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# Ronald Rewald and the CIA

## Coming trial may shed light on shadowy ties between the 2

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The criminal trial of Milwaukee-born Ronald Rewald is scheduled to open in Honolulu Federal Court on Aug. 5, two years to the week after he was found in a Hawaiian hotel room, wrists slashed.

The night before, he had watched a Honolulu TV station expose some of the seamier side of his lucrative consulting firm and his millionaire life style. He feared his secret work for the US Central Intelligence Agency would be exposed.

Rewald is one of the most extravagant alleged swindlers ever to come out of Milwaukee.

He certainly was one of the city's most unusual home-grown secret agents.

In the trial, the government is expected to argue, in a presentation one prosecutor said would take two to four months, that Rewald defrauded nearly 400 investors of about \$22 million and spent millions of that on his lavish polo-club life-style.

The defense is expected to argue that he operated under orders from, and with the knowledge and consent of, the CIA.

What's at stake in his trial on 98 counts of fraud, perjury and other charges is more than one man's criminal guilt or innocence. At issue also is how much the public will be allowed to learn about the involvement of the CIA in international finance.

There is no doubt that Rewald was involved with the CIA, and that the CIA was involved in some of his international dealings.

The agency has confirmed, for example, that it had him sign one or more of its pledges to secrecy. It acknowledged asking him in 1978 to set up two dummy corporations which it used as covers for covert operations in the Far East.

The CIA has said that the checks to Rewald made out by CIA Honolulu station chief John Kindschi, another Wisconsin native, were to pay the phone bills for the dummy companies, and that an undisclosed number of CIA agents operated out of Rewald's worldwide offices. Kindschi himself joined Rewald's firm as his top aide.

For two years, the agency has successfully fought in the courts to keep Rewald's CIA claims out of public testimony and to keep any of the hundreds of CIA documents he has asked for out of open court. His trial may be the last opportunity for public disclosure of the agency's involvement in his financial dealings.

Ronald Rewald, it appears, was a man operating on the boundaries: the boundary between legitimate business activity and criminal fraud, between private business dealing and secret intelligence work. He and the CIA were useful to each other.

Rewald had always been an ambitious businessman. In Milwaukee, he had risen from a sporting-goods salesman to the owner of College

Athletic Inc., an old-line supplier of sports equipment to schools and teams.

He had the idea of franchising his store around the state, long before the concept of franchised sporting-goods stores took hold in shopping malls. Unfortunately, he sold a franchise to two men in Wausau, Wis., without registering it with the state, and pled guilty in 1976 to a misdemeanor. His company failed, and the next year, after both business and personal bankruptcies, he left Milwaukee for Honolulu.

Within a year he had established an investment consulting company. Five years later, he had built the Bishop, Baldwin, Rewald, Dillingham & Wong firm into a million-dollar-a-month operation. But several state and federal agencies were investigating him, and when this was reported on Honolulu TV, Rewald attempted suicide.

Among the business deals with Wisconsin connections that he was working on at the time of his crash were an attempt to open a version of Milwaukeean David Baldwin's Safe House bar in Honolulu; a \$29 million real-estate development project with Milwaukee's Northwestern Mutual Life Insurance Co.; a marketing arrangement with Milwaukee's Rose Co., which makes oil-production equipment; and a plan to open a Hawaiian version of Tommy Bartlett's water show.

Rose Co. owner R.J. Rothen learned that something was going wrong when he got a phone call shortly after the suicide attempt. The call was from Singh Pasrich, Rewald's Indian associate.

Remembers Rothen: "I got a call from Pasrich in New Delhi saying, 'Don't worry about what's happening in Hawaii, we still have a deal.'"

Rothen, who had been negotiating for Rewald's firm to represent his in India, Indonesia and other places with oil-field development potential, took his business elsewhere.

Some of Rewald's other business deals are murkier.

The Fund of India, for example, supposedly a stock fund investing in Indian companies, was described by Rewald as designed to allow wealthy Indians to smuggle money out of the country.

On the fund's board of directors were Rewald, Baldwin, Pasrich, Pasrich's daughter, then a Marquette University student, and Gaylord Nel-

son, the former Wisconsin governor and senator.

Nelson said he didn't know about the fund, and first learned about it, and Rewald's problems, in a phone call from Baldwin in 1983.

"Mr. Baldwin is the first one that notified me, saying that my name had been used," recalled Nelson, who now heads the Wilderness Society in Washington, D.C. "Baldwin called me saying that Pasrich was concerned that I might be embarrassed."

Baldwin has denied Rewald's claim that the fund was a money-exporting scheme, as well as Rewald's claim that Baldwin, Rewald and Pasrich were negotiating a secret sale of military equipment to some Indians. Baldwin said the aircraft under discussion were for oil-field projects.

The Indian arms deal was discussed in a 1982 conversation between Rewald and Jack Rardin, then CIA Honolulu station chief. Rewald taped the conversation, having begun to worry about an Internal Revenue Service investigation and the possibility that the CIA would abandon him.

Other international dealings were under CIA direction, Rewald claims. Among the documents retrieved for him from his office and home before government agents swept through to remove CIA-connected items are lists of questions about the economic and political situation in Argentina, Indonesia and Thailand, lists he claims to have been given by the agency.

Rewald traveled to Argentina while that country was at war with Britain, pretending to be interested in buying a bank. All the while, he says, he was obtaining information on the effect of the crisis on the Argentine banking system.

As The Journal earlier reported, a Rewald associate, Robert Jinks, told the Securities and Exchange Commission that while in Argentina, Rewald used CIA intelligence to engage in real-estate speculation, buying properties being dumped by wealthy Argentines who feared a British invasion.

At the time of his collapse, Rewald was preparing to hire onto his staff one John Sager, whose resume describes him as a CIA specialist on Soviet and Middle East affairs, including a tour as "senior CIA representative in Moscow."

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The CIA has said that it learned early in 1983 that some of its agents who were working with Rewald were in a conflict of interest, mixing personal investments with agency business. The agency investigated only after Rewald brought his IRS problems to the CIA's attention with repeated pleas for them to call off the IRS to avoid blowing his cover.

One CIA agent working for Rewald since 1979, going by the name Richard P. Cavannaugh, wrote Rewald in June 1983, after receiving orders from CIA headquarters to clean up his Bishop, Baldwin activities. "Thanks for getting everything closed out for me," Cavannaugh wrote. "Unfortunate, from my view, but it at least clears the air with my home office who are now seemingly satisfied that there is no 'apparent' conflict of interest.

"They were not arguing that there was any 'real' conflict of interest, but [agents] must be Simon pure," he wrote. "I also assume your 'tax problem' has also been taken care of," Cavannaugh added.

In its 1985 report, the US House of Representatives select committee on intelligence wrote: "The committee as a practice does not publicly comment on cases currently being tried, but the Rewald case in Hawaii requires some mention.

"The committee can find no evidence that the CIA instructed Mr. Rewald to engage in the financial activity that has brought him before the bar of justice. The committee is concerned, however, that one or more CIA employes may have acted in an unprofessional way, endangering their own and others' cover, in their eagerness to make what they thought would be enormous profits by investing money with Mr. Rewald."

Was the CIA guilty only of allowing some of its employes to become too greedy? Or was the agency itself too greedy in the use it made of Rewald?

The real fight at the upcoming trial will be between the government's attempt to restrict testimony and evidence to non-agency matters, and the defense's desire to bring out as much as it can about the connection between Ronald Rewald and the CIA.

## Who is Ronald Rewald?

### Personal:

■ 42 years old, married, five children, lives in Los Angeles.

■ Born and raised on Milwaukee's South Side; graduate of South Division High School; attended Milwaukee Institute of Technology (now Milwaukee Area Technical College) early 1960s.

■ Moved from Milwaukee area to Honolulu in

1977 after business and personal bankruptcy; to Los Angeles in 1984 after 1983 business bankruptcy, suicide attempt, and felony theft charges.

### Business:

■ Sporting goods salesman, Milwaukee, 1960s.

■ President, College Athletic Inc. sporting goods, Milwaukee, 1972-75; firm went bankrupt in 1975.

■ Chairman of the board, Bishop, Baldwin, Rewald, Dillingham & Wong, Honolulu-based consulting firm, 1978-1983; firm placed in involuntary bankruptcy in 1983.

### Legal:

■ Pled guilty in Wausau, Wis., to misdemeanor for selling franchise in sporting goods store without registration, 1976; paid \$2,500 restitution.

■ Charged with two counts theft, Honolulu, 1983.

■ Sued CIA for \$671 million for allegedly ruining his company and reputation, 1984.

■ Charged with 100 federal counts in connection with alleged \$22 million fraud, 1984 (2 counts later dropped on technical grounds).

## A look at the charges

Rewald's trial on 96 charges is scheduled for Aug. 5, federal court, Honolulu.

Prosecutors will argue he charmed \$22 million from about 400 investors, including family, friends and employes. He lied to them, indictment charges, saying his was old-line investment firm making safe but lucrative short-term international investments.

Rewald promised return of 26% per year, with accounts insured up to \$150,000 by a federal agency.

### Charges include:

- Securities fraud (38 counts);
- Mail fraud (37 counts);
- Perjury (4 counts);
- Income tax evasion (4 counts);
- Interstate transport of stolen funds (3 counts);
- False statements to federal agencies (4 counts);
- Misrepresentation concerning Federal Deposit Insurance Corp. insurance (6 counts);
- Improper behavior as investment adviser (2 counts).

Indictment says only \$623,000 of \$22 million went into business deals. Remainder allegedly went:

- To maintain Rewald's "exceptionally lavish lifestyle;"
- To "maintain a false facade of legitimate investment activity;"
- To pay back investors who asked for money, creating "the illusion that investments had been made which produced earnings."

Indictment says Rewald spent \$5.58 million of investors' money on women, polo, horses, houses, ranches, cars, and other personal expenses.

Also says he lied in sworn statements when claiming firm created and operated under instructions from CIA.

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## Rewald's defense

"I am, and for the past five years have been, a covert agent for the Central Intelligence Agency"

This Rewald claim, in sworn 1983 affidavit for US Bankruptcy Court, is basis for his defense.

CIA confirms using firm and some subsidiaries as cover for secret agents; confirms Rewald signed employe secrecy pledge; denies responsibility for firm's activities.

Rewald says CIA suggested setting up Bishop, Baldwin in 1978; suggested using names of old-line Hawaiian families in company name; suggested false story about its history and size.

Rewald says CIA in 1980 "began using the Bishop, Baldwin investment account as a vehicle in which to place funds . . . to be used in foreign operations overseas . . . to shelter monies of highly placed foreign diplomats and businessmen."

By 1983, Rewald says, CIA work included economic intelligence in Chile, Argentina; arms deals in India, Taiwan; prisoner-of-war search in Cambodia; illegal currency transfers in Greece.

CIA funded polo-club lifestyle, Rewald said, to help cultivate relationships with Asian, Arab billionaires; also provided forged Marquette diplomas to give him academic respectability (*see accompanying story*). To help run intelligence activities, he says, Honolulu CIA chief — Wisconsin native John Kindschi — 'left' agency to join firm.

Access to international investments now blocked, he says, by danger to influential people from exposure of CIA ties.

CIA affiliation began mid-1960s, he says, when he was hired to spy on protest activities at University of Wisconsin — Madison.

Can Rewald prove charges? Government has tried to keep CIA documents from him. Prosecutors tried to drop perjury charges — relating to CIA claims in affidavit — to avoid introduction of CIA material as evidence.

Unknown how much CIA information will be allowed at trial.