and other experts, were sent on a mission for Ickes to Saudi Arabia in late 1943 to investigate the option of the government purchasing the stock of Aramco. Government purchase of even a minority share in Aramco would have put the company in the uncomfortable position that Anglo-Iranian had occupied in Iran since 1914, when the British government acquired 51% interest in what would become BP. (14)

U.S. Governmental participation in the field of private industry did not meet with favor in the business community, especially among independent oil producers. The project was abandoned. Aramco would construct the refinery improvements and pipeline itself, by taking in more partners into the consortium. The government, however, in need of the oil for the war, gave logistical support out of the military budget. High military priorities were to be assigned to the steel and other critical materials required, trucks and other equipment which could be spared from Army stocks were to be sold to the Company, and materials and men would be moved by military air and sea transport. In addition new storage tanks, loading lines and a long new pier and wharf for tanker docking would also be built. An underwater pipeline from Arabia to Bahrain, where the Bapco refinery was also being enlarged as part of the foreign oil expansion program, was also included in the plan. (15)

By 1948 the ownership of Aramco was stabilized as follows:(16)

Socal --30% (Chevron)  
Texaco -- 30%  
Exxon -- 30%  
Mobil -- 10%

In 1973 Saudi Arabia acquired 25% and in 1974 an additional 35% from the other owners. If sold pro rata, that means by 1974 the shares were down to:



Socal -- 12%  
Texaco--12%  
Exxon --12%  
Mobil --4%

By 1980 the government of Saudi Arabia had purchased 100% interest in Aramco. The question is how much money that translated to, coming in to the shareholders, and how they accounted for it on their tax returns. These would be excellent questions for further research. In 1950 Aramco had discovered how to manipulate income taxes, not only to the advantage of the Saudis who were demanding more cash, but to their own benefit. A Treasury Department official had drafted a tax law for the Saudis, to directly tax the income received by Aramco. The Saudis would get the same revenue they would have gotten for an increased royalty; yet Aramco could deduct the foreign tax from any U.S. income tax liability, resulting in a windfall to the consortium members in the corporation and greatly reduced taxes paid to the U.S. Whether the sale of the corporate stock would have been taxable is another question.

### *Meanwhile, Back at the War...*

Keeping in mind the importance of geography helps us tie in the disparate elements that must be viewed as a whole if a clear understanding is to be made of the role these California oilmen played in shaping today's world. During most of the time they were concerned with marshalling the oil supplies in Mexico and the Middle East, wars were being fought in Europe, Japan, Korea and other parts of Southeast Asia. Throughout the 1950s U.S. foreign policy was totally in the hands of the syndicate's enforcement team of John Foster and Allen Dulles, who instituted the cold war against Soviet Communism. To the syndicate, "communism" is merely a euphemism for "expropriation."

After using "The Bomb," however, there was a need to back away from ultimate retaliation and be content with waging a more limited war to prevent the spread of a notion that assets on foreign soil, belonging to syndicate members, could be taken from them. There was also a belief in the necessity of an ongoing foreign intelligence-gathering agency to protect investment abroad, which would not have to be paid for by the private companies who had borne those expenses prior to the creation of the OSS. With that in mind, Truman was convinced of the need for the continuation of the intelligence function of the government, and the CIA was created in 1947--with legislation drafted naturally by attorneys who had long represented syndicate business interests.

### *Redistributing the Loot--Edwin Pauley's Role*

The first priority immediately following the war was to rebuild Europe economically to prevent Germany's armaments from being built up and the dispersal of any loot that may have been seized from syndicate members, hidden, or otherwise converted to other accounts. Following his assignment with Ickes overseeing the petroleum reserves, Edwin Pauley was given the job as America's representative to the United Nations Allied Reparations Commissions. In a June 1945 letter to Truman, Pauley criticized the character of the U.S. occupation and urged the President to set the groundwork for a new policy that would stress the re-education of the German people and the rebuilding of Germany within the U.S. occupied zone. Truman's selection of Pauley was praised by various businessmen representing oil interests, one of whom was an attorney named James Fitzpatrick at 530 W. 6th Street in Los Angeles, very close to the offices of Sam Mosher and the Atlantic Refining Building at the time. (17) Pauley's work on the reparations commission was to be coordinated with "international economic activities" of a variety of federal agencies staffed by men from private industry such as Ashland Oil of Kentucky. (18)

One of the weightiest matters Pauley dealt with concerned what to do with captured assets like gold and works of art. Among the papers archived with the government is an August 8, 1945 cable from the Secretary of State to Pauley concerning the retention of a lien on gold looted from occupied countries by Germany with a view towards settling U.S. claims against such countries and an August 20, 1945 cable from Truman to Pauley indicating that State Department opinion should prevail in the matter of handling gold captured in Germany, with all correspondence on the matter addressed to the Secretary of State. (19)

The gold issue is a very complicated one that is completely outside any field of expertise I might have. However, there are researchers like Bill Murphy and James Turk whose work in this area is extremely enlightening. For the purposes of this article it should be emphasized that many of the negotiations following World War II concerned evaluations of recovered assets and the exchange rate to be applied in the currency adjustments between various monetary systems. These talks were based primarily in Bern and Basle--not coincidentally, where Allen Dulles was based during the same period of time as director of the CIA. From numerous websites, I have extracted certain information that may be useful, which is located in the footnote. (20)

At the Crimea Conference in April 1945 the major powers had agreed that Germany would be "obliged to the greatest extent possible to make reparations." Then there was the matter of Chiang Kai-Shek's ouster from mainland China by the Japanese. After negotiating the formula and methods for exacting reparations from Germany, Pauley led the U.S. Reparations Mission to Japan in late 1945 and a third mission concerning Japanese assets in Soviet occupied Korea and Manchuria in 1946. On March 7, 1947, Pauley transferred to the Department of State and was designated Special Advisor to the Secretary of State on Reparations. This would have placed him within the employment of James F. Byrnes and successor George C. Marshall in the department where, between the lapse of the OSS and the creation of the CIA, the intelligence gathering function was based.

Almost immediately after this assignment, Pauley and his California friends Mosher and Davies through their respective companies, executed an agreement with Pemex to explore for oil in the Gulf of Mexico. It should also be noted that 1949 was the year George Bush left his trainee job with a Dresser Industries subsidiary in "beautiful" Odessa, Texas to work for Pacific Pumps, a subsidiary in Huntington Park, California that Dresser had acquired in 1940. The current office of Ingersoll-Dresser in Huntington is located at 5715 Bickett St., less than three miles from Edwin Pauley's former Bandini address. He has also been reported to have frequented Ventura, Compton and Whittier during that year. (21) Pacific Pumps was used in the Manhattan Project in developing the Oak Ridge, Tennessee gaseous diffusion plant. According to Darwin Payne, Pacific engineers designed a pump to handle corrosive coolant liquid mixed with uranium, and "the secrecy involved clearly indicated that the project had absolutely top governmental priority." An Army bomber flew coolant for testing under armed guard to Huntington Park. Pacific eventually supplied more than 600 pumps to Oak Ridge during 1944-45. (Payne, *Initiative in Energy*, pp. 176-77.)

It might also be noted here that one of Dresser's directors (1952-62) was Tom Slick, associated with Slick Airways of San Francisco, who was also a Texas oilman. The cargo airline was also related to the Flying Tiger Line which flew out of San Francisco though based at Lockheed in Burbank. (22) In Bruce Adamson's research into the background of the persons whose names were found in George DeMohrenschildt's address book, Tom Slick's San Antonio address was shown. In addition, Adamson printed a facsimile of a letter from Allen Dulles to Prescott Bush dated January 21, 1953 thanking Bush for his recommendation of Slick and stating that Dulles

would mention him to his brother as well as to convey to Dresser's president Neil Mallon that "if Slick should be interested in our line of work here, I will be glad to talk with him." In a previous letter from Prescott Bush to the Republican Party chairman, Bush indicated he had submitted Slick's name not only to Dulles but as a potential candidate as director of the Point Four Program or as chairman of its advisory committee, mentioning Slick's experience with the Board of Economic Warfare in Chile. (23)

Tom Slick also created the Mind Science Foundation in 1958, as a 501.c.3 operating foundation, in San Antonio, Texas, because he "believed that the study of the human mind and its vast potential was the most exciting frontier of scientific research, and that its development could lead the human race to a new understanding of itself and the universe in which it lives." The man in charge of the San Antonio research facility was Helmut Schmidt, a German physicist who had worked for Boeing in Seattle, and who has been involved in psychokinetic and remote viewing studies. (24)

Speaking of George DeMohrenschildt, Adamson reveals that Edwin Pauley's address was included therein. This was a Dallas address in the Mercantile Securities Building. Two other names in the book were Wayne Dean, a Zapata Offshore officer, and W.C. "Jim" Savage, who worked for Kerr-McGee. According to Adamson, Savage "had worked closely with Wayne Dean at the California Company," which was Socal's subsidiary operating in the Gulf of Mexico, and now part of Chevron.

*Edwin Pauley officed in Mercantile Securities Bldg., owned by the bank which employed George H.W. Bush in 1977.*

In 1958 Edwin Pauley founded Pauley Petroleum, which had an office in Dallas in the Mercantile Securities Building at 1700 Main--the corner of Main and Ervay. The bank which built the office building was called Mercantile National Bank and was formerly located in the Magnolia Petroleum Building, which had been built in 1922. One of the core tenants of the Magnolia building was Atlantic Refining Co., freshly dissolved from the Standard Oil Trust. This is the company that Robert O. Anderson would acquire and, in 1966, merge with the Richfield Oil Co. in California. Magnolia, of course, was another of the former Standard Oil subsidiaries. The Dallas Mercantile bank has an interesting history that connects to the players in the drama we are studying. In 1897 the Mercantile National Bank was acquired by the National Exchange Bank of Dallas, which had been incorporated in 1874. This consolidated bank would become the First National Bank of Dallas, whose chairman was the grandfather of Robert H. Stewart III, who joined the bank in 1951 and became president in 1960. Stewart was a director of the Great Southwest Corp. and was closely tied to Clint Murchison, Sr. and the Wynne family.

When George Bush was fired as Director of the CIA by Jimmy Carter in 1977, Bush returned to Texas where he became chairman of the Houston subsidiary of First International Bancshares of Dallas, a holding company. The holding company had merged the First National Bank of Dallas with the Houston Bank & Trust, one of the oldest banks in Houston, founded by William Marsh Rice, whose fortune had been used after he was murdered to endow Rice University, controlled by the family of James A. Baker III and the law firms connected to Exxon. In 1975 the Dallas bank's president, Rawles Fulgham, became a director of Dresser Industries. The First National Bank of Dallas had been the bank which financed H.L. Hunt's oil leasing in the East Texas oil fields. This is also the bank where Thomas O. Hicks (Hicks, Muse, Tate & Furst, Inc.) would be employed in 1974. Hicks would later be involved in buying the Texas Rangers baseball team from George W. Bush. (25)

***Pauley Petroleum merged into Robert O. Anderson's Hondo Oil, now owned by Lonrho***

The oil company that Edwin Pauley created in 1958 has been through an interesting incarnation in the last decade. It was discovered in the text of SEC filings for HONDO CO , HONDO OIL & GAS CO. and HONDO CO ROBERT O ANDERSON LONRHO INC LONRHO PLC (Filing Date: 4/14/1994 ) at <http://www.freeedgar.com/search/companylist.asp> . Among the documents filed in those corporate records is the following fascinating information:

**Robert O. Anderson, Chairman of the Board  
Pauley Petroleum Inc.  
10000 Santa Monica Blvd., Los Angeles, California 90067**

This statement is being filed by The Hondo Company, a New Mexico corporation ("Hondo"), whose principal business and office address is 410 East College Blvd., Roswell, New Mexico 88201. The principal business of Hondo is the ownership and operation of ranch and farm properties in the southwestern part of the United States, the ownership and operation of a registered cattle enterprise and oil and gas exploration, development and production and the marketing of crude oil and natural gas. Additional description of the principal business of Hondo and Hondo Oil & Gas Company ("Hondo Oil & Gas") and the exchange transaction between Hondo, Hondo Oil & Gas and Pauley is incorporated herein by reference to the information under the captions "Summary of Terms of the Exchange," "Conduct of Business After the Exchange," "Change in Control of Pauley," "Acquisition of Additional Pauley Shares" and "Business of Hondo Oil & Gas" in Pauley's Notice of Special Meeting and Proxy Statement (the "Proxy Materials"), a copy of which is attached hereto as Exhibit A.

Robert O. Anderson is the father of Robert B. Anderson and W. Phelps Anderson. Lonrho, Inc., a Delaware corporation, is an indirect, wholly owned subsidiary of Lonrho Plc, a public company registered in England and listed on the London and Tokyo stock exchanges. Lonrho Plc and its subsidiaries are engaged in a variety of activities, including mining, agriculture, motor vehicle and agricultural equipment distribution, manufacturing, freight forwarding and warehousing, printing and publishing and the ownership and management of property and hotels.

The principal business and office address of Lonrho, Inc. is: 805 3rd Avenue, New York, New York 10022. The principal business and office address of Lonrho Plc is: Cheapside House, 138 Cheapside, London, England EC2V 6BL.

The executive officers and directors of Lonrho Plc and their residence or business address and positions are as follows:

The Rt. Hon. Lord Duncan-Sandys  
President  
Lonrho Plc  
Cheapside House  
138 Cheapside  
London, England EC2V 6BL

The Rt. Hon. Sir Edward du Cann  
Chairman  
Lonrho Plc  
Cheapside House  
138 Cheapside  
London, England EC2V 6BL

In addition, Hondo purchased 350,000 shares of Pauley common stock from William R. Pagen under a Stock Purchase and Option Agreement executed by Mr. Pagen on January 19, 1988 and dated as of December 14, 1987 (the "Stock Purchase and Option Agreement"). These shares were purchased on January 19, 1988 at a purchase price of \$20 per share, as provided in the Stock Purchase and Option Agreement. Under the Stock Purchase and Option Agreement, Mr. Pagen also granted Hondo an option to purchase up to an additional 121,000 shares. This option expired unexercised on January 19, 1988 following the consummation of the Exchange pursuant to the Exchange Agreement described below. The terms of the Stock Purchase and Option Agreement are incorporated herein by reference to the copy thereof attached as Exhibit B.

Hondo used funds borrowed from Union Bank under a Credit Agreement dated January 12, 1988 for the purchases of Pauley common stock on the open market and from Mr. Pagen. Robert O. Anderson, Lonrho, Inc. and Lonrho Plc have guaranteed the obligations of Hondo under this Credit Agreement. The terms of this Credit

Agreement, the guaranty by Robert O. Anderson and the guaranty by Lonrho, Inc. and Lonrho Plc are hereby incorporated herein by reference to the copies thereof attached hereto as Exhibits C, D and E, respectively.

Hondo, Hondo Oil & Gas and Pauley entered into an Exchange Agreement pursuant to which Pauley issued to Hondo 10,000,000 shares of its common stock.

## **HONDO OIL & GAS CO**

### **Form: DEFM14A Filing Date: 11/25/1998**

The Company is an independent oil and gas company, presently focusing on international oil and gas exploration and development. The Company was incorporated as Pauley Petroleum Inc. ("Pauley") in 1958. In January 1988, The Hondo Company ("Hondo") acquired a controlling interest in Pauley in exchange (the "Exchange") for all of the outstanding stock of Hondo's subsidiary, Hondo Oil & Gas Company. In March 1988, the Company acquired Fletcher Oil and Refining Company ("Fletcher" or the "Fletcher refinery"). In January 1990, Pauley merged ("the Merger") with the wholly-owned subsidiary acquired in the Exchange, Hondo Oil & Gas Company. In conjunction with the Merger, Pauley Petroleum Inc., the surviving corporation, changed its name to Hondo Oil & Gas Company.

In December 1989, the Company permanently suspended operations at its wholly-owned subsidiary, Newhall Refining Co., Inc. ("Newhall refinery"). During 1991, Hondo Oil adopted plans of disposal for both its refining and marketing operations and its real estate operations (primarily the land underlying the Newhall refinery). The Company suspended operations at its Fletcher refinery in October 1992 and completed a sale of substantially all of the refining and marketing operations in October 1993.

In June 1992, the Company completed a sale of substantially all of its domestic oil and gas assets and repaid a substantial portion of its long-term debt with the proceeds.

In January 1996, Lonrho Plc acquired control of the Company. Prior to that date the control of the Company was effectively shared with Robert O. Anderson and his family. In a Schedule 13D amendment filed October 15, 1997, by Lonrho Plc and its affiliates, the filing parties said that Lonrho Plc had retained Morgan Stanley & Co. Incorporated to assess and implement strategic alternatives with respect to Lonrho's direct and indirect investment in the Company. Lonrho Plc said such strategic

alternatives could include, without limitation, a possible recapitalization of the Company or a sale or business combination involving the Company or Lonrho's direct and indirect equity interest in the Company (including the sale or assumption of the debt obligations of the Company to affiliates of Lonrho).

The Company's principal asset is its exploration concession in Colombia.

The Company's wholly-owned subsidiary, Hondo Magdalena Oil & Gas Limited

("Hondo Magdalena"), participates in the Opon Association Contract (the "Opon Contract") with Empresa Colombiana de Petroleos ("Ecopetrol"), Opon Development Company ("ODC") and Amoco Colombia Petroleum Company

("Amoco Colombia"). Ecopetrol is a quasi-governmental corporate organization wholly-owned by the government of Colombia. The Opon Contract was entered into between Ecopetrol and ODC in 1987, and approved by the Ministry of Mines and Energy in 1988, to explore and develop an area of approximately 190 square miles located in the

Middle

Magdalena Basin about 125 miles north of Bogota, Colombia. The Opon

Contract is divided into an exploration period and an exploitation period and expires in July 2015.

The Opon Contract provides for an exploration period of six years, which

commenced in July 1988 and was extended through September 30, 1995. The

minimum work obligations required by the Opon Contract for the exploration period were completed by the associate parties (Amoco Colombia, Hondo Magdalena and ODC). The Opon Contract provides that at

the end of the exploration period, the associate parties may seek to declare a field capable of producing commercial hydrocarbons (repaying

investment and expenses and returning a profit) by presenting an application to Ecopetrol. Ecopetrol has 90 days to respond to the associate parties' application. If Ecopetrol agrees, then the field is declared to be commercial and production may commence. Upon the designation of an area or field as commercial, Ecopetrol acquires a 50% interest in such area or field and reimburses the associate parties for 50% of the direct exploration costs for each commercial discovery from its share of production. Thereafter, Ecopetrol pays 50% of costs and will receive 50% of production. Revenue from the Opon Contract area

is

subject to a 20% royalty, which is paid to the Colombian government.

The associate parties completed the minimum work obligations for each of the six years of the exploration period with completion of the Opon No. 4 well in September 1995. An application for commerciality was submitted by Amoco Colombia in February 1996. On May 8, 1996, Ecopetrol approved a commercial field of approximately 2,500 acres around the Opon No. 3 and No. 4 wells (described below). The interests in the commercial field are approximately: Ecopetrol, 50%, Amoco Colombia, 30%, Hondo Magdalena, 15.4%, and ODC, 4.6%. Amoco Colombia, Hondo Magdalena and ODC have interests in the remainder of the Opon Contract area of approximately 60%, 30.9% and 9.1%, respectively.

WHAT MORE CAN I SAY? Except, possibly, this:

<http://www.eag.org.uk/Past%20Events%20-%201950s.htm>

### 1959

**H.R.H. Prince Philip, Duke of Edinburgh, KG, and Dr J, M. A. H. Luns**, Netherlands Foreign Minister and President of the North Atlantic Council, **and The Rt. Hon. Duncan Sandys, MP**, Minister of Defence **and General Lauris Norstad**, Supreme Allied Commander Europe

<http://www.e-familytree.net/220000/f9118.htm>

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The events that took place in Saudi Arabia from the mid-1930s culminated in 1980. Most, if not all, the men who shaped those events are now dead. Samuel B. Mosher was survived by his widow, Margaret of Santa Barbara, who served on the board of Signal Companies (now Allied Signal) and as president of the Samuel B. Mosher Foundation and endowed a chair at Johns Hopkins. (In 1985, Allied merged with the Signal Companies, adding critical mass to its aerospace, automotive and engineered materials businesses. Founded by Sam Mosher in 1922 as the Signal Gasoline Company, Signal was originally a California company that produced gasoline from natural gas. In 1928, the company changed its name to Signal Oil & Gas, entering into oil production the same year. Signal merged with the Garrett Corporation, a Los Angeles-based aerospace company, and in 1968 adopted the Signal Companies as its corporate name.) Ralph K. Davies died in 1971, leaving his widow Louise in control of his foundation. Edwin Pauley died in 1981, leaving his foundation in charge of his daughter, Barbara Pauley Pagen. The foundation made a grant to allow the acquisition of Coconut Island by the University of Hawaii. Pauley had bought the island from Fleischmann Yeast fortune heir Christian Holmes (also owner of Coral Tuna) in 1946. Holmes had purchased the property, known as Moku o Lo'e, from the Bishop Estate. Japanese businessman Katsuhiko Kawaguchi bought the Pauley property in 1987.

But in some ways these men are speaking to us from their graves. In the last part it was mentioned that Penn Central purchased thousands of acres of land in California during the 1960s--most of which was planned for residential development. Stock in Macco Realty, for example, was transferred to Penn Central which then sold an asset of 6,000 acres to Palomar Land Company, a subsidiary of Richfield Oil. Robert O. Anderson's Atlantic Refining acquired Palomar in 1966 when it merged with Richfield. From 1964 through 1967 Herbert Kalmbach was vice president and director of Macco Realty, and he also was attorney for the Flying Tiger Lines



and AtlanticRichfield. Stay tuned for Part Four.

## NOTES:

(1) "Recently, Pentagon spokesman Kenneth H. Bacon "acknowledged that the Air Force wrongfully started and financed a highly classified, still-secret project, known as a black program without informing Congress last year." costs and nature of these projects "are the most classified secrets in the Pentagon." (1) Could it be that the current United States Air Force Civil Disturbance Plan 55-2 Garden Plot is one such program financed from this secret budget? ... As this and numerous other documents reveal, U.S. military training in civil disturbance "suppression", which is known to the American public, is in full operation today. The formulation of legitimizing doctrine, the training in the "tactics techniques" of "civil disturbance suppression", and the use of "abusable", "non-lethal" weaponry, are ongoing, financed by tax dollars. According to the Pentagon, "US forces deployed to assist federal and local authorities during time of civil disturbance will follow use-of-force policy found in Department of Defense Civil Disturbance Plan-Garden Plot (Joint Chiefs of Staff, Standing Rules of Engagement, Appendix A, 1 October 1994.)"

<http://globalcircle.net/warathome1.htm> Also see: <http://globalcircle.net/warathome2.htm> . Other sources for these issues may be found at: <http://www.humanunderground.com/11september/noble.html> and <http://uhuh.com/control/garden.htm> and copies of .gif files received through FOIA beginning at <http://www.bvalphaserver.com/sections.php?op=viewarticle&artid=69> and <http://www.blackvault.com/documents/other/gardenplot/gardenplot0.htm> and FBI documents beginning at <http://www.blackvault.com/documents/other/gardenplot/gardenplotfbi0.htm> . These documents concern a continuation of Operation Garden Plot through other civil disturbances and indicate a connection with local police enforcement in "riot" situations. (See also the index for other documents received under FOIA at <http://www.bvalphaserver.com/sections.php?op=listarticles&secid=8.>)

(5) <http://www.sumeria.net/politics/bankers.html> and <http://www.tenc.net/docs/gehlen2-a.htm> and <http://www.newsmakingnews.com/lincolnharvardpart1.htm> and other parts [http://www.reformation.org/criminal\\_trading.html](http://www.reformation.org/criminal_trading.html) and [http://www.tetrahedron.org/articles/apocalypse/red\\_double](http://www.tetrahedron.org/articles/apocalypse/red_double)

(6) See <http://webhome.idirect.com/~lhodgson/campx.htm> and (Named in the Supreme Court opinion at <http://webhome.idirect.com/~lhodgson/historyofcampx.html>. [http://plague.law.umkc.edu/cases/Antitrust/Standard\\_Oil\\_case.htm](http://plague.law.umkc.edu/cases/Antitrust/Standard_Oil_case.htm))

(4) ("It [United Fruit] began with enviable connections to the Eisenhower administration. Secretary of State John Dulles <http://www.angelfire.com/fl/cubabrain/menocal.html> and <http://www.banking.state.ny.us/histe.txt>. Rockefeller's influence substituted that of JP Morgan Bank after the Rockefeller's took over the National City Bank. Rockefeller Brothers Holding Company was associated with Mellon's Bank in the First Boston Corporation. This association later evolved into the present Chase Mellon Corporation. First of Boston was the R. C. Whitman, President Eisenhower's private secretary. (Ed Whitman produced a film, "Why the Kremlin Hat Controlled United Fruit sugar mills in Cuba. They also became associated with the Chemical Bank established by Astor and the grandfather of Roosevelt in 1823. In addition, they were associated with the Dulles family who founded the Marine Midland Bank with Seligman and Schroeder. The Dulles brothers later founded the Bank of New York. Rockefeller's sources of funds were the funds of Equitable, Metropolitan National Bank in 1930 when this bank merged with his Equitable Trust Bank. They put aside Morgan in the Chase and this bank later became the Chase Manhattan Bank." regime as Communist-controlled and the U.S.-planned invasion was a halfhearted effort.) (Quoted from the videotape "Secrets - The United States in Central America by Ed February 2nd 1993, <http://www.k2activist.net/wonderstaysback/W66.htm#part4a.txt>). Also <http://www.tenc.net/articles/randy/swas5.htm>

(8) <http://www.doug-long.com/stimson3.htm> and <http://www.us-highways.com/sohist.htm>

(9) See <http://falcon.cc.ukans.edu/~schrodt/pols572.98/08.CIA.Crack.html>. {Ricky Ross (known as "Freeway Rick" on the streets because of the fact that he owned properties near the Harbor Freeway in Los Angeles) was initially unaware of his suppliers' military and political connections. He never knew of the contra rebels, the CIA, or any other Salvadoran involvement with the cocaine for about another ten years. Court records show that the cash that Ross paid for the cocaine was then used to buy weapons and equipment for a guerilla army named the Fuerza Democratica Nicaraguense (FDN), that was the largest anti-communist force commonly called the Contras (SJMNA, day one).}

Also <http://www.drugwar.com/cv27.htm> and <http://www.drugwar.com/cv27.htm> {Statement from Catherine Austin Fitts: "One of the products that has been most successful for the first data servicing sites, Edgewood

*Technology Services, has been "geo-coding" databases and mapping. I wanted to show you this map; it's up on the World Wide Web. This is a map of Los Angeles. Can anyone figure out where south central LA is from looking at where the HUD properties are on this map? This is the same thing as the Washington DC map I showed earlier. The little red dots are single family properties that **were financed by (now) defaulted HUD-held mortgages**. This map was geo-coded and designed and programmed by a woman who, four months before, had been on unemployment compensation and is a tenant in HUD housing"*

If you compare this map with the fact that Freeway Ricky Ross - the crack cocaine kingpin described in Gary Webb's *Dark Alliance* was known for buying up real estate along the Harbor Freeway and selling drugs throughout this exact area - the mathematical correlation is staggering. Every dot represents a HUD mortgage where the taxpayers lost money in a defaulted FHA loan and where somebody else bought the property for pennies on the dollar. Most of those loans defaulted as the crack cocaine epidemic ravaged Los Angeles. The taxpayers bear the costs of not only the defaulted mortgages, but also deterioration in property value, the crime, and ultimately the depopulation due to very expensive prison warehousing and welfare.

Exactly who bought and traded in properties throughout this area should be the subject of congressional hearings looking into corrupt HUD practices from the period and continuing to this day. I suspect that many of the same players connected to the Savings and Loan scandals, who have also been tied to Iran-Contra and CIA's drugs will surface yet again. Demographically it is also easy to see now that the racial composition of South Central has changed radically and that African-Americans have been geographically and politically fragmented as, I believe, an intended result. Their political power has been weakened.

Just days after showing this first map, I received a subpoena from the Office of the Inspector General of HUD asking for extensive data and records from Hamilton. Suddenly, the loan sales and Hamilton were under investigation. The HUD IG's actions were doubly surprising given their intimate involvement in and positive feedback about the loan sales program and because a HUD OIG audit team had just finished an audit of the loan sales program and had informed our project manager and HUD that our performance was excellent and there were no problems whatsoever.

At the same time, we got calls from a team of reporters from US News & World Report. They had been assured "at the highest levels" of the HUD Inspector General's office that we were guilty of criminal action and that I and would soon be indicted. The recent favorable audit disappeared. Investigators started doing interviews where they did more seed planting than information gathering.

The "investigators" at HUD started suggesting to reporters that bid rigging had occurred in the loan sales. This was just after members of the HUD IG audit team had actually sat in on one sale, and concluded that bid rigging was impossible. They had also concluded that there was no way that "rigging" could have taken place because in a sealed-bid auction, you cannot favor one bidder when all bidders have access to the same information. That audit report was suppressed while the IG investigators pushed the exact opposite notion to reporters.

On August 10, Bob Dole announced Jack Kemp as his running mate.} NOTE: Jack Kemp is also a graduate of Pauley's Occidental College, where Kemp played football before joining the Buffalo Bills professional team.

(10) [http://sunsite.berkeley.edu/uchistory/general\\_history/overview/regents/biographies\\_p.html](http://sunsite.berkeley.edu/uchistory/general_history/overview/regents/biographies_p.html) and <http://www.tenc.net/articles/randy/swas5.htm>

(11) [http://www.flyingtigerline.org/Memorial/Prescott\\_Robt.htm](http://www.flyingtigerline.org/Memorial/Prescott_Robt.htm)

and <http://www.flyingtigerline.org/History/1940s.htm>

At the end of WWII private businessmen, who had always handled syndicate espionage and enforcement activities prior to the creation of OSS and CIA, found it easier to have the government pay for these costs rather than be forced to find clients to bill to or to have to account for the funds. A method was developed to finance the expenses of these government-sponsored activities through a special off-the-books accounting system. The cash cow had been discovered in 1937 in the western mountains of China by Claire Lee Chennault, who had been recruited as a civilian instructor and adviser for the Chinese Air Force. Chiang Kai-shek hired 100 pilots and 200 technical support staff and purchased 100 Curtiss

fighter planes. These recruits were American Volunteer Pilots (AVP), who were not in the American armed forces. Once the United States entered the war, Chennault was brought back into the Army Air Force and given command of the AVP. Chennault's airline was linked to the OSS. Once Japan surrendered and the CIA had been created by 1949, Mao Tse-tung had occupied most of China. Chennault's pilots -- many of them veterans of the AVG and the 14th Air Force -- moved Chiang's troops, supplies, and government assets from one imperiled city to another, and finally to a last fortress on the island of Taiwan. The CIA loaned money to keep the airline in business, and eventually it bought out Chennault's company.

<http://www.danford.net/clc.htm>

Chiang's Nationalist Chinese (Kuomintang, or KMT) government collapsed in 1949. Truman became convinced that it had to stem "the southward flow of communism" into Southeast Asia. In 1950 the Defense Department gave military support to the French who had colonial interests to protect in Indochina. The CIA used men from the defeated Kuomintang army to invade southern China. The KMT army failed in its military operations, the rebels gained a monopoly over the Burmese Shan States' opium trade. In early 1951, C-46 and C-47 transport aircraft made parachute drops to KMT forces, allowing them to continue the war. Unmarked C-47s were seen making air drops in the training areas. Late in 1951 the KMT reopened an old World War II landing strip to handle large two- and four-engine aircraft flying in directly from Taiwan or Bangkok. A few months later Civil Air Transport (CAT), later called Air America, conducted an airlift, which flew seven hundred regular KMT soldiers from Taiwan to Mong Hsat. The C-47s began a regular shuttle service, with two flights a week direct from Taiwan. A mysterious Bangkok-based American company named Sea Supply Corporation began forwarding enormous quantities of U.S. arms to Mong Hsat.

The KMT had concentrated their forces in a long, narrow strip of territory parallel to the China border. Since Yunnan's illicit opium production continued until about 1955, the KMT were in a position to monopolize almost all of the province's smuggled exports. Almost all the KMT opium was sent south to Thailand, either by mule train or aircraft. Soon after their arrival in Burma, the KMT formed a mountain transport unit, recruiting local mule drivers and their animals. Since most of their munitions and supplies were hauled overland from Thailand, the KMT mule caravans found it convenient to haul opium on the outgoing trip from Mong Hsat and soon developed a regular caravan trade with Thailand. Burmese military sources claimed that much of the KMT opium was flown from Mong Hsat in "unmarked" C-47s flying to Thailand and Taiwan. Not only did the KMT continue to demand opium from the tribes, but they upgraded their role in the narcotics trade as well. When the Burmese army captured their camp at Wanton in May 1959, they discovered three morphine base refineries operating near a usable airstrip. At first glance the history of the KMT's involvement in the Burmese opium trade seems to be just another case of a CIA client taking advantage of the agency's political protection to enrich itself from the narcotics trade. But upon closer examination, the CIA appears to be much more seriously compromised in this affair. The CIA fostered the growth of the Yunnan Province AntiCommunist National Salvation Army in the borderlands of northeastern Burma potentially rich opium-growing region. There is no question of CIA ignorance or naiveté, for as early as 1952 *The New York Times* and other major American newspapers published detailed accounts of the KMT's role in the narcotics trade. <http://www.drugtext.org/books/McCoy/book/29.htm>

From Mike Ruppert newsletter, FROM THE WILDERNESS:

In Chapter Six of *The War Conspiracy*, entitled "Opium, the China Lobby, and the CIA," author Peter Dale Scott traces the connections between drug trafficking in Southeast Asia and American intelligence operations. There are detailed references to C.V. Starr and connections with some figures, like CIA veteran Paul Helliwell, who have been irrevocably and blatantly tied to the drug trade. Those connections also lead directly into the so-called "China Lobby" and firms identified as either CIA proprietaries or "affiliates" such as Sea Supply, Inc. (run by Helliwell), Civil Air Transport (CAT), a CIA proprietary, Civil Air Transport Co., Ltd. (CATCL) -- a separate firm not owned by but affiliated with the CIA through CAT-- and Air America, an evolution of Civil Air Transport. In 1957 the Airdale Corporation which owned 100 per cent of Air America changed its name to Pacific Corp. In 1976 CIA General Counsel Lawrence Houston testified before the Senate's Church Committee looking into intelligence abuses about CIA Air operations. When asked what the one single holding company, above all others, was at the top of CIA proprietary and contract air operations, he identified Pacific Corporation. According to published reports, Houston also testified that the CIA also had interests in investment and insurance companies.

Pacific Corp -- which one source has told me is currently insured by AIG -- and the CIA have, in the 1990s, been connected with the "laundering" of some 28 C-130 military transport aircraft into the hands of private, forest fire, air tanker contractors in the U.S. Subsequently, many of those C-130s turned up all over the world. Some were directly involved in drug trafficking and one in particular, operated by Aero-Postale de Mexico, was seized with a billion dollars in cocaine aboard in Mexico City in 1996. [See FTW, Vol I, No 10 - Dec, 1998]

A key figure in the post-war operations was lawyer Tommy Corcoran, a legendary "fixer" in the Roosevelt Administration, who went on to represent Nationalist Chinese financial interests after the Communists took power in 1949. Corcoran and Helliwell worked closely together in Asia. One of the critical and well-documented U.S. responses to the Communist takeover was to fund remnants of the Chinese Nationalist army -- who had fled into Burma, Thailand and Laos -- with opium.

Much of that money, along with the drugs, found its way into the U.S. As noted by writers like the late Jonathan Kwitny of The Wall Street Journal in *The Crimes of Patriots* (Penguin, 1987) and by Professor Alfred McCoy of the University of Wisconsin in *The Politics of Heroin* (1972, 1991, Lawrence Hill Books), Helliwell paid the troops using five-pound "sticky" bars of heroin. Helliwell later went on to head Castle Bank and Trust in the Bahamas from his Florida law office and then was heavily involved with The Nugan Hand Bank in Australia and the U.S. Both banks have been heavily linked in official investigations to both drug trafficking and money laundering while also moving money for the CIA.

In *The War Conspiracy* Scott writes:

"For it is a striking fact that the law firm of Tommy Corcoran, the Washington lawyer for CATCL and [China Lobbyist] T.V. Soong, had its own links to the interlocking worlds of the China Lobby and of organized crime. His partner W.S. Youngman joined the board of U.S. Life and other insurance companies, controlled by C.V. Starr (OSS China) with the help of Philippine and other Asian capital. Youngman's fellow-directors of Starr's companies have included John S. Woodbridge of Pan Am, Francis F. Randolph of J. and W. Seligman, W. Palmer Dixon of Loeb Rhoades, Charles Edison of the postwar China Lobby, and Alfred B. Jones of the Nationalist Chinese government's registered agency, the Universal Trading Corporation. The [Senate] McClellan Committee heard that in 1950 U.S. Life [later part of AIG] (with Edison as a director) and a much smaller company (Union Casualty of New York) were allotted a major Teamsters insurance contract, after a lower bid from a larger and safer company had been rejected, [Jimmy] Hoffa was accused by a fellow trustee, testifying under oath before another committee, of intervening on behalf of US Life and Union Casualty, whose agents were Hoffa's close business associates Paul and Allen Dorfman...

"We find the same network linking CIA proprietaries, war lobbies, and organized crime, when we turn our attention from CAT to the other identified supporter of opium activities, Sea Supply, Inc. Sea Supply, Inc. was organized in Miami, Florida, where its counsel, Paul E. Helliwell, doubled after 1951 as the counsel for C.V. Starr insurance interests, and also as the Thai consul in Miami..."

The historical connections to CIA covert or proprietary air operations are interesting in light of the fact that AIG proudly announces in its 2000 annual report that with 494 full-sized jets -- 89 of which it manages itself -- it owns "the world's most modern fleet of aircraft." AIG customers include major airlines and a number of air transport companies. AIG also reported that in 2000 it leased additional aircraft "to a number of established customers" in South America.

CIA proprietary ownership or interest in companies is very difficult to detect. But, it has been proven by writers like Scott and many other researchers who combed through the paperwork that surfaced during the Iran-Contra scandals of the 1980s, where Air America assets were laundered into companies like Southern Air Transport and Evergreen Air. The single largest stockholder in AIG, the Starr International Company (SICO), holds 13.62% of AIG stock. Aside from knowing that Maurice Greenberg owns 21.86% of SICO (Source, SEC) we may never be able to find out who, or what, owns the rest.  
<http://www.bushufodisclosure.org/doc/truthcasualties2.html>.

See also <http://www.utdallas.edu/library/special/ciaguide.html> In minutes of Air America Stockholders meeting, it was announced that all of the issued and outstanding stock of Air America is owned by the Pacific Corporation, and as President of the Pacific Corporation, 1961 George Doole was authorized to vote the shares of stock held by that company in Air America. Trust agreement between Air America, Inc. as employer and Manufacturers Hanover Trust Company, as trustee implementing the provisions of the Air

America Retirement Plan 1962. 1) Partnership Agreement between Claire Lee Chennault 1947 and Whiting Willauer.

**(12)** <http://www.grandprix.com/gpe/fue-007.html>

**(13)** (1) Charles Collins Teague, for example, was associated with Limonera, a Ventura citrus operation founded in 1893; California Orchard Company, founded in 1919, which leased farmland to growers for vegetable row crop production in Southern Monterey County; and Fruit Growers Supply Co., the supply arm of Sunkist Growers--several large farming conglomerates reminiscent of the experimental agricultural project mentioned in Part Two-B. (2) Amadeo Peter Giannini, of Bank of America and TransAmerica (3) James Kennedy Moffitt, Crocker First National Bank of San Francisco (4) George Urwin Hind, partner in shipping and commission business with James Rolph, Jr., who founded Mission Bank, Mission Savings Bank, and the Rolph Shipbuilding Company (5) Edward Hellman Heller, Wells Fargo Bank and Union Trust Co. (6) Earl Warren, named Chief Justice of the Supreme Court in 1953 (7) Arthur James McFadden, The Irvine Co., California Fruit Exchange, Trustee, vice-pres., Pomona College (8) Edward W. Carter (1952-88), president of Broadway-Hale Stores, Inc., 1946-; director of Northrop Corp., Pacific Telephone and Telegraph Co., So. Cal. Edison Co., United Cal. Bank, Western Bancorporation. Trustee: Occidental College; Stanford Research Institute; Brookings Institute, Washington, D.C. (9) Samuel B. Mosher (1956-72), chairman of board, chief executive officer, Signal Oil and Gas Co., 1922-; chmn. of bd., Flying Tiger Line, Inc. Dir., Petroleum Industry War Council during World War II. Past dir., American Petroleum Institute. Hon. life trustee, Occidental Coll. Assoc., U.S.C. (10) Catherine C. (Mrs. Randolph A.) Hearst (1956-74) and (11) John E. Canaday (1958-74), vice-pres., Lockheed Aircraft Corp., 1939-. Dir.: First Surety Corp., Surety Savings and Loan Assn, (12) ELINOR HELLER, Democratic National Committee, World Affairs Council of Northern California, widow of Edward Heller, who was a director of Wells Fargo Bank, Permanente Cement, and Pacific Intermountain Express.

[http://sunsite.berkeley.edu:2020/dynaweb/teiproj/fsm/pams/brk00038828a/@Generic\\_BookTextView/89](http://sunsite.berkeley.edu:2020/dynaweb/teiproj/fsm/pams/brk00038828a/@Generic_BookTextView/89)

**(14)** [http://www.trumanlibrary.org/whistlestop/study\\_collections/un/large/allied\\_reparations/allied\\_reparations7-1](http://www.trumanlibrary.org/whistlestop/study_collections/un/large/allied_reparations/allied_reparations7-1)  
<http://www.saudinf.com/main/d199.htm> and <http://home.austin.rr.com/anthonywier/meoil.htm>

It should be mentioned at this point that another man named Davies was also very significant during this time period, though whether a blood relationship existed is unknown. This was Fred A. Davies, a metallurgist and oil geologist who worked for the Bahrain Petroleum Co (Bapco) and Casoc/Aramco, of which he was vice-president and president from 1940-52, and thereafter chairman.

**(15)** Excerpts from Handbook for American Employees, Volume 1, 1952, as issued by Arabian American Oil Company. Prepared by Roy Leblicher; at <http://almashriq.hiof.no/lebanon/300/380/388/tapline/general/>

Wallace Stegner's Discovery! The Search for Arabian Oil, Export Book, Beirut 1971--the story of Aramco from 1993 until the end of the Second World War, excerpts of pages 175-178 at

<http://almashriq.hiof.no/lebanon/300/380/388/tapline/general/stegner.html>

Also see government archives at <http://www.cato.org/pubs/pas/pa-159.html>

<http://mai.flora.org/forum/35348>

<http://history.sandiego.edu/gen/classes/diplo177/oil.html>

**(16)** For a great map of the area and brief synopsis of history of the British venture in Anglo-Persian oil concessions, see <http://www.hermes-press.com/oilrulers1.htm> A map of Saudi Arabia and discussion can be found at

<http://www.arabiancareers.com/saudi.html>

<http://www.angelfire.com/wy/aramco/Aramco.html> and <http://www.unc.edu/depts/pfn/machtinger.pdf>

**(17)**

[http://www.trumanlibrary.org/whistlestop/study\\_collections/un/large/allied\\_reparations/allied\\_reparations10-1.htm](http://www.trumanlibrary.org/whistlestop/study_collections/un/large/allied_reparations/allied_reparations10-1.htm)

From the Papers of Harry S. Truman, Official File. See the list of office buildings constructed after the war in the same vicinity of 530 W. 6th-- <http://www.losangelesalmanac.com/topics/Structure/st01.htm>

(18)

[http://www.trumanlibrary.org/whistlestop/study\\_collections/un/large/allied\\_reparations/allied\\_reparations5-1.htm](http://www.trumanlibrary.org/whistlestop/study_collections/un/large/allied_reparations/allied_reparations5-1.htm)

-- Series of letters, spanning May 2, 1946-May 18, 1946, among President Harry S. Truman and key economic officials in his administration, regarding Truman's May 2 request that the activities of Edwin Pauley, a U.S. representative on the United Nations Allied Reparations Commission, be coordinated with the international economic activities of a variety of federal agencies. Also included is a May 9, 1945 letter from Ashland Oil & Refining Co. Chairman Paul G. Blazer acceding to Truman's request that company president Howard Marshall serve on Pauley's staff. >From the Papers of Harry S. Truman, Official File. J. Howard Marshall, President of Ashland, in Kentucky.

(19)

[http://www.state.gov/www/regions/eur/nato\\_fs\\_chron.html](http://www.state.gov/www/regions/eur/nato_fs_chron.html)

and [http://www.state.gov/www/about\\_state/history/intel/intro2.html](http://www.state.gov/www/about_state/history/intel/intro2.html).

See [http://www.ushmm.org/uia-cgi/uia\\_doc/art/x10-11?hr=null](http://www.ushmm.org/uia-cgi/uia_doc/art/x10-11?hr=null)

(20) The following statement is taken from (U.S. government report on Nazi looting dated May 7, 1998 <http://www.usembassy-israel.org.il/publish/report/>) and gives an idea of what Pauley was dealing with at the time: "In dealing with the gold found in Germany after the war, the Allies had to determine what proportions were "monetary gold" and what were non-monetary gold. By 1948, the U.S. Army and other occupation forces had collected nearly \$300 million in gold bullion and gold coins. Although the overwhelming portion of this was monetary gold, including gold looted from other central banks, evidence examined for the report shows that at least some of this gold included gold stripped from Jews and other persecutees. Gold taken, for instance, from concentration camp victims was systematically smelted by Germany's Reichsbank into gold ingots, which were indistinguishable from other gold bullion and were incorporated into the Reichsbank's monetary gold reserve. "

Gold which was determined to be redistributed to the Allies was dealt with by The Tripartite Gold Commission (TGC). By July 1948, a total of about 306,343 kg (kilograms) of gold in bars and coins had been deposited with the Federal Reserve Bank of New York or the Bank of England or was held at the Foreign Exchange Depository in Frankfurt by the Office of the Military Government, U.S. By December 1974, the grand total available for restitution was 336,890kg (about \$4.1 billion at today's prices). This topic brings up the role of the Exchange Stabilization Fund, the noted expert on which is James Turk ([http://www.gata.org/esf\\_gold.html](http://www.gata.org/esf_gold.html)). The ESF falls under the control of the U.S. Treasury. (The history of this function can be read in a report found at <http://www.ess.uwe.ac.uk/documents/asetindx.htm>). The ESF was created as part of the Gold Reserve Act of 1934. ESF operations are conducted through the Federal Reserve Bank of New York in its capacity as fiscal agent for the Treasury. <http://www.ny.frb.org/pihome/fedpoint/fed14.html> The Exchange Stabilization Fund controlled by the US Treasury, and essentially unaccountable to Congress or the American people, appears to be a key instrument for intervention. It appears that US gold reserves have been swapped or in some way encumbered. <http://www.usagold.com/gildedopinion/HathawayTheater.html>

During the first days of the Potsdam Conference, which lasted from July 16 to August 1, Presidential Adviser on Reparations Edwin Pauley and Assistant Secretary of State for Economic Affairs William Clayton led the U.S. delegation to introduce a proposal that the United States, the United Kingdom, Soviet Union, and France would declare external German assets to come under the control of the Allied Control Council in Germany. Delegation members Seymour Rubin, Acting Chief of the Office of Financial and Development Policy (OFD) of the State Department, and Josiah E. DuBois, Jr., an Assistant to the Secretary of the Treasury, drafted the U.S. working papers on such a declaration. <http://www.ess.uwe.ac.uk/documents/three.htm>

In a note to the U.S. Legation in Bern, dated July 2, 1946, the Swiss stated that they could not proceed with the liquidation of German assets until the Allies fixed a "fair" rate of exchange between the Reichsmark and the Swiss franc....At the September 12 meeting of the Joint Commission, the Allied members contested the Swiss contention that establishment of a Swiss franc-Reichsmark exchange rate was a precondition to liquidation of German assets. The French representative presumably acknowledged that the actual text of the treaty called for liquidation without prior establishment of an exchange rate, and made no reference to a

"gentlemen's agreement." Throughout this period, the Swiss refused to act on liquidation, pointing to the lack of agreement on the exchange rate as justification for their non-performance....The Swiss eventually backed down, and in early May informed the British Foreign Office that they could accept the Bank of England's technical assessment of the proper rate (which was also the rate acceptable to the U.S. Federal Reserve). By June 1947 the Federal Reserve confirmed that the Swiss had deposited the amount of gold necessary to carry out its obligations under the Washington Accord--a transfer of gold bars from the Swiss account in the Federal Reserve Bank to the Tripartite Gold Commission account. All the bars were of pre-war origin....During June and July State Department officials worked out a compromise solution that was presented to the Swiss in early August. The solution involved retaining the validity of the May 1946 Accord with respect to East German property while the new agreement of 1952 would apply only to the area of the Federal Republic and West Berlin. The compromise allowed the Allies and the Swiss to sign an agreement on the liquidation of German property in Switzerland on August 28, 1952, in Bern. This followed the signing of the German-Swiss agreement of August 26, 1952. Indeed, there were three major agreements involved among the three Allies and Switzerland and Germany and Switzerland....**August 26, 1952, German Settlement of Reich's Wartime Debts to the Swiss.** In this agreement, Switzerland agreed to renounce its claim to a payment under the May 1946 Washington Accord, so long as the Germans agreed to recognize the Reich's wartime debt, which had reached 1.2 billion Swiss francs exclusive of interest payments. The Germans agreed to pay not more than 650 million Swiss francs as settlement of this debt and begin making specified installment payments on April 1, 1953. <http://www.ess.uwe.ac.uk/documents/six.htm>

In April 1945 U.S. troops in Germany found 2,007 containers filled with German Reichsbank gold, foreign currency, and other valuables hidden in a Thuringian mine. Treasury Department official Frank Coe informed Secretary Morgenthau about gold caches that U.S. troops had stumbled upon in German salt mines. Coe indicated that the occupation forces should not look at this captured gold as "war booty." Instead, this bullion should be placed in a reparations fund until final plans were drafted to dispose of it. The discovery of the German gold reserve at the Merkers mine was accidental, but singularly significant because of the quantity of material that was found and because it became the catalyst for the Army to seek and find additional assets hidden elsewhere in Germany. ...The problem of determining exactly what Nazi monetary assets were under Army control was complicated after the Merkers material arrived at the Foreign Exchange Depository (FED), which the Army established at the Frankfurt Reichsbank. In the closing days of the war, additional gold was recovered from all parts of Germany--sometimes from banks, sometimes from businesses or individuals, sometimes from soldiers or U.S. Army units. Over a 30-month period, this comprised 91 different "shipments" from a wide variety of locations. All this gold was shipped to Frankfurt, along with other captured assets. It seems that the intent always was to centralize these assets at one site for ease of security, accountability, and disposition. By August 1945, the FED was overloaded, and shipments were suspended temporarily while cultural properties and related non-monetary materials were transferred to other sites in southern and central Germany. The FED resumed receiving captured monetary assets later in August, but not until November 1945 was the FED officially tasked by the 12th Army Group to serve as the central repository for all captured "gold and silver bullion and coin, foreign currencies, foreign securities, precious stones or jewels, jewelry, gold teeth, and other similar valuables." The Foreign Exchange Depository was frequently referred to as the "Fort Knox of Germany," but it might be more accurate to characterize it as the "Bank of Europe." The captured German and Nazi assets were only a part of the FED's total operation. It was also responsible for all currency transactions in Germany, receipt for all restricted property (Laws 52 and 53), and funding for all U.S. military activities in Germany, and it seems to have served as the "banker" for several Allied countries as well. The first chief of the Foreign Exchange Depository was Colonel Bernard Bernstein, a lawyer by education and experience. Colonel Bernstein had served as an attorney with the U.S. Treasury Department from 1933 to 1942, when he resigned his position and went on active duty in the Army in the Coast Artillery Corps. In 1945 he served as the Chief of Finance in the G-5 Division of Supreme Headquarters, Allied Expeditionary Force (SHAEF), where he was able to influence and direct the policies that established the FED and the Army's control over all captured assets. Bernstein returned to private law practice in 1946. Colonel Bernstein was assisted by a small group of company grade officers, none of whom seem to have come from the Finance Corps. In fact, most of the officers came from the infantry and cavalry, and a few were from the Regular Army. Personnel turnover, particularly in 1945, was a persistent problem in the FED (at its peak, it seems to have employed about 150 personnel). From the initial discovery of the Merkers cache to the final disposition of the remaining assets held by the FED in 1950, two issues dominated everything that happened at the former Reichsbank building in Frankfurt: maintaining security of the assets and compiling a complete inventory of everything that the Army was securing there. The reports, memoranda, message traffic, and other documents that discuss these activities comprise a large portion of the archival records....The first team of experts, comprised of

two officials from the Bank of England and three from the Treasury Department, arrived in June 1945....During an official visit to Washington in June 1946, Hungarian Prime Minister Ferenc Nagy called upon Secretary of State James Byrnes and Acting Secretary Dean Acheson and formally requested the return of the Hungarian gold reserve of \$32 million found in the U.S. Zone of Occupation. Secretary Byrnes, just before his return to Paris for the Paris Peace Conference, initially proposed returning only a portion of this reserve and retaining a portion to satisfy claims of Americans against Hungary. Acting Secretary Acheson on June 15 determined that the United States would return the Hungarian gold reserve held in custody in the U.S. Zone of Germany in order to stabilize the Hungarian monetary system and economy, provided the Hungarian Government assured that it would return any part of the reserve subsequently determined to be looted. An official American train carried the Hungarian monetary gold from Frankfurt to Budapest on August 6, 1946, where it was received ceremoniously by Prime Minister Nagy. ...The Tripartite Gold Commission directed the last major release of monetary gold through two contracts with Pan American Airways, which served as the principal carrier. The first flights delivered "approximately 58,705.5410 kilogrammes of monetary gold coins," and the remaining flights delivered "approximately 74,498.64262 kilogrammes of monetary gold coins and/or bars" to the Bank of England in London. ...After December 1950 the Foreign Exchange Depository ceased to exist. <http://www.ess.uwe.ac.uk/documents/eight.htm>

The Bank for International Settlements (BIS) is an organization of central banks with headquarters in Basel, Switzerland. The BIS was formed in 1930 to coordinate Germany's World War I reparations payments to various nations. ...The BIS's statutes provided for U.S. representation on the Board of Governors, but the U.S. Federal Reserve Bank did not choose to do that until 1994....The President of the BIS, American Thomas McKittrick, was re-elected in 1942 with German acquiescence. In February 1941, Paul Hechler, a German banker serving as the BIS General Director, explained to the U.S. Treasury representative in Berlin that the officers of the bank were determined to keep it alive as a center of future international financial cooperation and were unanimously agreed on the necessity of keeping McKittrick in office in order to maintain a link with the United States. ...In summer 1941, *Fortune* magazine warned that Germany, by picking up shares from French, Belgian, Netherlands, Norwegian, and other holders, had gained control over the BIS. This charge was denied by McKittrick. ...As early as 1942 the Treasury Department suspected the BIS of shifting assets to neutral countries in order to "escape and defeat the foreign funds control" of the U.S. Government and of being controlled by the Axis. <http://www.ess.uwe.ac.uk/documents/eleven.htm>

For information on the ESF, see a particularly useful history at [http://www.iie.com/publications/files/chapters\\_preview/43/3iie2717.pdf](http://www.iie.com/publications/files/chapters_preview/43/3iie2717.pdf)

**(21)** ([http://www.padrak.com/alt/BUSHBOOK\\_3.html](http://www.padrak.com/alt/BUSHBOOK_3.html) from Harry Hurt III, "George Bush, Plucky Lad," *Texas Monthly*, June, 1983).

**(22)** (An interesting research project would be to examine the archived papers of Holland McCombs, a Dallas reporter, housed at the Paul Meek Library of the University of Tennessee at Martin. (See <http://www.fas.org/sqp/advisory/arrb98/part10.htm> and [http://www.utm.edu/departments/acadpro/library/departments/special\\_collections/manus/mccomb/ser09.htm](http://www.utm.edu/departments/acadpro/library/departments/special_collections/manus/mccomb/ser09.htm) and [http://www.utm.edu/departments/acadpro/library/departments/special\\_collections/manus/mccomb/1\\_9\\_170.htm](http://www.utm.edu/departments/acadpro/library/departments/special_collections/manus/mccomb/1_9_170.htm))

**(23)** The Point IV Program was introduced by Truman in 1949, and is mentioned repeatedly in Gerard Colby's book, *THEY WILL BE DONE*, *The Conquest of the Amazon: Nelson Rockefeller and Evangelism in the Age of Oil*. Colby indicates at p. 286 that Nelson Rockefeller, who had long concentrated his development efforts in South America, was the chairman of Point IV's International Development Advisory Board. Colby states: "Investments, financed by foreign loans and local capital, should be made in building roads into the coastal interior and the highlands to reach resources and serve commercial interests. A food industry should be developed to help replace the Indians' subsistence farming with a distribution system that was more appropriate to wage labor. All these projects would be implemented by Point IV technicians who came on the heels of Galo Plaza's triumphant June 1951 visit to Washington....with its grand finale at the Rockefellers' Pocantico Hills estate....The initial bills and the longer-term bonded debt with Chase and other New York banks would be underwritten, of course, by the banana boom inspired by United Fruit's massive purchases."

Vice President Henry A. Wallace, who was a member of FDR's secret "war cabinet," chaired the Economic Defense Board, the Supply Priorities and Allocations Board, and the Board of Economic Warfare. Divided



into an Office of Imports, Office of Exports, and Office of War Analysis, the Board of Economic Warfare (BEW) supported the Allied war effort through procurement of strategic resources. Wallace attempted to force negotiated contracts to provide for socially beneficial improvements to the Latin American infrastructure, with the United States funding half the cost of these programs. On July 15, 1943, Roosevelt dissolved the BEW and reconstituted its function under a new Foreign Economic Administration. [http://www.senate.gov/learning/stat\\_vp33.html](http://www.senate.gov/learning/stat_vp33.html) The BEW also for a time had the job of advising the State Department on Lend-Lease negotiations. The Board included the chairman of the War Production Board and the Lend-Lease Administration. It seems, more than anything, to have been an attempt to funnel taxpayer funds into the infrastructure created by the Rockefeller Foundation hierarchy and under its control. For example, Roosevelt had created the Office of the Coordinator of Inter-American Affairs (CIAA), headed by Nelson Rockefeller. The Assistant Coordinator John McClintock helped United Fruit run its South American plantations after the war, often cooperating with the CIA. Paul Nitze served as director of the financial division of the CIAA and represented Rockefeller on the Board of Economic Warfare. That experience enabled Nitze (banker at Dillon, Read & Company) to move on to the Departments of War and State with a basic knowledge of metals and armaments. It should also be noted that Nitze was the brother-in-law of Walter Paepcke, who created the Aspen Institute with Paul Nitze's assistance.

(24) <http://www.mindscience.org/about.html> and  
[http://www.noetic.org/lons/publications/review\\_archives/frontiers\\_of\\_research/frontieirs\\_45\\_36.htm](http://www.noetic.org/lons/publications/review_archives/frontiers_of_research/frontieirs_45_36.htm)

(25) <http://www.tsha.utexas.edu/handbook/online/articles/view/H/coi1.html> and  
<http://museum.lamarpa.edu/ThomasHicks.html>

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