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SECRET RULING SAID TO AID DEFENDANT
BY DAN CARMICHAEL
ALEXANDRIA, VA.

A secret ruling by a federal judge will help a former Army counter-intelligence specialist accused of selling out to the Soviets to prove he was working for the CIA, his lawyer said Friday.

Richard Craig Smith, 40, is charged with selling defense secrets - the identities of six U.S. double-agents -- to the KGB for \$11,000. But he says he was working for the CIA and made the deal in Tokyo at the agency's request.

He could be sentenced to life in prison if convicted.

Smith's lawyer, A. Brent Carruth, praised a secret pre-trial ruling issued late Thursday by U.S. District Judge Richard L. Williams.

The ruling remained secret because it deals with national defense issues. A censored version is expected to be made public next week.

Carruth, contacted in Los Angeles, said he is prohibited from discussing the contents of the ruling but remarked, "We're in great shape."

"It's my opinion that the judge did what was right and fair and he's going to allow Smith to defend himself on the basis of Smith's knowledge that he was working for the Central Intelligence Agency," Carruth said.

Carruth said the government has 10 days to decide whether to begin Smith's long-delayed trial or appeal the ruling to the 4th U.S. Circuit Court of Appeals in Richmond.

"Everyone, including the judge, presumes the government will appeal," Carruth said.

The judge has not yet ruled on other pre-trial issues raised at a public hearing, including a defense contention the government has engaged in "subtle witness tampering" in an attempt to prevent testimony by CIA employees and others who could help Smith.

Smith says he was working for two CIA contacts who gave him a telephone number in Honolulu to call upon returning to the United States. The phone number was assigned to a now-defunct Honolulu investment firm reputed to have extensive CIA contacts.

The firm was named Bishop, Baldwin, Rewart, Dillingham and Wong.

The trial has been delayed because the defense and prosecution have been unable to agree on what classified information, if any, may be used as evidence.

Under the federal Classified Information Procedures Act, secret court hearings and classified rulings are allowed in cases involving national security issues.

SPOTLIGHT WEEKLY

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CIA Linked to Money Scam

EXCLUSIVE TO THE SPOTLIGHT

By Tom Valentine

The plot is plenty thick, and battle lines are drawn along three fronts in the mysterious Hawaii investment scandal that promises to hang more dirty linen from the CIA out for public exposure.

State and federal prosecutors in Hawaii charge Ronald R. Rewald with "theft by deception," in a \$22-million "Ponzi scheme" that took advantage of investors (SPOTLIGHT, May 28).

Rewald rejoins by charging that his entire corporate operation, Bishop, Baldwin, Rewald, Dillingham and Wong, was part of an elaborate CIA covert operation program and he is innocent. The CIA owes the investors their money, Rewald contends.

Backed by a coterie of loyal investors, Rewald is aiding a lawsuit seeking to force the CIA to return monies to investors. The investors allege that once the Internal Revenue Service began investigating Rewald's firm, the CIA panicked and pulled the plug on the operation, washing the invested funds down several mysterious drains.

The CIA denies all, claiming only to have used Rewald's offices for telephone services and other "slight involvement."

Prosecutors and bankruptcy trustees have accepted the CIA version, and recently announced that Rewald's partner, Sunlin "Sunny" Wong, has confessed to the "Ponzi scheme."

ACE ASSASSINS

Incensed, and determined not to lose their money, the investors have hired Melvin Belli of San Francisco to represent them, and have come up with two aces of trump in this pitched battle to prove CIA involvement. The investors have uncovered two "hit men" who allege they were hired by the CIA to kill Rewald when the latter was in prison in 1983.

Then, to make matters more exciting, a federal judge in Alexandria, Virginia has ordered the CIA to produce its Rewald records.

Richard Craig Smith, charged with espionage and providing defense secrets to the Soviets, has counterclaimed that he, like Rewald, was employed to do so by the CIA. He has attempted to merge his

defense with Rewald's and with the Rewald investors.

The CIA is sticking to its guns, saying it has no knowledge of Smith and his alleged CIA contacts, just as it denies involvement with Rewald.

Meanwhile, the CIA continues to keep a surprisingly docile media away from the scandalous story. The lid may not be able to stay on the media much longer, however.

"If the CIA were not involved up to its ears," one of the investors asked The SPOTLIGHT last week, "would they have hired two contract hit men to kill Rewald while he languished in jail last year?"

The investors who spoke exclusively to The SPOTLIGHT asked that their names not be used at this time. They were in Belli's office awaiting a deposition from one of the alleged CIA hit men.

Rewald, also in San Francisco, told The SPOTLIGHT, "I'm not trying to undermine the CIA; these are my friends. I simply want justice done, especially for the investors."

Rewald may not be seeking a bitter confrontation with his former associates and bosses, but the evidence indicates that the CIA intends to stonewall this case to the death—probably Rewald's!

The can of worms that's been opened by the Rewald fiasco reaches too deeply into CIA secrecy to allow for any admission of complicity.

Several well-known writers, including Seymour Hirsch, David Taylor of BBC, and Bill Wood, have been lurking around the Belli offices for the past two weeks filling note pads with sensation after sensation.

Meanwhile, Assistant U.S. Attorney John F. Peyton Jr. is prosecuting the fraud case as though the CIA didn't exist.

But according to the investor camp, Peyton himself is a former CIA operative.

The bankruptcy controller has listed Rewald's personal spending of investor money at \$4,699,289.57 and the "net balance due investors" at \$10,347,730.96. The trustee reports that Rewald's firm returned \$10 to investors.

As for the CIA—mum's still the word. ●