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STAT

# CIA Chief Casey to Face Senate Inquiry On Multiponics Role, Agency Procedures

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON — Central Intelligence Agency Director William Casey this week faces a double-pronged inquiry from an unhappy Senate Intelligence Committee.

The committee's staff has been instructed to examine in more detail Mr. Casey's involvement in Multiponics Inc., a failed agricultural concern of which he was a director. Last week, it was disclosed that a federal judge had ruled that Mr. Casey and other officers of the company knowingly misled investors in a securities offering circular.

In addition, the staff will study the CIA's security procedures to see why they didn't uncover allegations of improper business activity by Max Hugel, the man Mr. Casey chose to be director of the CIA's spy operations. Mr. Hugel resigned last week after he was accused by past business associates of improper and possibly illegal securities activities in 1974.

The twin scandals have created widespread unhappiness on Capitol Hill with Mr. Casey's performance. Members of the influential Senate Intelligence Committee are particularly upset because they weren't informed in advance that the scandals were brewing, aides said.

"The thing that concerned them was that the consultative process seems to have broken down," one staff aide said. "The committee was taken by surprise. They don't like that."

The committee members registered their unhappiness "rather clearly" in a meeting Friday with CIA Deputy Director Bobby Inman, staff members said. The meeting had been scheduled before the scandals arose.

Senators on the Intelligence Committee want the staff to report its findings early next week. Committee members want to "clear the air" quickly, one congressional source said. "I think if the committee is agreed on anything, it's on that," he added.

Mr. Casey might have to appear personally to convince the committee that there won't be further embarrassing details of his business dealings, this source said. Otherwise, he added, some lawmakers could begin pushing for Mr. Casey to step aside.

Even before last week's developments, some lawmakers had been unhappy with Mr. Casey because of his insistence on appointing Mr. Hugel to a sensitive CIA job. Mr. Hugel, a Reagan campaign supporter, didn't have any previous intelligence experience.

On Friday, the White House again reiterated President Reagan's support for Mr. Casey. The President "is very firm" in expressing his confidence in him, said White House Director of Communications David Gergen. He added: "I think there is a concern that this not be blown out of proportion."

Sen. Barry Goldwater (R., Ariz.), the committee's chairman, also said that Mr. Casey should stay in office "unless we find further allegations."

ARTICLE APPEARED ON PAGE A-8

WILMINGTON EVENING JOURNAL (DE)
20 JULY 1981

# More about Casey — and his '65 invasion of Delaware

Ralph S. Moyed

THE FARMING VENTURE THAT AGAIN has CIA Director William J. Casey in hot water was a loser almost from the beginning.

Alfred J. Moran, the New Orleans industrialist who started it all, lost as much as $2 million when Multiponics Inc. went bankrupt in 1971, three years after it was formed, triggering lawsuits by outside investors.

Carl Biehl of Houston, head of a stevedoring company on the Gulf Coast and reported associate of underworld figures, lost more than $1 million.

It is uncertain how much had been invested by Casey, the firm's lawyer, financial adviser and corporate secretary.

But it appears that Casey was the only director to salvage any money out of the deal, as is his habit.

A lawyer for Casey's friend Biehl said none of the partners collected even directors' fees — but Casey was paid for his services as Multiponics' general counsel.

How much is uncertain, said the New Orleans lawyer, George Kimball.

The betting in Washington is that Casey will survive inquiries into two court rulings that Casey and other Multiponics directors misled investors.

If Casey does survive, one reason will be that he is a tough fighter who knows how to use powerful friends when he has his back to the wall.

Except for that ability, Casey might not have gotten out with a bundle when he was accused of unethical conduct in a 1965 civil suit in Wilmington.

John Van Brunt, the Wilmington lawyer who leveled the charge in 1965, said Casey was saved that time by a mysterious call from Washington.

Casey got out of the earlier trouble with the money and soon was lending his genius to a grandiose land and crop deal.

"They were high-stakes gamblers," said William W. Herpel, who recently sold out his International-Harvester franchise in Thibideaux, La. Herpel was the court-appointed trustee for the bankrupt corporation and the man who sued Casey and the other directors in a federal court in New Orleans, charging gross mismanagement and negligence.

Alfred Moran, heavily involved in the Gulf Coast waterfront, conceived the idea and brought in Casey and Biehl as his principal partners.

Beginning in 1968, they bought up farms in Louisiana, Mississippi, Arkansas and Florida — 44,000 acres in all. They weren't interested in farming.

"They were speculating on land values and crops — everything from soybeans to rice to cotton," said Herpel.

They sold debentures to outside investors — $3.5 million or more — before they went bankrupt.

"The thing just fell of its own weight," said Herpel.

Other speculators were doing the same thing at the time, Herpel said, but Casey and his partners were overextended and couldn't wait for inflation to pay off their debts.

In the last year, federal courts ruled against Casey and his associates in two lawsuits by Multiponics investors. In one, the court held that Casey and his friends drove Multiponics deep into debt by managing the company in a "pattern of self-interest." In the other, the court ruled that the directors had misled early investors about debts and other matters.

Casey denies wrongdoing and Republican Senate leaders are springing to his defense. Senate Intelligence Committee Chairman Barry M. Goldwater told reporters that they are "making a mountain out of a molehole" with their stories about Casey, who ran for Congress on the Liberal-Republican line in 1966.

CASEY HAS FRIENDS THROUGHOUT the Washington establishment.

In 1965, he needed them, according to Van Brunt, the Wilmington lawyer who represented Nicholas Ridgely du Pont in a 1965 lawsuit against his brother, Eugene du Pont III.

The two du Ponts were embroiled in a dispute over oil and real estate investments made with the help of Casey. Casey was demanding $770,000 for himself.

At the time, Van Brunt said, Casey had cut himself in for a 20 percent share without putting up any of his own money. Van Brunt wanted the Court of Chancery to rule that Casey had violated legal ethics and was entitled to nothing.

"Casey came storming into town, raising hell with powerful people," Van Brunt said. Eventually, these unidentified people prevailed on Nicholas du Pont to call off Van Brunt.

What tipped the scales was a call from a government official in Washington — Van Brunt never knew who placed it — to his senior law partner, the late Clair J. Killoran, Van Brunt said. "Killoran pulled the string."

Van Brunt dropped the unethical practice charge against Casey. Casey got his $770,000 — and went on to become chairman of the Securities and Exchange Commission, undersecretary of state, chairman of the Export-Import Bank, Ronald Reagan's campaign manager and director of the CIA.

The du Pont brothers settled the case. Later, a mining engineer who had worked for the brothers committed suicide in Texas.

"At least he did the decent thing," said Van Brunt.

STAT

PITTSBURGH PRESS (PA)
19 July 1981

# CIA Follies

The Central Intelligence Agency, embarrassed a few years ago by disclosure of illegal and immoral acts, has been embarrassed again, but this time the spy shop wasn't at fault.

For obscure reasons, President Reagan made William Casey, one of his campaign managers, CIA boss, and for even dimmer reasons Mr. Casey named Max Hugel, a businessman and minor campaign figure, head of the CIA's clandestine operations.

How Mr. Hugel ever got through the CIA's vaunted security and clearance checks is a mystery. He had dubious dealings with two New York stockbrokers, who he says had threatened to blackmail him. A spymaster, which is what Mr. Hugel was, subject to blackmail is a security risk.

Anyway, The Washington Post blossomed the other day with transcripts quoting Mr. Hugel and the stockbrokers talking about kiting his company's stock, and he promptly resigned.

Either The Post did some great reporting or old hands at the agency, resenting Mr. Hugel's lack of qualifications, did a job on him. It would be safe to bet a tattered cloak and rusty dagger on the latter theory.

★ ★ ★

The Hugel fiasco raises questions about Mr. Casey's judgment. He should not, of course, have put an amateur in the agency's most sensitive post, the one controlling assignment of spies abroad and counterespionage.

Mr. Casey himself is having trouble with a New York judge who says he misled investors in a securities deal. If he decides to resign it will be no tragedy. No. 2 man at the CIA is Adm. Bobby Inman, a respected intelligence professional, who ought to be moved up.

ARTICLE APPEARED ON PAGE F-3 — WASHINGTON STAR 19 JULY 1981



HUGH SIDEY

# The Rise And Fall of Max Hugel

After Max Hugel, America's spy boss, took himself and his toupee out of the CIA last week, Bill Casey, director, took up the phone and called around Washington to assure concerned politicians and journalists that the singular case was finished, closed.

Casey was not quite ready to confess total error in selecting the stubby millionaire businessman to be deputy director for operations, the person who runs the CIA's clandestine services. In any other job in the government, Casey said, the allegations against Hugel for improper stock market practices probably would not be enough to warrant such a hasty exit. In the 17 months he had known Hugel, Casey insisted he had found him to be "an enormously effective guy," bringing the kind of organization moxie that Casey decided the CIA needed.

Casey declared that he had kept his eye on Hugel in his two jobs at CIA (Hugel first was deputy director for administration) and he had "thought it would work." Then came the unexpected revelations of Hugel's business problems.

There is always something engaging about Bill Casey, 68. He is gruff but a low chuckle arises now and then. He enjoys adventure and in his years he has made and lost a few fortunes and participated in the big events of the world. Some say he is much like his old boss, "Wild" Bill Donovan, the man who ran U.S. intelligence operations during World War II.

## Job-Hunting for Hugel

Indeed, when Casey walked in the door of the CIA last January he wanted a job for Hugel. It usually is the other way around. The jobs are surveyed and then people found for them. Casey's absolute insistence that Hugel was going to work at the agency may have caused the security clearance process to be less thorough than normal. In any event, the business irregularities were not detected. Hugel with his toupee firmly glued in place went to work and, considering the usual sensitivity of the bluebloods who have made the CIA the superb organization it is, there was not much grumbling. Some of them privately thought that the agency's administrative procedures needed a little shock treatment. They got it.

The 5-foot-5 inch Hugel made up for his lack of stature with colorful language and abrupt decisions. He soon become known as "the hip-shooter" around the agency. He was searching for efficency and he used business techniques. He chopped research and meetings, both in length and size. Some problems arose almost immediately. The bottom line in the intelligence business is a successful operation, not dollars and cents. Some business ideas can apply to intelligence work, but some cannot. Hugel never seemed to understand that efficiency in spy work can mean an operation is less secure.

Hugel's fire-plug personality began to wear thin at the agency after only a few weeks. The stories started to circulate, most at Hugel's expense. It was said that his name was pronounced Hugel until he made his first million, then it became HuGELL. One report had it that there were plans to build a platform behind his desk so he could see over it when he sat there. Hugel's language was considered offensive.

When Casey decided to move Hugel over from the administration to operations there was almost unanimous shock and protest. To this day there is no record of any person inside or outside the CIA concurring with Casey's rather abrupt decision, apparently inspired in part by Hugel's complaints of being bored with administration. Even Admiral Bobby Inman, deputy director of the agency, opposed the move. Running a spy network is an art form, one that requires patience and deep knowledge of people, nations and world events. No matter how bright a person may be he cannot instantly acquire this background. Much of the record on the most sensitive operations has never been written down. It is spoken between people who have worked in the dark alleys together for years.

## Chased Casey's Hat

When Hugel's new job was announced, *The Wall Street Journal* recounted how, as a Reagan campaign aide to Casey, Hugel in chasing Casey's hat on a windy day lost his toupee in the same blast. There was something about having the chief spy with a toupee that just did not go down well with the people around Hugel. It is tough enough being an undercover agent in the James Bond era without having to account for the boss's toupee. And there were other problems. Hugel one day asked his clandestine people what ought to be done about the Cuban refugee problem. Since the issue was not a CIA matter and nobody thought Hugel was serious, one person joked that maybe we should train them to be baseball players and farm them out. Hugel was not amused. On another day, an officer came to Hugel with a list of problems ranging from the new Mitterrand government in France to the ouster of two agents in an African nation. As later described, Hugel had no grasp of what was before him.

The speed with which Bill Casey replaced Hugel with John Henry Stein, a career officer, suggests that maybe Casey himself is a bit relieved to be rid of Hugel. As far as the stories go about Casey leaving, there does not seem to be much in them. Casey says that except for this unfortunate interlude, he is having a great time.

ST. PAUL PIONEER PRESS (MN)
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NEW YORK TIMES
19 July 1981

# Reagan, at Ottawa Talks, to Ask For Caution in Allies' Soviet Trade

By LESLIE H. GELB

Special to The New York Times

WASHINGTON, July 18 — President Reagan, who leaves for Ottawa tomorrow for talks with the leaders of the six other major industrial democracies, has settled a major policy dispute within the Administration by deciding to ask the allies to follow a collective, cautious approach toward the Soviet Union on economic matters.

Well-placed Administration officials say that his decision to follow this course, rather than to confront allied leaders with a harder line on East-West trade issues, settled what was widely described as a major struggle between Secretary of State Alexander M. Haig Jr. and Secretary of Defense Caspar W. Weinberger.

### Appeal for Precautions

According to these Administration officials, Mr. Reagan will ask the allies to study how importing Soviet energy will affect their vulnerability and to take a fresh look at whether trade with Moscow has moderated Soviet behavior.

These officials say he will urge that, while maintaining a cooperative economic policy toward the Soviet Union, the allies remain alert to security problems. He will also suggest, they said, that West Europeans take precautions in their prospective deal to build a pipeline and buy natural gas from the Soviet Union but will pose no flat objections to the deal. He reportedly considers the pipeline issue secondary to West European reliance on Soviet energy.

Some officials said that the President seemed to be leaning toward approval of a $40 million sale of pipe-layers to Russia by the Caterpiller Tractor Company, indicating that he was not going to close trade doors with Moscow. Other officials said no decision had been made.

Mr. Haig and Mr. Weinberger argued for their respective approaches to the economic question in two National Security Council meetings last week, with virtually all those present backing Mr. Haig except William J. Casey, the Director of Central Intelligence, and Jeane J. Kirkpatrick, the chief delegate to the United Nations.

Mr. Weinberger argued, the officials related, that economic relations with Moscow should be treated as an extension of the military competiton. He urged an embargo on the export of strategic equipment and critical technology to Moscow, and contended that if Mr. Reagan used all of his personal

Mr. Haig's stance, as officials related, was that policy toward Moscow should not be totally confrontational, that Soviet leaders should not be squeezed so hard that their behavior became unpredictable, that the allies would not bend to Mr. Reagan's pressure and that no policy toward Moscow would be efective unless it was a common policy.

### Haig View Said to Prevail

All of the President's key advisers agreed on the goal of trying to exert tighter controls on Western exports to the Soviet Union, but the President had to choose between his two powerful Secretaries on how far to go and what was feasible. By most accounts, he essentially took Mr. Haig's view, although military officials say that their tough stance forced Mr. Haig to move toward them during the discussions.

According to the officials, the President made his decision on these grounds: Since the allies are highly unlikely to curtail trade with the Soviet Union significantly, pressing them would only create confrontation between the allies. If confronted, the allies would choose trade with Moscow over the Atlantic alliance, and the consequences of such a rejection of the American position would be catastrophic.

As one official explained: "It was not a question of what we all wanted but of what could be achieved. Since we could not stop the trade, the President decided to limit the damage."

Some in the Administration hailed this as a sign that the White House was increasingly moving toward practical decisions instead of posturing in foreign policy. Others expressed great unhappiness about what they saw as a severe problem of logic and politics, that is, asking the American people to go along with sharp increases in military spending to hold back the Soviet Union yet not taking an equally tough position on the economic matters.

Until the middle of this week, when Mr. Reagan made his decision, he was prepared to go far to keep his options open while others were trying to close them. On July 13, the office of Chancellor Helmut Schmidt of West Germany announced that the pipeline deal was "as good as complete." Within minutes, officials said, Mr. Reagan had a telephone call placed to a Schmidt aide, and two hours later the announcement was withdrawn.

The following account of how the President made his decisions was provided by officials in many of the agencies involved in the economic policy review.

Mr. Haig began the study and an interagency group was established under

I [illegible] Bureau of Politico-Military Affairs sided with the Pentagon against the European Bureau and the Bureau of Economic and Business Affairs. Mr. Haig and Myer Rashish, the Under Secretary for Economic Affairs, sided with the European and economics staffs.

### Separate Papers Prepared

The Pentagon staff argued consistently for a complete embargo on strategic trade. Many in the interagency group assumed that this was for bargaining purposes only and were waiting to see what Mr. Weinberger would say.

National Security Council meetings were set for July 7 and 9, and the Pentagon and State Department staffs were asked to prepare separate papers.

Mr. Casey submitted a paper backing Mr. Weinberger's position. He had discarded a pro-Haig paper prepared by the economic and energy staff of the C.I.A. and ordered a staff aide to write the second paper.

At the first meeting, Mr. Reagan asked everyone to state their general views. There was agreement that Western equipment would be very important to Moscow and that sales of critical materials should be curtailed but on little else. They could not agree on whether Moscow faced simply energy problems as Western nations do or an actual crisis. They could not agree on whether it would be wise to try to close off energy-related exports and on whether Moscow would react to such a move by allocating more of its scarce resources to peaceful economic pursuits or by putting more pressure on the Persian Gulf area to obtain more energy.

Mr. Haig made the case for not pressing the Soviet Union so hard across the board that it would become unpredictable. Mr. Weinberger countered that Moscow was going to cause more trouble in the Gulf area no matter what Washington did on trade, and that an embargo would force Moscow to divert funds from the military.

Vice President Bush and Richard V. Allen, the national security adviser, were the only ones not to tip their hands in this meeting or the next one.

All agreed that they did not want to subsidize Soviet economic development. They also agreed that the general discussion was getting nowhere and that they should turn to specifics and to whether they "could get the allies to go along with us."

For the second meeting, there were essentially three agenda items: strategic export controls policy, the West European-Soviet pipeline deal and the Caterpiller contract to supply pipe-layers.

Under the Export Control Act of 1979, the export of certain advanced tech-

LONDON SUNDAY TIMES
July 1981



# CIA: cracks grow wider

by David Blundy Washington

THIS weekend, the CIA is launching a "damage assessment study" of a disastrous week in which the American "super spy" was forced to resign in disgrace, putting the future of the agency's director, William Casey, in the balance.

The damage is enormous, the assessment belated. The world's most powerful intelligence agency failed to sniff out corruption in its own hierarchy — and America's allies have voiced their concern that the CIA's internal security is so deeply flawed.

The first blow fell last Tuesday when Max Hugel, the deputy director of operations, who is privy to the nation's top secrets and controller of the worldwide network of spies and covert activities, resigned after allegations about his murky business deals were splashed on the front page of the Washington Post.

Then Casey, already under attack for appointing his old friend Hugel to such a sensitive post, found himself under investigation. Two court rulings were suddenly uncovered which harshly criticised his own past business dealings.

A federal district court decision handed down in New York on May 19 accused Casey of omitting and misrepresenting facts to investors when he was a director of a company called Multiponics, a New Orleans farming corporation. That ruling came to light only last Wednesday.

Next day, a news agency discovered another court ruling, made in New Orleans more than a year ago, accusing Casey of engaging in "an overall pattern of self-interest" which drove his company "deeper and deeper into debt."

The Senate select committee on intelligence has ordered an investigation of Casey's "legal problems" and the Senate judiciary committee is considering a probe into his business dealings.

As the intrigue deepened, parandia seeped into the White House, where a senior aide said that the sudden surfacing of the court rulings against Casey, one of which had lain unnoticed for more than a year, smacked of a conspiracy by members of the CIA against their own director.

Conspiracy theories apart, the Senate intelligence committee will be asking some hard, straight questions. Why did Casey select his old buddy Max Hugel, a man with no experience of the intelligence world, for the key role at the CIA? Why did the CIA's office of security fail to check his shady background?

Yet, to find the fatal flaws of this short, plump, one-time "street fighter" from New York's Brooklyn district, the CIA office of security need have gone no further than his unpublished but widely circulated autobiography.

In it, Hugel boasts of "a tremendous inner drive to be willing to work my arse off to get ahead." It was not his only technique. During his undistinguished army career, he avoided being sent to the battlefield in 1943 by telling the army recruiter that he spoke fluent Japanese, a language which he now admits was Greek to him.

A fuller story of his business conduct emerged last month when two stockbroker brothers, Tom and Sam McNell, went to the Washington Post with an astonishing tale of fiscal skullduggery, supported by tape-recorded telephone conversations with Hugel.

The brothers claim that Hugel, who in the early Seventies was president of an ailing company called Brother International Corporation, provided them with inside knowledge of his company. They say he channelled funds to their company so that they could buy stock in his, thereby making his shares seem more buoyant than they really were.

But in December, 1974, the relationship between them began to sour when Hugel demanded loan repayments and the McNells threatened him with a lawsuit for having illegally disclosed inside information. One of tape-recordings includes a passage in which Hugel shouts at McNell.

"If you don't [take good care of me]," says Hugel, "I'll cut your balls off. You got no choice anyway. I'll get my Korean gang after you and you don't look so good when you're hanging by the balls."

With his business partners duly intimidated, or so he thought, Hugel began working hard to get ahead in a different direction — Republican politics. In February, 1980, he caught the eye of the new Reagan campaign director, William Casey.

After Reagan's victory, Casey was rewarded with the cabinet post of CIA director and he in turn duly rewarded Hugel, who followed him into the agency first as his personal assistant and then, to the horror of many CIA professionals, to the key job at the heart of the agency.

The CIA prides itself on the vigour of its security vetting for new recruits. For the lowliest entrant, the procedure of checking references and "development of sources" takes from three to six months. The security vetting for Hugel, who had access to the agency's deepest secrets, was completed in eight days.

# Controversy has tailed CIA chief

By R. C. Longworth

WILLIAM J. CASEY, America's spymaster, is a millionaire with a knack for lawsuits and controversey.

The Senate Intelligence Committee, which earlier approved President Reagan's nomination of Casey as director of the Central Intelligence Agency, announced it was opening a new probe of Casey's financial dealings.

The Senate investigation means that Casey's job is at risk, but it is too early to count him out. The 68-year-old lawyer-businessman has weathered similar storms in the past, but never from so sensitive a base as the CIA.

The new controversy surrounding Casey, coupled with his record, raised the question last week of what sort of man Reagan had chosen to head America's intelligence activities.

That record reveals a pattern of high-risk ventures, suits settled out of court, dealings that skirt the edge of ethics, and convenient lapses of memory.

The Multiponics affair, the cause of Casey's immediate problem, is typical of the record.

LAST TUESDAY, Tribune columnist Dan Dorfman unearthed a decision handed down May 19 by the Southern District Court of New York that Casey and seven other directors of Multiponics, Inc., had knowingly misled investors in a multimillion dollar fund-raising effort for the now-defunct company.

Multiponics seems to have been the kind of high-risk venture that has attracted Casey, as lawyer and investor, over the years. Organized in 1968, it was to have engaged in farming, agriculture, and land acquisition. It went bankrupt in 1974.

Multiphonics was formed, according to court records, to acquire farm properties owned by Casey and the other founders. Casey himself invested $145,614 in the firm. Multiponics also bought his properties by taking over his mortgage debt of $301,000. Altogether, the mortgage debt that the firm assumed from the founders totaled $2.7 million.

The lawsuit charged that a public-offering circular did not reveal this debt, nor the fact that 68 per cent of the funds it was trying to raise would go to company officials for loans they made to the firm.

The circular also neglected to mention that of the firm's seven farm units, two were not operating at the time, two others were being sharecropped, and a fifth was operating at a loss.

THE DIRECTORS, including Casey, pleaded that these omissions really weren't important to Multiponics long-range prospects. The judge, Charles Stewart, rejected this and said Casey and his colleagues misled investors, who are expected to sue for damages.

FBI agents, who had not known of this suit when the bureau investigated Casey before his nomination, obtained a copy of the judge's opinion.

As they did so, another Multiponics ruling, handed down a year ago in the 5th U. S. Circuit Court of Appeals in New Orleans, surfaced. It ruled that Casey and his other directors drove Multiponics "deep and deeper into debt" by managing the firm in a "pattern of self-interest." Accordingly, the court ruled that the directors would have to wait until all other creditors were paid off before getting their own loans back, which means they probably will not be paid at all.

The Multiponics case broke on the day that Max Hugel, a controversial sewing machine importer whom Casey had made his No. 2 man at the CIA resigned amid a scandal.

Casey had made Hugel his chief of undercover operations, despite Hugel's total lack of qualifications. Hugel quit after published reports that he had conspired in the mid-1970s to inflate the value of a company he owned by promoting phony stock sales.

THE MULTIPONICS CASE takes on meaning when set in the context of Casey's other scrapes, including the ITT case, the Vesco affair, a plagiarism suit, and the Advancement Devices sale.

The Advancement Devices case arose in 1971 when Casey first went to Washington as President Richard Nixon's nominee to head the Securities and Exchange Commission. Ironically, it concerned a case in which Casey himself appeared to violate SEC rules.

A civil suit filed in 1962 in Federal District Court in New York by Ronald H. Boggs, a disgruntled investor, accused Casey of selling $10,000 worth of stock in Advancement Devices, Inc., without registering it with the SEC. Boggs also accused Casey, a director of the company, of making false and misleading statements about the firm's financial position.

Casey settled the suit out of court for $8,000. He said he did it to avoid the cost and trouble of fighting the case in court.

Casey did not mention this incident to the Senate committee that confirmed his SEC nomination, forcing a second hearing and a second confirmation, and he blamed the illegal sale on an aide, Charles J. Thornton, whom the SEC had earlier expelled from the securities industry for a stock manipulation.

ASKED ABOUT IT later, Casey passed it off as a "relatively unimportant dispute."

The plagiarism dates back to a 1962 suit by a Henry Field, a lawyer who said he submitted a manuscript on tax matters to Casey, a tax expert who at the time was editor of a series of tax bulletins published by Prentice-Hall, Inc. The publishing house rejected the manuscript, but Field later sued Casey for $175,000, charging him with having pirated some of it for Casey's own work.

The case was settled out of court, with Casey paying $15,000, although Casey said later that Field's claim "had no merit."

Casey, in his 1971 confirmation hearing, told the Senate that the judge in the case had said a guilty verdict was not supported by the evidence. He also said the judge ordered the transcript sealed, to keep it out of public view.

However, the judge in the case, J. Braxton Craven Jr., denied ordering the transcript sealed and said he did not recall the other statement.

Casey also blamed the plagiarism on an aide, John Cudahy.

The ITT and Vesco cases, unlike the others, involved Casey's conduct while SEC chairman.

In 1972, a dispute arose over whether International Telephone and Telegraph had agreed to contribute $200,000 or more to help pay Republican National Convention costs in exchange for government agreement to settle three big ITT antitrust cases.

Rep. Harley Staggers (D., W. Va.), chairman of the House committee probing the case, asked to see ITT documents that the SEC staff had subpoenaed. Casey refused, and Staggers threatened to subpoena the SEC. Casey agreed to reconsider. Then, according to later testimony, he hurriedly had the documents—34 cartons of them—boxed up and sent to the Justice Department, beyond the House's subpoena power.

CASEY LATER TOLD Congress that he sent the boxes at the Justice Department's request, but a former deputy attorney general, Ralph E. Erickson, denied this in testimony before Congress.

The Vesco case arose during the 1974 trial of former Att. Gen. John Mitchell and other Nixon administration officials on charges that they tried to fix an SEC case against Robert L. Vesco, the fugitive financier.

The evidence indicated that Casey rejected pressure to end the case, but Casey did agree to meet with Vesco aides during the Republican Party's national convention in Miami Beach in 1972.

The SEC's complaint against Vesco was not filed until Nov. 27, 1972, after the election, and omitted mention of a $250,000 Vesco donation to President Nixon. Casey said this was done on the advice of Stanley Sporkin, the SEC's chief enforcement officer.

Casey, whose boyhood nickname was "Cyclone," has a reputation as a tough but convivial man who made a fortune in tax law and through some 30 tax manuals with names such as "How to Raise Money to Make Money." In his disclosure statement before becoming CIA director, he gave his net worth at $3.3 million to $5.6 million.

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BESIDES THE SEC job, he was undersecretary of state and president of the Export-Import Bank for Nixon and President Gerald Ford, then practiced law for four years before becoming Reagan's campaign manager.

Friends call him a "take-charge guy," a "hard worker" with a knack for cutting to the core of a problem.

One man who calls Casey "a likeable guy" says he is impatient with detail and thirsty for action. "He gets involved in dumb situations, like Multiponics, without doing his homework," the man says.

Casey himself has said that the various lawsuits against him are no more than "nuisance suits" of the sort that any active businessman or lawyer must suffer in a busy career.

William J. Casey

*Sins of commission and ommission, some experts believe.*

ARTICLE APPEARED ON PAGE A3

THE WASHINGTON POST
19 July 1981

# A Huckster in Spy Chief's Office: Is This the President's MO?

Haynes Johnson

To judge by his press clippings, Ronald Reagan stands as political master of all he surveys. He gets the best notices since those given John F. Kennedy 20 years ago. He commands the respect of Congress, in sharp contrast to the recent history of fractious legislative and executive dealings. And, it is constantly asserted, unlike his immediate presidential predecessors he enjoys immense personal popularity.

That last widely held belief appears more myth than reality. After completing six months as president, Reagan actually ranks *lower* in public esteem, as measured by the leading polls, than did Jimmy Carter at the same point in office.

Latest Gallup Poll findings show both Reagan's approval and disapproval ratings less favorable than those recorded for Carter after six months. Gallup says 62 percent of people surveyed then approved the way Carter was doing his job as president, while 22 percent disapproved. For Reagan, the comparable figures now are 59 percent approving his performance and 29 percent disapproving.

Not that those figures should be given all that much weight—proving a point by citing the polls is a singular and self-serving Washington art. They have their uses, though. At this presidential checkpoint, they indicate people have stronger feelings about Reagan than Carter and that opinion about this leader is more polarized than was the case with the last.

They bear two other messages: Be wary of White House claims of great popularity, and remember how swiftly these polls can change.

You can bet Jimmy Carter does.

By a curious coincidence, the Reagan administration's first brush with a potential high-level scandal, and therefore a highly visible political embarrassment, came at precisely the same time at which the Carter administration met its first crisis. How the Carter and Reagan White Houses handled their respective early problems tells more about the strengths and weaknesses of their operations than any number of polls, and also offers sharper clues to the success or failure of the present regime.

It was on July 11, four years ago, when the Bert Lance affair began with a seemingly routine presidential letter making a seemingly routine presidential request of a Senate committee. Carter's budget director, Thomas Bertram Lance, had encountered a problem that, in the president's words, "has placed an undue financial burden on Mr. Lance." The matter could be easily resolved, he suggested, by modifying an earlier agreement which had provided Lance could dispose of all his stock in a Georgia bank by the end of the year.

In a matter of days that minor problem had become the grist of front page stories that dominated the Washington news for the rest of the summer, and, in the end, lowered Carter's popularity and raised questions about his judgment that never really ceased. By stubbornly, defiantly choosing to fight an indefensible battle and permitting it to drag on for weeks, ever escalating in intensity until it became a national *cause celebre*, the Carter White House damaged itself irreparably. Carter's own celebrated "Bert, I'm proud of you" remark, made even as his discredited aide was leaving government, seemed to confirm that his presidency placed friendship ahead of public interest.

The contrast with the Reagan administration's handling of the matter of Max Hugel, the CIA's chief spymaster, could not be sharper. Newspapers carrying banner headlines with the first reports about Hugel's tangled and embarrassing business problems were still being sold when the White House announced he was out. Zip, zap. The surgical deed was done.

It's true the Hugel case differs from Lance's in several respects, but the way the Reagan administration dealt with it follows a by now familiar pattern.

From the beginning, this administration has been keenly alert to potential political problems and quick to act to eliminate them. In their courting of the Congress and the press, their careful attention to details of lobbying and strategy, their tight control over their desired political timetable, their maintenance of focus on their principal agenda, they have shown a deftness and competence unequaled in years. It's almost as if they studied all the mistakes of the Carter White House and of Nixon's too, and then set out to operate precisely differently.

In all these they have performed superbly.

But there's another side to the Hugel case, and it raises troubling questions that quite possibly will persist. The principal one is: how could such a clearly unfit person—totally so, by the record now available—be named to such a sensitive position, and what does that say about the Reagan administration's standards and values in its appointment process?

When William Casey testified before the Senate Select Committee on Intelligence about his nomination to be Reagan's CIA director, he spoke at length of his desire to end what he called the agency's "institutional self-doubt" and to repair its low morale. He was determined to rebuild its professionalism and restore public pride in its performance. The way to do that was to seek out the best in America—the best minds, the best expertise—for the agency. "We should ask American scholars to serve their country by sharing their scholarship and insights with those in the community who are responsible for preparing the analyses used to develop foreign policy and defense strategy," he said.

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The senators were impressed. Richard G. Lugar of Indiana, a Republican, had a question:

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Casey replied:

"I think we have to establish a career path and make it attractive psychologically, socially, and in every other way."

And:

"We have to get the input of people who have experience and have acquired knowledge over a lifetime, or a lifetime's worth of knowledge."

Later, in response to a similar line of questioning from Democratic Sen. Henry M. Jackson of Washington, he reiterated his determination to bring in the best:

"You just have to work at it and reach out and bring in all the talent and all the scholars and all the expertise and experience you can."

Instead, to the most sensitive of professional positions, one requiring the greatest depth of knowledge and experience, Casey appointed someone whose own words show him to be little more than a loud-mouthed huckster without credentials for the job.

In what now appears to be prophetic words, Lugar gave Casey a gentle warning about his future performance exactly six months ago:

"The purpose of my asking the question is to highlight in this hearing what I see to be a critical problem in your effectiveness, because I think you will have to determine ...what kind of style of leadership you personally will offer as well as what you will ask of your various subordinates."

Lugar's basic points apply equally to the Reagan presidency. Skillful as the White House was in trying to separate the president from the CIA problems, ultimately Ronald Reagan bears the responsibility for the kinds of people who set the tone for his administration. Last week's evidence reflects poorly on some of them.

PHILADELPHIA INQUIRER
19 July 1981

# To the CIA, Page One is no place for a low profile

By Jim Klurfeld
*Newsday Service*

WASHINGTON — Front-page publicity about the resignation of the CIA's spy chief and his own business ethics is not exactly what CIA director William J. Casey had in mind.

Since taking charge of the agency six months ago, the thrust of almost all his actions has been to return to the days of the cloak and dagger.

"The difficulties of the past decade are behind us," Casey said in an internal CIA newsletter this month as he announced that the agency's contacts with the public, the press and the Congress would be sharply curtailed. "The time has come for CIA to return to its more traditional low public profile."

Yet last week, following publication of accusations by two stockbrokers that he had used insider information to boost the value of stock in a company that he had headed, Max Hugel, Casey's handpicked deputy director of operations — the man in charge of America's spies — resigned.

Simultaneously came reports that a federal judge in New York had ruled that Casey knowingly misled stockholders about a New Orleans company of which he was secretary and a member of the board. Two days later, it was revealed that an appellate judge in New Orleans had harshly criticized his management of that company.

President Reagan expressed support for Casey after the New York court ruling became public Tuesday, but a White House spokesman said Thursday that the President had not been aware of Casey's legal and business problems before appointing him. The Senate Intelligence Committee began a preliminary inquiry into Casey's affairs.

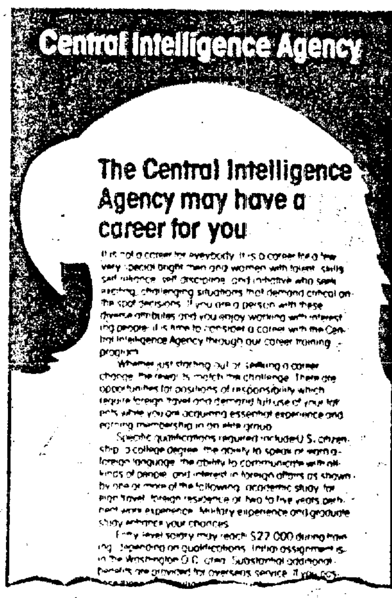
## *Second embarrassment*

Thus the Reagan administration finds itself with a second embarrassment even as it was congratulating itself on the dispatch with which it had handled the first [illegible] had successfully portrayed Hugel as Casey's mistake, an appointment that surprised Reagan's inner circle at the White House but was not overruled by them.

In fact, Hugel's appointment was highly controversial and was severely criticized by many in the intelligence community. He had no intelligence background and was being placed in what is regarded as the most sensitive of intelligence positions. And now it has been revealed that his background was not thoroughly or adequately checked.

Before the latest revelations came along to derail his objective of a lower profile for the agency, Casey had scuttled the agency press office, cut back on the congressional liaison staff, asked that the agency be removed entirely from the provisions of the Freedom of Information Act, and was in the process of rewriting an executive order for President Reagan that would remove some of the restrictions placed on the agency in the aftermath of the mid-1970s intelligence scandals.

At the same time Casey, 68, a former OSS officer during World War II, has made it clear he believes that the operations side of the agency must be revitalized. Government officials familiar with foreign policy and intelligence matters say the agency is




**Recruiting for spies**
*Change in direction for the CIA*

gearing up to increase the number and scope of covert operations in such sensitive areas as Afghanistan, the Persian Gulf, Central America and the Caribbean.

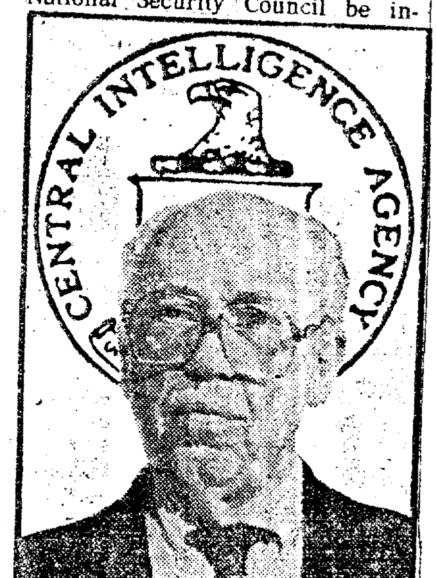
Hugel's resignation and the publicity about his own former business problems will only make it more difficult f… tives. E… many … membe… sight cc… about t… was tak… he want… days" wh… … invisible and unchecked branch of government.

Casey is asking for less restriction and oversight, but the Hugel case only emphasizes the CIA's fallibility. Even a supporter of a stronger, more traditional CIA such as Sen. Daniel Patrick Moynihan (D., N.Y.), vice chairman of the intelligence panel, said Wednesday, "The administration must ask itself how it allowed this disaster to come about in the first instance."

Another intelligence committee member is more concerned about the general direction of the CIA.

"The jury is still out on Casey," Sen. Joseph Biden (D., Del.) said. "But some things are becoming clear. He much prefers to operate in the dark than in the light. And his instinct, I believe, is to limit rather than increase access and cooperation. . . . That is a disturbing trend."

There is particular concern over the executive order because in earlier drafts the administration proposed easing the restrictions for spying on American citizens and dropped the requirement that the National Security Council be in-




**CIA director William J. Casey**
*Scandals keep agency in public eye*

formed of all CIA operations. Both were reforms designed to eliminate abuses uncovered in the past.

Biden and others question whether Casey and other members of the [illegible] appreciate the limita-



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tions of covert operations and the possibilities for abuse. The agency was criticized by special congressional committees in 1975 and 1976 for attempted assassinations, opening mail of American citizens and disregard of other constitutional rights.

There is also concern that Casey is allowing political considerations to color the agency's work — the example often cited is the recent CIA report on international terrorism that Casey ordered rewritten when it did not appear to support Secretary of State Alexander M. Haig Jr.'s claim that the Soviet Union was behind most terrorism incidents.

But there has also been praise for Casey. With the notable exception of Hugel, he has been applauded for his appointments, especially Adm. Bobby Inman as the agency's deputy director, and Stanley Sporkin, a former Securities and Exchange official, as general counsel.

There also are many people across the political spectrum who believe that an increased covert capability is desirable. Moynihan says his concern is more that the agency improve its capabilities rather than worry about the alleged abuses of the past. The problem, Moynihan said, is that the agency has been so demoralized that it has not been effective.

The challenge for Casey will be to go back into the covert operations business without getting the agency into trouble again. Some believe that is why Casey brought in a tough regulator like Sporkin to be the agency's counsel.

Indeed, most observers of the CIA, including Moynihan, believe that Casey is so interested in covert operations himself that in essence he has been functioning as the deputy director of operations (known in the agency as the DDO). Hugel was there more as an administrator.

A further indication of the emphasis on covert operations was a recent ad that ran in the New York Times. On an outline of an eagle, it said: "The Central Intelligence Agency may have a career for you. It is not a career for everybody. It is a career for a few very special bright men and women with talent, skills, self-reliance, self-discipline and initiative who seek exciting, challenging situations that demand critical on-the-spot decisions."

While the CIA has been running recruiting ads for almost two years now, this was the most obvious attempt to recruit field officers — spies — as opposed to analysts or administrators.

The new director is also trying to improve intelligence produced by the CIA. Frequently the agency intelligence reports have been criticized for being too homogenized, too much a product of a bureaucratic process, and lacking in political sophistication. In a speech to the U.S. Chamber of Commerce April 28, in one of his few public appearances, Casey outlined his approach. He said that while the intelligence community had great ability to collect data, there was a need to improve the analysis of the data.

"Technical collection is of little help in the most important and difficult problem of all — political intentions. This is where clandestine human intelligence can make a difference," Casey said in a direct reference to the need for more spies. "We need to resist the bureaucratic urge for consensus. We don't need analysts spending their time finding a middle ground or weasel words to conceal disagreement."

Casey is encouraging direct dissent in intelligence papers. He has also begun a major experiment by integrating functional bureaus. Instead of having separate offices on South American economies and politics, for instance, the political and economic analysts in a particular geographic area will work together.

Whatever the improvements, however, the question now is whether Casey can survive his choice of Hugel, the record of his business entanglements and the opposition of those who disagree about the direction in which he is leading the CIA.

ARTICLE APPEARED ON PAGE E-1
NEW YORK TIMES
19 JULY 1981

THE WEEK IN REVIEW

## Trouble at the Top for C.I.A.

To his friends, Max C. Hugel was shrewd and brash enough to be a Central Intelligence Agency spymaster, but to his critics he was meant to self-destruct. Last week he did.

Two former business associates accused him of fraudulent securities transactions in the mid-1970's, while he was managing an electronics business and they were running a brokerage firm.

Among other things, Mr. Hugel was said to have leaked confidential "insider" information. The Washington Post published a partial transcript of recorded conversations that seemed to support many of their contentions. Mr. Hugel, chief of the agency's clandestine operations section, promptly turned in his cloak while insisting in his letter of resignation that the charges were "unfounded, unproven and untrue."

Then William J. Casey, the Director of Central Intelligence and Mr. Hugel's patron, faced revived disclosures of two court rulings that raised questions about the propriety of his private-sector dealings.

Each ruling stemmed from civil litigation involving a New Orleans agribusiness that went bust in 1971. In one decision, a Federal appeals court said that Mr. Casey, a former head of the Securities and Exchange Commission, and other directors had driven the company "deeper and deeper into debt" by running it in a "pattern of self-interest."

The White House declared that it was behind Mr. Casey, President Reagan's national campaign director last year. It pleaded ignorance of the charges against Mr. Hugel. So did the C.I.A., despite its "thorough" investigation just before Mr. Hugel's took office; the investigation had concluded that he possessed "an impeccable reputation." Meanwhile, the Senate Intelligence Committee announced it would conduct its own inquiry into both Mr. Casey's business venture and the Hugel appointment. *(The C.I.A.'s troubles may not be all past, page 4.)*

ON PAGE C7

THE WASHINGTON POST
19 July 1981

*Joseph Kraft*

# Reagan's Nemesis Now . . .

The potential nemesis of the Reagan administration showed its face last week amid a series of disconnected events involving taxes, corporate mergers and the Central Intelligence Agency.

The president's Achilles' heel is a respect for private wealth so ingenuous as to promote inequities in public policy and sleaziness among government officials.

Glimmers of the danger are all that have surfaced so far. So, if the president asserts discipline and reverts to the true faith of conservatism, the whiff of trouble does not have to blight the good start that has been made in the administration's first six months.

The inauguration ceremonies, back in January, gave warning of the potential trouble. The ostentatious show of limousines and jewels and furs and *haute couture* advertised the president's affinity for those who had made big money recently—the masters of the quick deal.

Economic policy has subsequently been shaped to reflect their interests. The tax bill now going through Congress is notable for favors to the rich. In large part because of the president's own personal influence, estate and gift taxes are being reduced almost to nothingness. The administration's bill favors an across-the-board reduction in income taxes that inevitably saves more money for those who have than for those who haven't.

Proposed reductions in government spending go the other way. While some cuts in subsidies to the rich have been proposed, the burden will fall on those who depend most on welfare, subsidized medical care, government housing and government jobs—that is to say, those with low incomes.

Business activity has also been deeply affected by the administration's love affair with the haves. The big action now centers around a wave of mergers and proposed mergers. The main actors are energy companies. Texaco and Mobil, for instance, have each raised war chests of around $5 billion to buy Conoco, which is also the subject of rival takeover bids from Du Pont, a major chemical concern, and Seagrams, the big liquor distributor. The boldness of the oil companies shows that they no longer feel it necessary to poor-mouth in order to avoid taxes on swollen profits.

As to the consequences, many of the proposed mergers—but especially a takeover of one big oil company by another—would increase concentration in an industry not notable for competitive pricing. The ability of the big companies to borrow, moreover, shows the way monetary policy is working. Prime interest rates of around 20 percent may discourage individual buyers of homes and cars. But the richest companies can afford to borrow. They drive the rates up even further in ways that make life harder for sectors of the economy—notably autos, housing and local government—that are sensitive to interest charges.

Insensitivity by officials works to make such inequities even more painful. Still, the Reagan administration, for all its moralistic talk, shows considerable capacity to shrug shoulders when it comes to the pressing of advantages by the powerful. The Justice Department has positively encouraged big companies to go beyond what were formerly considered antitrust limits. The Treasury has not raised an eyebrow to discourage flush companies from driving interest rates higher. And now comes the case of William Casey, the director of the Central Intelligence Agency.

Mr. Casey is a shrewd lawyer and Wall Street operator who made a pile by the kind of wheeling and dealing the president admires. He was rewarded with the CIA job. He disregarded the advice of the intelligence professionals to take on as a deputy director another business operator, Max Hugel. The disclosure of some dubious operations has forced Hugel to resign. Casey himself is involved in some transactions not exactly favorable to the leader of an agency that already suffers from low morale and a bad reputation with Congress and other agencies.

Even taken altogether, these assorted breaches of fair play and good taste amount to a cloud no bigger than a man's hand. If allowed to grow and grow and grow, to be sure, the cloud could eclipse the sun. But the Reagan administration, as an avowedly conservative regime, should have corrective forces at its disposal.

True conservative doctrine favors a just social order, and questions chiefly government's ability to achieve that ideal. It does not license giving advantages to the rich and the powerful at the expense of the poor and the humble. So to baffle its nemesis, what the administration mainly needs is the will to cleanse itself of the commercial greed that has so often in the past besmirched conservatism in America.

THE WASHINGTON POST





# A Huckster in Spy Chief: Is This the President's MO?

Haynes Johnson

To judge by his press clippings, Ronald Reagan stands as political master of all he surveys. He gets the best notices since those given John F. Kennedy 20 years ago. He commands the respect of Congress, in sharp contrast to the recent history of fractious legislative and executive dealings. And, it is constantly asserted, unlike his immediate presidential predecessors he enjoys immense personal popularity.

That last widely held belief appears more myth than reality. After completing six months as president, Reagan actually ranks *lower* in public esteem, as measured by the leading polls, than did Jimmy Carter at the same point in office.

Latest Gallup Poll findings show both Reagan's approval and disapproval ratings less favorable than those recorded for Carter after six months. Gallup says 62 percent of people surveyed then approved the way Carter was doing his job as president, while 22 percent disapproved. For Reagan, the comparable figures now are 59 percent approving his performance and 29 percent disapproving.

Not that those figures should be given all that much weight—proving a point by citing the polls is a singular and self-serving Washington art. They have their uses, though. At this presidential checkpoint, they indicate people have stronger feelings about Reagan than Carter and that opinion about this leader is more polarized than was the case with the last.

They bear two other messages: Be wary of White House claims of great popularity, and remember how swiftly these polls can change.

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By a curious coincidence, the Reagan administration's first brush with a potential high-level scandal, and therefore a highly visible political embarrassment, came at precisely the same time at which the Carter administration met its first crisis. How the Carter and Reagan White Houses handled their respective early problems tells more about the strengths and weaknesses of their operations than any number of polls, and also offers sharper clues to the success or failure of the present regime.

It was on July 11, four years ago, when the Bert Lance affair began with a seemingly routine presidential letter making a seemingly routine presidential request of a Senate committee. Carter's budget director, Thomas Bertram Lance, had encountered a problem that, in the president's words, "has placed an undue financial burden on Mr. Lance." The matter could be easily resolved, he suggested, by modifying an earlier agreement which had provided Lance could dispose of all his stock in a Georgia bank by the end of the year.

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It's true the Hugel case differs from Lance's in several respects, but the way the Reagan administration dealt with it follows a by now familiar pattern.

From the beginning, this administration has been keenly alert to potential political problems and quick to act to eliminate them. In their courting of the Congress and the press, their careful attention to details of lobbying and strategy, their tight control over their desired political timetable, their maintenance of focus on their principal agenda, they have shown a deftness and competence unequaled in years. It's almost as if they studied all the mistakes of the Carter White House, and of Nixon's too, and then set out to operate precisely differently.

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But there's another side to the Hugel case, and it raises troubling questions that quite possibly will persist. The principal one is: how could such a clearly unfit person—totally so, by the record now available—be named to such a sensitive position, and what does that say about the Reagan administration's standards and values in its appointment process?

When William Casey testified before the Senate Select Committee on Intelligence about his nomination to be Reagan's CIA director, he spoke at length of his desire to end what he called the agency's "institutional self-doubt" and to repair its low morale. He was determined to rebuild its professionalism and restore public pride in its performance. The way to do that was to seek out the best in America—the best minds, the best expertise—for the agency. "We should ask American scholars to serve their country by sharing their scholarship and insights with those in the community who are responsible for preparing the analyses used to develop foreign policy and defense strategy," he said.

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ARTICLE APPEARED
ON PAGE 11.7.

NEW YORK DAILY NEWS
19 July 1981

View

# Cleanup time for the CIA

BY JOSEPH VOLZ

ONCE AGAIN, it may be time for a broom at the top of the Central Intelligence Agency.

The often-embattled spy corps has had its worst week since a Senate panel revealed six years ago that the agency planned to kill Cuban President Fidel Castro and other world leaders.

But the problem now is not what CIA Director William Casey has done since becoming top spy last January, but what he and his recently dispatched covert operations chief, Max Hugel, were doing in the business world before they joined the agency.

Once again, the ethics of the nation's top spies is under scrutiny.

Hugel was forced to quit when The Washington Post—not the CIA's Office of Security—uncovered a tangled tale of alleged stock manipulation in the mid-1970s designed to boost the worth of his company, Brother International Corp.

But hardly had Hugel, a brash amateur and the most unpopular head of covert operations since the agency was formed in 1947, been pushed out the door before Casey's own business dealings came into question. A now-defunct farming venture, Multiponics Inc., in which he invested, has been the subject of a civil suit for years.

So far, President Reagan says he has "full confidence" in the brusque Casey who was his campaign chief last year.

But Casey does not have the "full confidence" of his clandestine operatives. The undercover crowd, expected to be more and more active in such flashpoints as Afghanistan, El Salvador and Guatamala, is appalled that Casey picked an amateur, Hugel, to run the sensitive covert division.

Casey, in his first months as director, has tried to shut down the CIA public affairs office and make the agency exempt from the Freedom of Information Act, to the anger of civil libertarians who argue that such secrecy got the CIA in trouble before and could prevent future Hugels from being rooted out.

Sen. Daniel P. Moynihan (D-N.Y.), committee vice chairman, wants a full report on how the papers could find out things about Hugel that eluded the CIA's probers.

The betting here is that, regardless of President Reagan's "full confidence," Casey will be out by year's end, to be replaced by a professional who

The CIA's Casey: Too high a profile

keeps a low profile and does not panic in crisis—someone like Admiral Bobby R. Inman, deputy CIA director, or Frank Carlucci, the former deputy who is now deputy defense secretary.

*Joseph Volz covers national affairs from The News' Washington bureau.*

# C.I.A. CHIEF'S WOES STIR OLD CONCERNS

## Director Casey Likely to Keep His Job, Pending Reviews, but Morale Is Harmed

By JUDITH MILLER

Special to The New York Times

WASHINGTON, July 18 — The resignation of the Central Intelligence Agency's chief of clandestine operations and a Senate committee review of the agency's Director, William J. Casey, threaten to set back the Reagan Administration's effort to restore the morale and effectiveness of the agency, according to Congressional and intelligence community officials.

Senate Republicans and Democrats said today that Mr. Casey was unlikely to be asked to resign unless reviews of Mr. Casey's financial transactions being conducted by the White House and the Senate Select Committee on Intelligence should develop new or more damaging information.

But Administration officials expressed concern whether this week's developments, including the resignation of Max C. Hugel, director of C.I.A. covert operations, might undermine the confidence of foreign governments in the competence and professionalism of the American intelligence community.

### Interrupts Search for Stability

Intelligence officials and others who watch the community expressed concern that the Hugel-Casey affair would unsettle the C.I.A., which has been trying to return to stability after a decade of crises and turmoil.

Administration and Congressional officials cite these other possible effects of the episode:

¶The Reagan Administration's effort to win support for greater flexibility for the agency, its exemption from reporting and disclosure policies, and greater protection for its officials could be complicated.

¶Questions are likely to be raised about Mr. Casey's judgment on issues both of personnel and substance, and about what a onetime senior intelligence official called his overly "romantic" view of the agency and "nostalgia" for a bygone era.

¶Tensions are likely to rise between the Senate Intelligence Committee and the agency over evaluations of the quality of C.I.A. analyses and the timeliness of agency reporting.

### Agency Shaken by Disclosures

The agency was shaken deeply by disclosures in the mid-1970's of efforts to assassinate foreign leaders, spying on Americans, and other improper or questionable activities.

At his confirmation hearings, Mr. Casey asked Congress to remove restraints, increase funding, and help him reverse what he has called the agency's "institutional self-doubt."

Adm. Bobby R. Inman, the Deputy Director of Central Intelligence, expressed concern yesterday at a closed committee hearing that the present controversy might delay action on such issues as granting the agencyan exemption from the Freedom of Information Act. It is "essential," he authorized committee officials to say, "that the senators trust us and have faith in the oversight system" so the House and Senate Intelligence Committees can act as "surrogates for the public."

A Democratic Senator on the committee, who said that he supported the agency's request for relief from provisions of the disclosure act, said that the Hugel-Casey affair had "adversely affected" confidence in the agency's ability to conduct itself properly.

"This kind of rank amateurism, where non-professionals are appointed to key intelligence posts, hardly builds confidence," said the Democrat, who asked that his identity not be disclosed.

"Casey's selection of a shady character to run the clandestine service and the allegations about his own financial dealings overshadow the C.I.A.'s contention that things like the Freedom of Information Act, or books by former agents that contain no classified information, are causing allies to refuse to cooperate with the C.I.A.," argued Mark Lynch, a lawyer for the American Civil Liberties Union.

Few of the officials interviewed said they believed that Mr. Casey's job had been jeopardized by a judge's comments that he had helped drive Multiponics Inc., an agriculture-business concern that went bankrupt in 1971, "deeper and deeper into debt" or that he had knowingly misled investors in the company.

One former intelligence official, however, reported that some in the intelligence community had turned against Mr. Casey, just as they had against Max Hugel, and now wanted Mr. Casey removed as well.

In addition, Mr. Casey's status is complicated by the committee's overwhelming support for and faith in Mr. Inman, the deputy whom Senate committee chairman Barry Goldwater almost insisted that Mr. Casey hire. Mr. Inman, a four-star admiral and former director of the National Security Agency, would be a popular successor, should Mr. Casey leave.

ARTICLE APPEARED
ON PAGE A 1

THE WASHINGTON POST
18 July 1981

# Allegations Imperil Nomination of Envoy to Ireland

By Patrick E. Tyler
and Lou Cannon
Washington Post Staff Writers

The nomination of President Reagan's choice for ambassador to Ireland, New Jersey insurance executive William E. McCann, is in serious trouble because of allegations of improper business practices and his close ties with a convicted stock fraud and insurance swindler.

McCann, the second-largest fund-raiser in New Jersey for the Reagan campaign, was sponsored for the post by William J. Casey, now the CIA director, and Reagan national finance chairman Daniel Terra, now an assistant secretary of state. Reagan introduced McCann as his designated ambassador at a lunch at the Irish Embassy on St. Patrick's Day.

But the nomination has not made it back to the White House; it has been held up for four months by the State Department, longer than any other Reagan appointment.

The apparent reason for the delay in McCann's case is that State Department security officials have been unable to complete the background report. Normally, the security check takes four to six weeks.

"I think the reason it has taken so long is that they're trying to verify or run down the allegations," said White House personnel director E. Pendleton James. "I would hope they're doing that."

Other high White House officials confirmed that the investigation into McCann's past was the reason for the delay. At the Senate Foreign Relations Committee, one staffer said that the long delay in receiving McCann's nomination "has become a touchy subject around here."

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FOR PUBLIC AFFAIRS STAFF

PROGRAM Agronsky & Company STATION WDVM-TV Syndicated

DATE July 18, 1981 7:00 PM CITY Washington, DC

SUBJECT Questionable Dealings of CIA Leaders

MARTIN AGRONSKY: Hugh, the CIA leaders, Central Intelligence Agency leaders, haven't been acting very intelligently. Max Hugel, who was, in effect, the spymaster in charge of...

HUGH SIDEY: Hugel [pronunciation].

AGRONSKY: Hugel. Hugel.

SIDEY: I'm told that he was told Hugel till he made this first million, and then he changed it to Hugel.

AGRONSKY: All right. Let's let it be Hugel. In any case, he's out of a job and he may need the million. He's been dropped immediately, resigned. Obviously, they told him to get out or we'll throw you out.

But that leaves the Director of the CIA, Mr. Casey, apparently in very serious trouble. Two court cases have been raised questioning his own activities when he was a director of a corporation called Multiponics. And one of the court criticisms, a federal judge held that Casey and other Multiponics officers and directors had knowingly misled potential investors. Mr. Casey denies this, says he was only a director. But actually the fact is he was not only a director, he was also corporate secretary and legal counsel.

Well, the question is, is he going to follow Mr. Hugel, or Mr. Hugel? What do you think?

HUGH SIDEY: Well, several observations on this, Martin. Number one, I would contrast the way Mr. Hugel was handled compared to the old Bert Lance episode. I think the severance of

# Allegations Imperil Nomination to Ireland

By Patrick E. Tyler and Lou Cannon
Washington Post Staff Writers

The nomination of President Reagan's choice for ambassador to Ireland, New Jersey insurance executive William E. McCann, is in serious trouble because of allegations of improper business practices and his close ties with a convicted stock fraud and insurance swindler.

McCann, the second-largest fund-raiser in New Jersey for the Reagan campaign, was sponsored for the post by William J. Casey, now the CIA director, and Reagan national finance chairman Daniel Terra, now an assistant secretary of state. Reagan introduced McCann as his designated ambassador at a lunch at the Irish Embassy on St. Patrick's Day.

But the nomination has not made it back to the White House; it has been held up for four months by the State Department, longer than any other Reagan appointment.

The apparent reason for the delay in McCann's case is that State Department security officials have been unable to complete the background report. Normally, the security check takes four to six weeks.

"I think the reason it has taken so long is that they're trying to verify or run down the allegations," said White House personnel director E. Pendleton James. "I would hope they're doing that."

Other high White House officials confirmed that the investigation into McCann's past was the reason for the delay. At the Senate Foreign Relations Committee, one staffer said that the long delay in receiving McCann's nomination "has become a touchy subject around here."

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THE WASHINGTON POST
18 July 1981

# Goldwater Backs CIA Ch
# 'Mountain Out of a Mo

By George Lardner Jr.
Washington Post Staff Writer

Sen. Barry Goldwater (R-Ariz.) accused the press yesterday of making "a mountain out of a molehill" at the CIA, and said he saw no reason for Director William J. Casey to resign "unless we find further allegations."

The Senate Intelligence Committee, of which Goldwater is chairman, formally instructed its staff to begin a series of meetings with CIA lawyers to review allegations of financial misconduct by Casey and an alleged case of attempted "blackmail" involving his former chief of covert operations, Max Hugel.

Committee investigators also plan to inspect the records of the background investigation the FBI conducted before Ronald Reagan nominated Casey as CIA director last December.

Presidential press spokesman David Gergen said the White House would cooperate completely in the inquiry. He added that the president has "full confidence" in Casey.

Similarly, Goldwater said he did not think Casey should resign, and added that "I don't think there's enough proof to call for resignation."

"With all due respect to you fellas, you made a mountain out of a molehill," Goldwater told reporters after the two-hour committee session. "Now wait until the hill gets big, wait till the bugs start crawling out. Then you'll have something, or you may not."

Instead of getting bigger, he suggested, "it may go right into the ground."

Questions concerning Casey's tenure as CIA director arose this week when Hugel resigned as deputy director for operations, one of the agency's most sensitive posts, hours after The Washington Post disclosed accusations of improper or illegal stock-trading practices on Hugel's part in the early 1970s.

Hugel contended that the two former Wall Street stockbrokers who leveled the charges had attempted to blackmail him several times during their acrimonious relationship. He denied any wrongdoing, but quit the agency Tuesday morning saying he said he felt he could no longer be effective.

CIA general counsel Stanley Sporkin and other agency officials met with Senate committee staff director John Blake and his aides on Capitol Hill later in the day to begin the review.

As far as Hugel is concerned, one source said, the committee primarily wants to know "how it's possible that somebody who claims he was being blackmailed got past the security people."

Goldwater said he thought at first that the CIA would be badly damaged by the week's events, but has since changed his mind.

"In fact, I think they're so happy out there to have gotten rid of Mr. Hugel and gotten the new man [John Stein] in his place... that it's pretty well overshadowed everything else," Goldwater said. "I think everything's going good at the agency."

Surfacing in the aftermath of the controversy were several court rulings critical of Casey's connections with a now-defunct farming firm, Multiponics Inc. It has been the subject of litigation in New York and New Orleans.

Goldwater said he felt Casey had done "a commendable job" at the CIA except in his selection of Hugel, a Reagan campaign colleague whom Casey had insisted on appointing to head the clandestine service despite Hugel's lack of intelligence experience.

Goldwater said, however, that he did not regard Hugel as a security risk despite his failure to tell CIA investigators about his once-volatile relationships on Wall Street.

Hugel "wanted to serve his country and was just a little careless in telling the whole truth about his background," Goldwater said.

Several Democratic members of the Senate Intelligence Committee, by contrast, have voiced chagrin over the failure of the CIA's security investigators to raise any question marks about Hugel's business career. They have also expressed dissatisfaction with Casey's disclaimers of responsibility for misleading potential Multiponics investors.

Committee member Joseph R. Biden (D-Del.) said through a spokesman that unless Casey and the administration come forward quickly with "a plausible and legal explanation" of the matters under review, "then Mr. Casey should be asked to do what is best for the agency and the country and step aside."

The review concerning Casey apparently will concentrate on the Multiponics litigation in New Orleans. Casey had informed the Intelligence Committee of the New York suit at the time of his confirmation hearings, but Goldwater noted yesterday that he had not been aware of the Louisiana case.

There was little indication yesterday, however, that the committee plans to carry its staff inquiry beyond what has been published and try to satisfy itself that there are "no further allegations" to uncover.

CONTINUED

Deputy CIA Director Bobby R. Inman appeared for the agency at yesterday's closed session. It initially had been scheduled for a six-month progress report on changes at the agency, but committee members said it also dealt with the failure of the CIA's top leadership to consult more frequently with the congressional oversight committees.

"We haven't seen much of Bobby and we haven't seen much of Bill [Casey]," Sen. David Durenberger (R-Minn.) told reporters. He said he hopes that will change as a result of yesterday's meeting..

In a statement that he left behind, Inman agreed that it was important "that the senators trust us," especially in view of the CIA's drive to win "relief" from the Freedom of Information Act and to rely instead on the House and Senate Intelligence committees as "surrogates for the public."

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ON PAGE A-1

WASHINGTON STAR
18 JULY 1981

# Senate Panel Orders Probe of CIA Chief

By Henry S. Bradsher
Washington Star Staff Writer

The Senate Select Committee on Intelligence decided yesterday to inquire into CIA Director William J. Casey's tangled business affairs, and the committee's legal staff then held a preliminary meeting with CIA lawyers.

Both the White House and several Senate leaders publicly voiced support for Casey to continue to run the intelligence agency. Privately, however, some congressional leaders suggested that it was becoming increasingly likely that Casey would have to be replaced by his personal friend, President Reagan.

The inquiry on him merged into one that the committee already had started on the way Casey put his political aide, Max Hugel, into the job of CIA spymaster without normal security checks. Hugel was quickly pushed out of the job Tuesday by the White House after the disclosure of questionable business practices.

Committee sources said the CIA lawyers had promised access to whatever data was required for the inquiry on Casey. A preliminary report on both Casey and Hugel was expected by the committee before its members go on recess in early August.

Neither committee nor CIA sources could say what light the agency could shed on Casey's personal business ventures that occurred before he became director. Nor was it clear whether his own lawyers would become involved.

Casey's own lawyers have been defending him against charges that he knowingly misled potential investors in a 1968 farm business venture and also drove the company deeper and deeper into debt for his personal benefit. Despite legal judgments against him, his lawyers have denied the charges.

Casey was Reagan's campaign manager last year, and Hugel was an assistant. Reagan named Casey to the CIA post. Hugel went along as a personal aide and later became deputy director for operations, in charge of the agency's very sensitive clandestine work.

The Senate committee held its regular weekly meeting yesterday morning with 11 senators present. Casey's deputy director, Admiral Bobby R. Inman, reported as previously scheduled on CIA work in the first six months of the new administration.

After that closed session, the senators excluded even their key staff members and talked about Casey's and Hugel's personal problems. Then committee chairman Barry Goldwater, R-Ariz., went out and told reporters that the inquiry on the security clearance of Hugel would be broadened to cover Casey's situation.

The committee's legal staff had been instructed to check "whatever matters might be hanging" about Casey, Goldwater said. This included not only business affairs but also Casey's possible role in placing Hugel in the spymaster's job without the normally lengthy and careful security checks.

Speaking to reporters about Casey, Goldwater said that, "as a director, he's done a commendable job except for picking a man with no background" to head the clandestine services. When asked if Casey should remain as CIA director, Goldwater replied, "Yes, I think he should."

Senate majority leader Howard H. Baker Jr. told reporters that "I know of no reason at this time for Casey to resign."

"A number of senators expressed their concerns to me about the Casey stories that have appeared and the Hugel stories," Baker said, "and I expect that until those are resolved that Casey will continue to be in a degree of trouble but not trouble in the sense of his continuing to serve."

"I support Bill Casey and will continue to do so," Baker added, "until or unless something is made to appear that undermines my confidence."

Despite these public shows of confidence, there was a growing feeling on Capitol Hill that the mounting problems for Casey could lead to his departure. Some Hill sources noted, however, that there was a difference between the White House' pushing out Hugel, whom Reagan did not know, when he became controversial and dropping Casey an old friend.

White House spokesman David R. Gergen said the president's office "will fully cooperate" with the Senate committee's inquiry. Gergen added that Reagan "is very firm in his views" of support for Casey.

In recent days White House counsel Fred Fielding had "asked for and reviewed the court decisions" on Casey in New York and New Orleans, Gergen said.

"We're concerned" that the case "not be blown out of proportion," the spokesman added.

WASHINGTON STAR 18 JULY 1981

STAT

# White House Denies Snag Over Irish Envoy

## But Reagan Choice Hit With Allegations

By Allan Dodds Frank
Washington Star Staff Writer

The White House yesterday said the nomination of William E. McCann, President Reagan's announced choice for U.S. ambassador to Ireland, is "still in process" despite a four-month delay and allegations of improper business practices by McCann.

"The McCann nomination is still in process and the background check is still under way," White House spokesman David Gergen said. Gergen said he did not know of any connection between the delay on the background check and the allegations against McCann, a New Jersey insurance executive.

President Reagan announced his intention to appoint McCann, former chairman of a fund-raising group called Reagan-Bush Pioneers, at the Irish Embassy on St. Patrick's Day.

Since 1968, McCann has served as president, chief executive officer and director of operations of the Foundation Life Insurance Company of America in Chatham, N.J. He has been active in New Jersey politics and told friends he had raised "millions" for the Reagan-Bush campaign. He also served as a delegate to the 1980 Republican convention.

A Senate source said the McCann nomination had not been relayed to the Senate Foreign Relations Committee. Other sources said the Senate committee had independently begun examining the allegations, first reported by Newhouse News Service last month, that McCann's insurance company had obtained a substantial portion of its business through a man said to be linked to organized crime figures. The committee has been collecting the Newhouse reports and other stories about McCann published in American and Irish newspapers.

The Newhouse reports by Robert Cohen, prepared for use by about 30 Newhouse papers and other newspaper subscribers, examined records of two Senate Permanent Subcommittee on Investigations reports and transcripts of a 1980 federal court case in New York in which McCann testified.

Another high-ranking White House official said he ws not certain "if there is a serious problem" and added that the State Department had its own clearance system for diplomatic appointments.

Although his nomination has not been forwarded to the Senate, McCann has been attending official functions involving Ireland and visited the Irish Embassy earlier this week for a ceremony attended by the president at which Mrs. Reagan's father, Loyal Davis, received an honorary fellowship from Ireland's Royal College of Surgeons.

While in town this week, McCann was called into the White House for questioning by White House counsel Fred Fielding III, a source familar with the handling of this case said.

White House officials said that was not unusual, but Senate sources said that at this stage of the investigation such a move was rare.

McCann could not be reached for comment. The telephone for the number listed for his home in Short Hills, N.J., was not connected last night.

Gergen also denied suggestions made by sources who have spoken with McCann that CIA Director William Casey had been the primary supporter in McCann's winning approval for the ambassador's post.

In a statement released by Gergen, White House counsel Edwin Meese III said, "Bill Casey was only one of many who had known Bill McCann and had recommended him, but he was by no means a principal supporter." One of the White House officials contacted said McCann had many supporters among people responsible for raising campaign funds in New Jersey and elsewhere, including Casey and Charles Z. Wick, head of the International Communications Agency.

Casey recently has come under fire for his appointment of a New Hampshire businessman, Max Hugel, as deputy director for operations of the CIA and has been accused of knowingly misled potential investors in a 1968 farm business venture. Hugel resigned from the CIA after published reports said he had allegedly been involved in improper stock dealings with two brothers from New York, whose stock brokerage is now defunct.

McCann has been quoted by sources who know him as attributing his selection for the post of ambassador to friendship with Casey.

The court and Senate documents examined by the Newhouse reporter show that McCann's company, Foundation Life, sold millions of dollars in policies through Modern Agency, Inc., a company allegedly used as a front for convicted felon Louis C. Ostrer.

Ostrer currently is serving time at the Federal Correctional Center at Danbury, Conn., after being convicted in 1980 in New York on charges of embezzling $1.2 million from a Brooklyn Teamsters local and of evading $6.8 million in federal income taxes. He has been linked by Senate investigators and federal prosecutors to organized crime figures.

While in jail, Ostrer was indicted in June in connection with an alleged insurance swindle involving the welfare and benefit plans of the Laborers International Union. Others indicted included two men frequently named by federal and local sources as organized crime figures, Santos Trafficante of Florida and Anthony Accardo of Chicago. The Senate committee also has identified Ostrer as an associate of mobsters and labor racketeers.

At Ostrer's trial last year, McCann testified that he was not aware of Ostrer's alleged links to organized crime or of the revocation of his insurance license by New York State in 1967.

However, McCann did acknowledge at the trial that his company had dealt with Ostrer "in the form of a consultant" to the Modern Agency. McCann also said his company had sold from $150 million to $200 million in policies between 1968 and 1976 through Modern and had paid commissions in "excess of $1 million."

McCann said in an interview with Newhouse that he did not know how much of Foundation's business was generated throughout that period by the Modern Agency, but acknowledged that in 1972 it probably amounted to about one-third of his company's total sales.

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THE BALTIMORE SUN
18 July 1981

# Panel plans a deeper look into Casey's financial deals

By Curt Matthews
Washington Bureau of The Sun

Washington—Members of the Senate's select committee on intelligence agreed yesterday to probe more deeply into the personal financial dealings of William J. Casey, the director of central intelligence.

Senator Barry Goldwater (R., Ariz.), chairman of the committee, said the committee staff would investigate allegations that Mr. Casey knowingly misled potential investors in a firm that went bankrupt in 1971.

The allegations regarding Mr. Casey came to light on Wednesday, the day after Max Hugel, deputy director for operations at the Central Intelligence Agency and a man Mr. Casey brought into the agency, abruptly resigned when it was disclosed that he had been involved in questionable stock-market dealings.

In announcing the investigation of Mr. Casey, Senator Goldwater told reporters that the intelligence committee staff would work closely with legal counsel at the CIA and that the probe would be expedited.

Both Mr. Hugel and Mr. Casey have denied any wrongdoing in the conduct of their financial affairs before entering government service with the change of administrations earlier this year. In explaining his resignation, Mr. Hugel said that he was quitting his job at the CIA because he did not want the allegations against him to become a "burden" for the Reagan administration.

The decision to investigate more fully the charges of wrongdoing against Mr. Casey came during a regularly scheduled meeting of the Senate intelligence committee yesterday morning. The allegation that he had misled stockholders of a firm called Multiponics, Inc., was known to the committee at the time of his confirmation hearings earlier this year but received little attention at the time.

Mr. Casey, who has several times been sued over stock-market dealings during a long career as a Wall Street lawyer, has dismissed the various suits as normal nuisance litigation that all businessmen encounter.

On May 19, a Federal District judge in New York named Mr. Casey as one of several officers and promoters of Multiponics responsible for circulating misleading information about the company. The judge said that a prospectus for the company circulated in 1968 "omitted and misrepresented facts"—a serious violation of securities law.

Last year, a three-judge panel of the United States Court of Appeals in New Orleans, weighing a separate set of charges against officers and directors of Multiponics, ruled that Mr. Casey and others managing the firm, drove the company "deep and deeper into debt" and that their managing procedures reflected "a pattern of self-interest."

Sources close to the committee said yesterday that Senator Goldwater has not taken the lead in pressing for an investigation of Mr. Casey but has gone along to accommodate what he sees as the legitimate concerns expressed by other members of the committee.

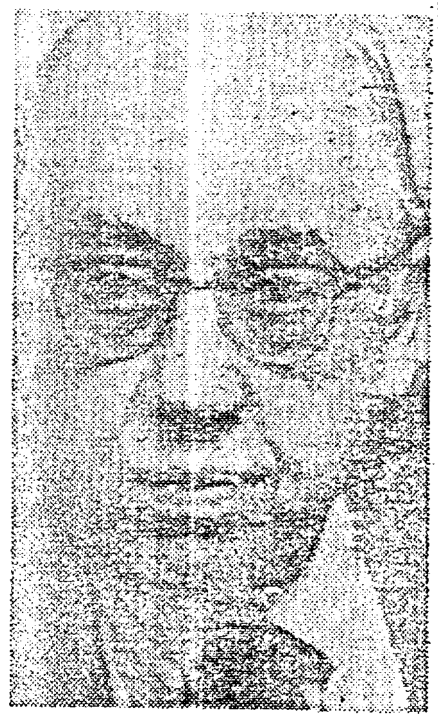
Mr. Goldwater was reportedly upset that, although the White House staff had known of pending controversy at the CIA for several days before Mr. Hugel's resignation, Republican leaders in Congress were not informed.

The possibility that Mr. Hugel or Mr. Casey engaged in illegal business dealings is considered a serious matter because it could lead to blackmail, an intelligence committee staff member said. Officials with sensitive information at the CIA could be faced with the choice of disclosing government secrets or having their private misconduct exposed.

Both Mr. Casey and Mr. Hugel were involved in President Reagan's campaign last year, Mr. Casey as director of the campaign. Although Mr. Hugel said he had known Mr. Casey for 20 years, Mr. Casey corrected him and said he had known Mr. Hugel for only 17 months before recommending him for a job at the CIA.

Mr. Goldwater said that, despite the allegations regarding Mr. Casey, he should continue as director of the CIA "unless we find further allegations."

Senator Howard H. Baker, Jr. (R, Tenn.), the majority leader, also expressed support for Mr. Casey, saying, "I know of no reason at this time for Mr. Casey to resign." Senator Baker downplayed the probe started by the intelligence committee, saying it was not "an investigation" but merely a staff review of public allegations.



WILLIAM J. CASEY
... CIA chief subject of study

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THE ECONOMIST
18 July 1981



AMERICAN SURVEY

Ups and downs

Washington, however, was not greatly concerned about what Mr Reagan was about to say at the summit. It was more absorbed with some intriguing power shifts within the White House. First, it was revealed that Mr George Bush, the vice-president, had relinquished his role as co-ordinator of summit preparations to make way for Mr Michael Deaver, the White House deputy chief of staff and one of the president's closest friends. It was emphasised that this implied no criticism of Mr Bush, just that Mr Reagan was now in need of some last-minute, intimate briefings. Nevertheless, there was an impression that Mr Bush's work had been less than adequate in preparing the president.

It might be assumed that Mr Richard Allen, the national security adviser, would be at the centre of any Ottawa briefings. But his role was largely overshadowed by senior state department officials.

This prompted more speculation that Mr Allen's influence may be fading in the White House. It has already been undermined by a decision to end his personal morning briefings of the president, a significant access which has been the source of much of the power of past security advisers. Henceforth, the national security adviser will submit only written reports and take part in much larger briefings, three times a week, involving the secretary of state, the defence secretary and senior aides.

Such a mechanism could be seen as a first step towards a co-ordinated and coherent foreign policy for the Reagan administration, though it could also prove unwieldy. The president, it seems, is determined to quell the recent outbreak of sniping between the state department and the national security council. He is also anxious to improve relations with his secretary of state. So regular private meetings are being scheduled with Mr Alexander Haig.

If Mr Allen is the victim in all this, he was not the only longtime Reagan associate to suffer some knocks this week. Mr Bill Casey, director of the Central Intelligence Agency and last year's presidential campaign manager, was presented with the resignation of his chief of covert operations, Mr Max Hugel, who had been accused in the Washington Post of improper stock-trading practices.

Mr Hugel's forced departure was especially a blow to Mr Casey because the CIA director had insisted on Mr Hugel's appointment, despite his lack of qualifications and much agency resistance. Mr Hugel denies that he supplied stockbrokers with inside information about a company he ran. But the wisdom of Mr Casey, a former head of the Securities Commission, in pushing the appointment is being openly questioned. Further questions about the CIA director were raised when a judge ruled that Mr Casey had once misled potential investors in a company in which he worked.

*EXCERPTED*

NEW YORK DAILY NEWS


# Barry's panel probing Casey

By JOSEPH VOLZ

Washington (News Bureau)—Chairman Barry Goldwater (R-Ariz.) announced yesterday that the Senate Intelligence Committee staff would begin an immediate investigation of the controversial financial dealings of CIA Director William J. Casey.

The committee met behind closed doors for more than an hour with the CIA's deputy director, Adm. Bobby R. Inman, in what was said to be a regularly scheduled session on "CIA progress" during the last six months.

But it was clear that committee members were concerned about a New York federal judge's memorandum accusing Casey and business associates of misleading investors in a now-defunct New Orleans-based farming venture. The farming company, Multiponics Inc., went into bankruptcy in 1971 but generated several lawsuits that have dragged through the courts for most of the ensuing decade.

FEDERAL JUDGE Charles Stewart concluded in a memorandum issued in May that Casey, a company director and listed as company secretary, and other directors deliberately had failed to tell investors in 1968 that almost all of $3 million they were trying to raise would be used to pay off loans made to the company by the directors.

Casey's entanglement with Multiponics surfaced after Max C. Hugel, deputy director of the CIA for clandestine services, abruptly resigned from the agency Tuesday morning after The Washington Post published charges that he had participated in a stock-manipulation scheme in the early 1970s. Hugel had been a Casey protege at the CIA.

The intelligence committee also plans to investigate the Hugel appointment. "Our chief interest," said Goldwater, "is to determine why our committee did not know about Hugel until The Post appeared Tuesday, when it was known among the press and others the previous Thursday or Friday." Goldwater said he learned of Hugel's troubles "inadvertently" from a friend Sunday.

AS FOR CASEY, Goldwater said he had done "a commendable job" as director of the CIA "except for picking a man with no background" to head clandestine services. "Even if Hugel had not been said to have a shady background," Goldwater added, "I would have picked a man from below" in the agency for the highly sensitive post.

Goldwater, until now a staunch supporter of Casey, appeared to be hedging his support slightly in his meeting with reporters after the committee session. He noted that President Reagan had expressed "full confidence" in Casey and added, "I do, too—unless we find further facts."

The senator gave no indication that the panel had uncovered any additional information on Casey. He did say, however, that he had not been aware of "the Louisiana transactions."

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LOS ANGELES TIMES
18 July 1981

# Goldwater Supports CIA Director; Committee Staff to Review Ca

By ROBERT L. JACKSON, *Times Staff Writer*

WASHINGTON—Sen. Barry M. Goldwater (R-Ariz.) expressed support Friday for CIA Director William J. Casey as the Senate Intelligence Committee that Goldwater chairs ordered a staff review of allegations surrounding Casey.

Senate Majority Leader Howard H. Baker Jr. (R-Tenn.) added his own qualified support for Casey, who has been under fire for hiring a top official who resigned Tuesday amid charges he once was involved in improper stock dealing. Casey's own conduct as a private businessman was also criticized in two federal court rulings that surfaced this week.

Baker told reporters that "until and unless something occurs that undermines my confidence in Mr. Casey, I will continue to have confidence in him."

Goldwater said the committee had authorized its legal staff to meet with CIA lawyers to review events leading to the resignation of Max Hugel as the CIA's chief of clandestine activities. Other matters to be considered, Goldwater said, would be the two court rulings questioning Casey's past business conduct.

Referring to Casey, Goldwater said: "As a director, he's done a commendable job, except for picking a man with no background (in clandestine affairs). And even if Hugel had not been said to have a shady background, I would have picked a man from below (in the agency's ranks)."

Casey appointed CIA career officer John Stein to head clandestine activities after Hugel resigned following charges he had provided inside information to two stock brokers in 1974 in an effort to boost stock in an electronics firm he owned.

Subsequently, two federal court rulings came to light in which Casey and other directors of an agricultural firm, Multiponics Inc., had been criticized for withholding information from stockholders and managing the firm in a "pattern of self-interest." The company went bankrupt in 1973.

Casey, a former chairman of the Securities and Exchange Commission, has said he was only one of 16 directors or officers "exercising what seemed to be reasonable business judgment at the time."

WILMINGTON NEWS JOURNAL
18 July 1981

# Casey partner's underworld ties reported

## White House unfazed by report

By JOE TRENTO
and RALPH S. MOYED
Staff writers



One of CIA Director William J. Casey's partners in a failed business venture is identified in Justice Department records as an associate of underworld figures infiltrating Gulf Coast waterfront industries.

The partner is Carl Biehl, a co-defendant with Casey in two civil suits now being reviewed by the Senate Intelligence Committee staff.

Biehl has made an agreement with federal authorities to supply information on organized crime activities in New Orleans, Galveston, Texas, and other Gulf Coast cities where his family stevedoring company does business, the News Journal has learned.

Reached by telephone at his vacation home in the Caribbean, Biehl told a reporter, "I don't want to talk to you about anything," and hung up.

A CIA spokesman declined comment Friday on Casey's relationship with Biehl or whether that relationship was turned up in the field check made on Casey when President Reagan nominated him as head of the CIA.

The agreement under which Biehl agreed to inform on the mob was reached after his purported crime connections were turned up in a routine 1973 FBI investigation of Casey when Richard Nixon named him chairman of the Export-Import Bank, according to a source close to the case.

Following the 1973 disclosures, Justice Department sources say, it took federal authorities in New Orleans several years to get Biehl to cooperate in their probe of organized crime in the shipping business.

The complete FBI file containing the details of Biehl's connections to organized crime was available to the White House before Casey took the helm at CIA last January, according to Justice Department sources.

Casey, who ran President Reagan's 1980 campaign, was one of the first members of the administration to be nominated and confirmed.

The White House on Friday seemed unconcerned about the implications of having a CIA director who is close to a man who may be involved in organized crime.

"I don't see the connection between Biehl's ties and Casey," White House spokesman Peter Roussel said Friday night. "We knew about the lawsuits, but I can't confirm we knew about any connections to organized crime."

Justice Department spokesman Thomas De Cair said he could not comment on the Biehl case.

Spencer Davis, spokesman for the Senate Intelligence Committee, said committee members were unaware when they held hearings on his confirmation that Casey's business associate had shown up in organized crime files.

Justice Department charts link Biehl with underworld figures along the Gulf Coast. His name also shows up in Justice Department memorandums dealing with organized crime

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infiltration into shipping, freight forwarding and stevedoring in the southeastern United States.

According to confidential Justice Department documents, Biehl's connections to underworld figures came to light in surveillances and wiretaps conducted by the federal organized crime investigators in Washington and New Orleans.

The documents show that the Justice Department promised that Biehl would not be prosecuted in return for his cooperation.

A source familiar with the case said Biehl was first approached by mob interests in the 1950s. The Justice Department documents do not indicate the extent of his involvement, but, based on the findings of FBI investigators in 1973, the involvement dates at least to the early days of Casey's and Biehl's business association.

In 1968, Casey, Biehl and Alfred J. Moran, a New Orleans business executive, founded Multiponics Inc. to operate a giant farming operation. Moran said Friday that he, Casey and Biehl still are close friends despite their business problems.

In 1968, they bought 44,000 acres of land in the Southeast, sold debentures and, three years later, went bankrupt.

One of the investors was a subsidiary of fugitive businessman Robert Vesco's Investors Overseas Services. Moran declined comment on the extent of Vesco's involvement in Multiponics.

The investors, including the IOS subsidiary, sued Casey and the other founding directors in 1973, charging them with gross mismanagement and negligence. Within the last year, federal courts in New York and New Orleans have ruled against Casey, Biehl, Moran and the other directors.

The New Orleans ruling held that the directors drove the operation "deep and deeper into debt" by managing Multiponics in a "pattern of self-interest." In New York, the court ruled that Casey and the other directors knowingly misled early investors in the firm.

Casey's lawyer said he denies any wrongdoing in the Multiponics affair.

A high level CIA official, who asked that his name not be used, said that Casey's relationship with someone who had connections to organized crime "has serious implications for the security of the [intelligence] community. It's going to hurt morale terribly. Our attention cannot be diverted away from collecting intelligence and this is what we have now."

PITTSBURGH POST-GAZETTE
18 July 1981

# Overt embarrassment at CIA

For an operation whose watchword is supposed to be secrecy, the Central Intelligence Agency has suffered an acutely public form of embarrassment.

First, CIA Director William Casey's handpicked director of covert operations, Max Hugel, resigned this week after the publication of allegations by two New York stockbrokers that he had engaged with them in illegal stock manipulations in 1974. Mr. Hugel denied any wrongdoing. Then it was discovered that Mr. Casey, who himself has a reputation as a wheeler-dealer, had been chastised by two federal courts for improprieties in his business dealings. A Senate Intelligence Committee investigation of how Mr. Hugel was screened may be broadened at least informally, to encompass the question of Mr. Casey's continued fitness.

The committee investigation obviously ought to go forward, and in the case of Mr. Casey the committee should scrutinize information about any of his dealings which it lacked at the time of his confirmation. It should be careful, however, to approach such information with the same sophisticated view with which it addressed other accusations against Mr. Casey. In the Byzantine world of securities transactions, not every technical allegation or even finding of wrongdoing is a guarantee of skulduggery.

The principal focus of the probe, however, ought to be on the adequacy of the process by which political appointees in the agency are screened before being promoted to positions as sensitive as the one that Mr. Hugel occupied.

If the failing is institutional, or if Mr. Hugel's alleged involvement in improper dealings would have eluded even a more searching examination, then it would be disproportionate to demand Mr. Casey's head. But if Mr. Casey casually installed an old friend in such a sensitive position without a thorough investigation — and if such casualness marks his stewardship of the agency generally — then his suitability as the head of one of the government's most sensitive agencies ought to be re-evaluated by the committee and by President Reagan.

DULUTH NEWS-TRIBUNE (MN)
18 July 1981

# Casey — it looks extremely rocky

Eisenhower had his Sherman Adams; Johnson his Billy Sol Estes; Nixon his Spiro Agnew (and later his administration); Carter his Bert Lance. Reagan's got William J. Casey, his CIA director who is becoming increasingly embattled as the federal courts, the press and Congress look into his past business dealings.

And while Reagan seems to be behind Casey one thousand percent — "There is no controversy; I have complete trust in him," the president has proclaimed — the controversy boils on.

At issue is whether Casey and his partners in a business knowingly misled potential investors. Two federal courts have issued rulings criticizing Casey for his tangled financial affairs, one of them saying Casey and his partners operated a corporation they owned in an "overall pattern of self-interest" that drove the company "deep and deeper into debt."

Now members — especially Democratic members — of the Senate Judiciary Committee are threatening to investigate Casey's past business dealings. All of this is in the wake of the resignation of Casey's right hand spymaster, Max Hugel, who left after allegations that he had improperly manipulated in the stock market to favor a business he once owned.

We have learned from experience that once this kind of thing gets going, rightly or wrongly, it almost always ends in the ouster of the person charged. Few can stand the scrutiny to which their affairs are subjected, once it begins.

Right now it looks extremely rocky for the head of the CIA. With two strikes against him already, the chances are Mighty Casey will strike out.

SEATTLE POST-INTELLIGENCER (WA)
17 July 1981

# Troubled CIA

If there was anything the Central Intelligence Agency didn't need, it was a crew of directors with questionable credentials. But that's the lot of the agency that's still recovering from reports of past excesses.

First blow to the CIA's revived credibility was the Max Hugel affair. Without consultation with the White House, CIA Director William J. Casey picked Hugel to head clandestine operations, despite an expertise apparently limited to campaign support. Then came the discovery that Hugel had engaged in sharp stock market operations. Hugel's resignation was inevitable.

The stain, however, has not been wholly expunged. Casey, too, has a taint. It has come to light that on May 19 a federal judge ruled that the CIA director — then in private business — knowingly misled investors in the 1960s. The case involved distribution of a circular that contained false and mistated information.

President Reagan, curiously, expressed full support for Casey. The CIA helm surely requires someone of unassailable reputation, lest the nation's surveillance agency be compromised. Reagan needs to recognize this.

What's even more curious is that Reagan has escaped blame for inept appointments. He did not feel backlash over naming Ernest Lefever to the Human Rights post. Nor has he shared the outrage over James Watts' deeds. The president seems disassociated from responsibility, a strange and — we'd hope — passing phenomenon. On Reagan's desk, there's a sign that reads "the buckaroo stops here." And so it should.

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THE PHILADELPHIA INQUIRER
17 July 1981

# Red faces at the CIA

The circumstances that caused Max Hugel to resign as the Central Intelligence Agency's chief of clandestine operations demonstrate without much doubt that he never should have had the job in the first place. Thus, his abrupt departure is an embarrassment to the CIA and its director, William Casey, in more ways than one.

Mr. Hugel quit Tuesday as deputy director of the CIA while denying published allegations that he engaged in improper or illegal stock trading practices when he managed an electronics business in the 1970s. He had held the CIA position only two months, having been Mr. Casey's personal choice despite the fact that he had no previous experience in intelligence work.

Mr. Hugel was an organizer in President Reagan's election campaign and joined the CIA in January as Mr. Casey's special assistant. When Mr. Casey's choice of Mr. Hugel to be deputy director was questioned widely, he defended it primarily on the ground that he needed someone in such a sensitive post in whom he could place absolute trust and, having known Mr. Hugel for 20 years, he believed Mr. Hugel was that person.

Mr. Hugel let his friend down. He failed to inform Mr. Casey of his vulnerability to the allegations. That failure as much as Mr. Hugel's lack of experience in intelligence work demonstrated he was ill-prepared to serve in a top-level government job. The fallout, of course, is that confidence in Mr. Casey's judgment has been weakened and troublesome questions about the effectiveness of internal CIA investigations have been raised.

Mr. Casey moved quickly to replace Mr. Hugel with John H. Stein, a professional intelligence operative with 20 years of service in the CIA. That certainly takes care of the immediate problem within the agency, but Mr. Casey has a way to go yet before he is out of the mud.

Not only has the Hugel incident shaken confidence in his competence to run the CIA, but a recent court ruling has come to light that Mr. Casey and others misled investors in a defunct New Orleans company in which he was an officer.

The ruling came in a civil suit brought by disgruntled investors in 1974. It is a long way from being fully adjudicated, and Mr. Casey had advised the White House that he was a defendant in the suit before he was appointed to head the CIA. So, it may or may not be a serious matter. But, particularly against the background of Mr. Hugel's fall from grace, it is not a good thing to be hanging over the head of the director of the CIA.

The White House needs to determine quickly whether the judge's findings plus the Hugel fiasco have destroyed Mr. Casey's fitness to remain as director of the CIA.

THE PHILADELPHIA INQUIRER
17 July 1981





# Reagan not told of Casey legal tangle

By Terence Hunt
*Associated Press*

WASHINGTON — President Reagan was not told about William J. Casey's legal problems before he nominated Casey to head the CIA because it was decided the matter was not worth Reagan's attention, the White House said yesterday.

Instead, suits against Casey and others involved in a failed business venture were reviewed by Fred Fielding, the White House counsel who examined financial-disclosure data on potential nominees last year for the incoming administration, according to deputy White House press secretary Larry Speakes.

"I think Fielding, in his discussions with Casey, made a determination that these cases, these pending cases, were not of sufficient nature to raise to the President," Speakes said.

Casey, found in a May 19 ruling by a federal judge in New York to have knowingly misled stockholders in the company, was also a defendant in a year-old federal appellate court ruling in New Orleans that became known Wednesday.

In the New Orleans ruling, a judge said that Casey and other directors of a now-defunct farming corporation drove it "deep and deeper into debt" by managing it in a "pattern of self-interest."

The judge denied Casey's claim to a portion of the firm's remaining assets.

Both rulings involved Casey's role in Multiponics Inc., a New Orleans firm that filed for reorganization under the Bankruptcy Act three years after its founding in the late 1960s.

Casey's legal troubles came to light after Max Hugel, a businessman whom Casey had brought into the CIA from the Reagan campaign, resigned Tuesday as head of the agency's clandestine services. Hugel's departure came hours after the Washington Post printed allegations by two New York stockbrokers that they had participated in 1974 with Hugel in prohibited maneuvers to boost the stock of a firm Hugel once owned. Hugel has denied any wrongdoing in the case, which is unrelated to Casey's business venture.

Reagan expressed full trust in Casey Wednesday and said, "There is no controversy."

Yesterday, Speakes said that he knew of no change in Reagan's opinion.

Speakes said that Casey had disclosed the suits in information he provided to the administration before his CIA nomination was submitted. Casey was nominated to the CIA post after having managed Reagan's campaign.

"Both these lawsuits, and I think there are others in the New Orleans appeal ... were disclosed, and Fielding did discuss it with him [Casey] in detail," Speakes said.

"This information was presented to the Senate committee [which held confirmation hearings on Casey's nomination] and they made a decision that it was not sufficient to raise in the hearings and that's where the matter stands."

Rep. Charles Rose (D., N.C.), a member of the House Select Committee on Intelligence, said yesterday that the allegations against Casey needed to be probed "very carefully."

"I think the committee is going to have to take a look at what this has done to the director's capacity to continue serving as the nation's chief intelligence officer," Rose said.

Speakes said that the information about the suits was listed by Casey on a personal disclosure form that is kept private by the White House. He said the information also would have been part of an FBI background check given to the Senate.

In the New Orleans case, Casey and the other directors lost a bid to claim part of the assets of the failed firm. A ruling against the claim had been sought by a court-appointed lawyer for the firm's trustee as a penalty for the directors, and it was upheld July 16, 1980, by a unanimous three-judge panel of the U.S. Fifth Circuit Court of Appeals in New Orleans.

As a result, the $10 million remaining of Multiponics' assets was divided two weeks ago among the firm's creditors, leaving no money to repay the directors for personal loans made to the firm, according to the trustee's lawyer, Peter J. Butler of New Orleans.

Casey's attorney in New York, Milton Gould, said the CIA director lost $150,000 in the venture. He noted that damage claims against Casey and other directors had been dismissed in the New Orleans case.

A spokesman for the Senate Intelligence Committee said its staff has begun checking on the CIA's office of security and the procedures that led to its quick clearance of Hugel. The spokesman, who declined to be identified, said the panel is interested in knowing why the security office did not uncover Hugel's business problems.

Asked if the White House would cooperate in any Senate investigation of the Hugel and Casey matters, Speakes said, "It hasn't come up here in those terms. Certainly the Senate has the right and privilege to do whatever they like."

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THE BALTIMORE SUN
17 July 1981

# Dealings of CIA's Casey held 'sure to come up' when senators meet today

By Curt Matthews
Washington Bureau of the Sun

Washington—The personal financial dealings of CIA Director William J. Casey "are sure to come up" today at a closed session of the Senate Select Committee on Intelligence, according to a member of the committee staff.

Two recently disclosed federal court rulings against Mr. Casey for stock dealings prior to his appointment as head of the Central Intelligence Agency have reportedly raised questions among some members of the committee about Mr. Casey's remaining in his sensitive government post.

The federal court rulings critical of Mr. Casey, one in New Orleans and another in New York, came to light in the wake of the resignation Tuesday of Max Hugel, the CIA's deputy director for operations, amid allegations that he, too, had engaged in questionable stock market activities.

Mr. Casey, who had known Mr. Hugel for only 17 months before insisting upon his appointment as chief of the CIA's clandestine operations abroad, has come under criticism for failing to check more thoroughly into Mr. Hugel's background before naming him to one of the most sensitive posts in government.

"Mr. Casey is not on the agenda for tomorrow's meeting," an intelligence committee staff member commented yesterday. "It's a routine business meeting. But I'll fall over in a dead faint if someone doesn't bring up the Casey matter."

Senate Republican leaders have moved gingerly around the subject of Mr. Casey's background and his role in the abrupt departure of Mr. Hugel, but several Democratic senators are said to be interested in learning more about recent events at the CIA.

The two court rulings against Mr. Casey stem from the same case and involve his role as an officer and promoter of a now-bankrupt firm called Multiponics, Inc. A federal judge in New York ruled May 19 that Mr. Casey had cooperated with others connected with the firm to omit and misrepresent facts presented to potential investors.

Last year, a federal appeals court ruling in New Orleans, upholding another group of investors who had brought suit against Multiponics officers, said Mr. Casey and his associates in the firm drove the corporation "deep and deeper into debt" by managing in a "pattern of self-interest."

Yesterday, Larry Speakes, deputy White House press secretary, said President Reagan had not been informed about Mr. Casey's legal problems before picking him to head the CIA.

However, Mr. Speakes said the White House counsel, Fred Fielding, and other top aides did know about Mr. Casey's background and decided the stockholder suits that had been brought against him did not warrant consideration by the president.

Mr. Reagan has expressed full trust in Mr. Casey, saying on Wednesday that "there is no controversy."

Mr. Speakes said Mr. Casey had disclosed the lawsuits pending against him in information submitted to the administration before his nomination was submitted in February for confirmation by the Senate.

"This information was presented to the Senate [intelligence] committee and they made a decision that it was not sufficient to raise in the hearings, and that's where the matter stands," Mr. Speakes said.

However, when the Senate intelligence committee considered Mr. Casey's legal problems earlier this year, it was before Mr. Hugel's controversial departure and before the May 19 court ruling in New York supporting the allegations of impropriety against Mr. Casey.

"It's agreed by both sides [Republicans and Democrats] that this is a matter that ought to be discussed," said Peter Smith, a press aide for Senator Joseph R. Biden, Jr. (D, Del.), a member of the intelligence committee.

Some House members also indicated they favored a review of Mr. Casey's decision to hire Mr. Hugel and of the CIA director's own personal financial dealings.

Representative Charles Rose (D, N.C.) a member of the House Select Committee on Intelligence, said yesterday, "I think the committee is going to have to take a look at what this has done to the director's capacity to continue serving as the nation's chief intelligence officer."

Meanwhile, in New York, Mr. Casey's personal lawyer, Milton Gould, said the CIA director had lost money—$150,000—in the Multiponics venture, and noted that despite the court's criticism of the firm's management, the suit against Mr. Casey and other directors of the firm had been dismissed by the New Orleans appeals court.

If the allegations result in further congressional inquiry, it will not be a new experience for Mr. Casey.

In 1971, when former President Richard M. Nixon appointed him chairman of the Securities and Exchange Commission, the Senate Finance Committee initially confirmed his appointment but then reopened confirmation hearings to allow Mr. Casey to explain a number of lawsuits brought against him for violation of securities law in the 1960s.

The suits had not been disclosed in his brief initial appearance before the Finance Committee. One suit, brought in 1962, charged that Mr. Casey helped sell an unregistered stock in a firm called Advancement Devices, Inc. a New York firm. Mr. Casey was a director and principal stockholder in the company.

The plaintiff in the suit, a stockholder, sought relief totaling $10,000. Mr. Casey settled the case out of court by agreeing to pay the plaintiff $8,000.

In 1965, Mr. Casey and several other officers and directors of a New Orleans firm known as Kalvar Corporation were charged in a stockholders' suit with giving misleading information about the terms of a proposed acquisition by Kalvar of another firm, S. O. Systems, Inc., of Burlingame, Calif.

Other matters regarding Mr. Casey's background that became of interest to the Senate Finance Committee after his confirmation hearings were reopened in 1971 were charges of plagiarism in writing a book on tax law.

Mr. Casey had initially told the committee the court record of the suit had been sealed on the initiative of the judge who heard the case, which was settled when Mr. Casey agreed to pay an Indianapolis man $15,000.

However, research by Senator William Proxmire (D, Wis.) disclosed that it was Mr. Casey, not the judge, who insisted that the record be sealed. After testimony by the judge before the Finance Committee, Mr. Casey said he had been wrong in his initial testimony.

Despite the controversy surrounding his appointment, Mr. Casey was confirmed as chairman of the SEC.

CONTINUED

Mr. Casey continued, however, to generate controversy. In 1974, he was a prosecution witness at the trial of former Attorney General John N. Mitchell and former Commerce Secretary Maurice H. Stans. The two Nixon cabinet officers stood trial in New York but were acquitted on charges stemming from a secret cash campaign contribution by international financier Robert L. Vesco.

Mr. Casey testified about attempts by John Dean, a former White House counsel, to thwart an SEC investigation of Mr. Vesco.

Later, when the House Interstate and Foreign Commerce Committee tried in 1974 to review SEC documents regarding a controversial merger between Hartford Insurance Company and International Telephone & Telegraph Corporation, Mr. Casey sent the material to the Justice Department—an attempt to block further investigation of the merger, according to then-Representative Harley Staggers (D, W.Va.), chairman of the subcommittee probing the transaction.

BALTIMORE NEWS AMERICAN
17 JULY 1981

# No room for cronyism

It is perplexing why the Reagan administration ever approved the appointment of former Reagan campaign aide Max Hugel as the CIA's deputy director of operations, one of this country's most sensitive intelligence posts. That the administration did so when Mr. Hugel's ceredentials for the job were woefully inadequate is incomprehensible.

But it is perplexing and incomprehensible only until one considers who recommended and ultimately appointed Mr. Hugel to the job: CIA Director William Casey put Mr. Hugel in charge of the agency's clandestine operations, and considering recent reports which reflect on Mr. Casey's integrity, the whole Hugel affair is not so surprising.

Under Mr. Casey's stewardship, the CIA has become increasingly politicized. The Hugel case is a good example. When Mr. Casey appointed him to the deputy directorship, the intelligence community was dismayed because of Mr. Hugel's lack of experience. In the past, the position Mr. Hugel was given had gone to career CIA people or outside experts — not political buddies. But in Mr. Hugel's case, cronyism won out; even the CIA background investigation into his past was but a skimpy seven-day affair, and we can only assume that it somehow failed to reveal the serious problems that have since hurt the agency's credibility and led to Mr. Hugel's resignation.

□

Mr. Hugel has been accused by Thomas R. McNell and Samuel F. McNell of having provided their securities firm with confidential information about his company, with improperly funneling $131,000 into the firm and with helping them use their firm to improperly boost trading in the stock issued by Mr. Hugel's company, Brother International Corp.

The Hugel story is a blot on the integrity of the Reagan administration, but the rest of the story is even sorrier. Whereas Mr. Hugel stands accused, Mr. Hugel's former boss has been *found* guilty of impropritics.

Federal Judge Charles E. Stewart Jr., of the Southern District of New York, concluded in a May 19 decision that Mr. Casey, while a member and the secretary of Multiponics Inc. in the late 1960s, knowingly misled investors in a $3.5 million fund-raising drive for the New Orleans company that has since gone out of business. Moreover, Mr. Casey has even admitted that he made misstatements to investors.

What Mr. Casey and Judge Stewart are really saying is that Mr. Casey lied; for that sin, he was sued, and the plaintiffs in the case will probably seek damages.

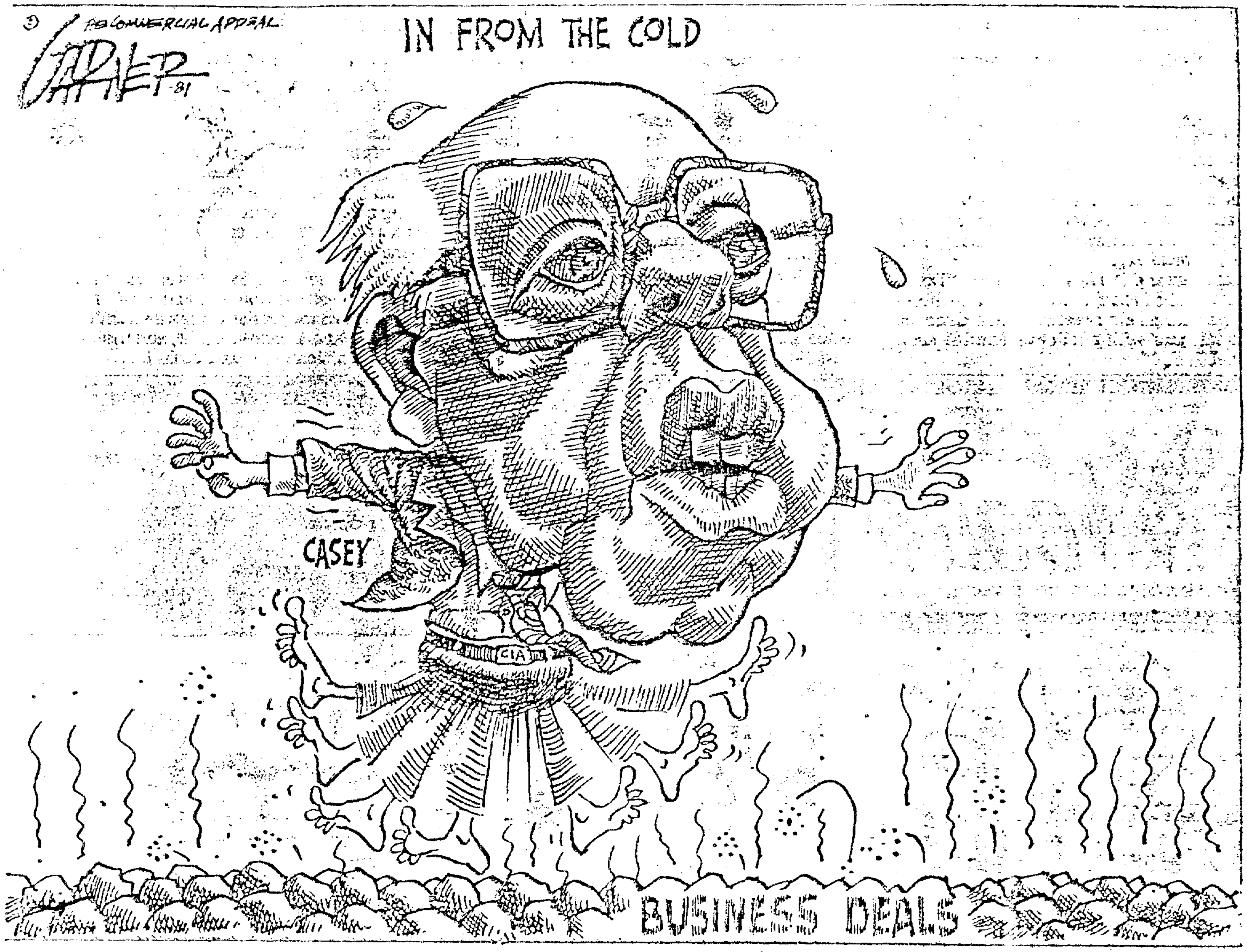
The New York case is the *second* time Mr. Casey has been chastized for his involvement in Multiponics. Last July, another federal judge, Alvin Rubin, ruled that Mr. Casey and his fellow officers in Multiponics — each of whom had made personal loans to the company — should go to the back of the line of creditors when the company filed for reorganization under the Bankruptcy Act because management decisions made by the board of directors and the officers of the company were responsible for the company's failure.

□

Mr. Hugel, although he protests his innocence, has resigned his post at the CIA. According to what government sources told *The Washington Post,* he really had no choice — he could either resign or be fired by order of the White House. And that's exactly how Mr. Hugel's case should have been handled. A person in a sensitive position such as the one Mr. Hugel held at the agency should be above reproach — the person should even be above any appearance of reproach.

But what about Mr. Casey? He admitted misstating facts, and he now faces more than accusations. Judge Stewart *ruled* that Mr. Casey was involved in improprieties, and Judge Rubin *decided* that Mr. Casey had mismanaged a company. And yet Mr. Casey remains director of the CIA.

MEMPHIS COMMERCIAL APPEAL (TE)
17 July 1981



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RICHMOND TIMES-DISPATCH
17 July 1981


"...I HAD BEEN DOWN ON MY LUCK FOR SEVERAL YEARS--NOTHING WAS GOING RIGHT, Y'KNOW--BUT I WORKED HARD AT REBUILDING MY CREDIBILITY--AND THINGS STARTED LOOKING UP--I WAS GETTING RESPECT AGAIN--THEN WHAM!!--A COUPLE OF BAD BUSINESS AND STOCK MARKET DEALS--AND, WELL, HERE I AM AGAIN--LIFE'S FUNNY, HUH?..."