COUNTERINTELLIGENCE

Organized crime goes legit

How Kennedy 'reformers', the mob and drug bankers took over New Jersey

The fight over casino gambling in New Jersey has started to break open the real story on organized crime in the United States. A state report just issued on Resorts International and its gambling operation in Atlantic City has uncovered the edges of a vast network of drug trafficking and dirty money which, when fully traced out, leads from lowly mobsters and thugs to the Kennedy machine in the Justice Department, international intelligence services, and some of the world's top financial institutions.

On Dec. 4 the New Jersey Division of Gaming Enforcement issued a recommendation that Resorts International be denied a permanent gambling license for its Atlantic City casino. The 115-page report, which sources say was in the making for months amid tremendous pressure from both pro- and anticasino forces, concentrates on documenting in detail the complete domination of Resorts' financing and operations by well-known mob figures, particularly Meyer Lansky and Robert Vesco. However, the Gaming Enforcement Division promises shortly to make public a report which should delve into a much more sensitive and vital area that the present document touches only peripherally: Intertel, the private police force composed of former U.S., Canada and United Kingdom intelligence and law enforcement officials and owned by Resorts.

As a private investigative agency, with unusual access to confidential government documents and investigations, including wiretap material, Intertel, and its predecessor, a collection of similar employees directly under the aegis of Resorts, was in the perfect position to redraw the political map in favor of the Kennedy family, the factional grouping commonly termed the Zionist lobby, and associated circles in British and Israeli intelligence.

The case of Resorts International, and its history in New Jersey, is in fact a model example of how such political "remapping" is carried out. Since organized crime - the hundreds of billions of dollars in international receipts from illegal drug and other trade — is at the core of this political faction's power-base the essential point is to make organized crime legal. While publicly justified under slogans such as "take the profit out of organized crime," schemes to legitimize gambling, drugs, and so forth have actually

served to place the mob — the real mob — and its activities even further beyond the reach of the law.

The story of New Jersey Governor Brendan Byrne, "the man the mob couldn't buy" according to his PR handouts, illustrates nicely how these bogus "reform" movements operate.

First as Essex County (N.J.) Prosecutor until 1967, then as state commissioner of public utilities, as a judge, and finally as governor, Brendan Byrne has been instrumental in giving Kennedy and Britishlinked crime networks a foothold in the United States. Through his participation in "cleaning out" the oldline political machines in the state and in making Atlantic City a legal gambling town, Byrne has introduced into the United States the "new model" organized crime that had previously been confined to former British colonies and banana republics.

The "new model" was created in the Bahamas with the collaboration of British and Canadian banking interests, Kennedy men in the U.S. Justice Department, gangster Meyer Lansky, and international swindlers and drug pushers including fugitive Robert Vesco. The Kennedy Justice "clean sweep" method was instrumental in pulling the plug on traditional organized crime operations, reorganizing the political structure of the state, and then using a slick "reformer" image to legalize gambling and to put sophisticated drug-running operations in place.

The Kennedy Justice methods were developed by Robert F. Kennedy during his tenure as chief counsel to the Kefauver Committee, ostensibly investigating racketeering in the late 1950s. In fact Kennedy devoted himself to an all-out drive against the Teamsters Union, employing a team composed of law enforcement investigators, accountants, and lawyers. This team approach is institutionalized in the Justice Department in the Organized Crime Task Forces and in the Organized Crime and Racketeering Section of the Criminal Division of Justice. When Kennedy became Attorney General of the U.S. in 1961 he staffed those sections top to bottom with his own people. Every Justice Department official named in this report owes his career and methods of investigation to Robert F. Kennedy, and maintains a strong political connection to the Kennedy family political machine.

1. Intertel and the Bahama beginnings

In the Bahamas Resorts International provided the basis for the operation. In 1965, Resorts, then known as the Mary Carter Paint Company, targeted Paradise Island in the Bahamas for the development of a huge gambling casino-resort complex. From the beginning, organized crime was in on the deal. The president of Mary Carter (now president of Resorts International), Robert Crosby, secured a gambling license and constructed a toll bridge to the island from Nassau with the assistance of Sir Stafford Sands, who was later exiled from the Bahamas in disgrace for his organized crime connections and dirty-money operations. In exchange for the gambling license, Crosby gave the Lansky-dominated Lucayan Beach Hotel and Casino, on Grand Bahama Island, fourninths of the take from the Paradise casino.

Resorts also thoroughly swindled the man who must be the United States' most credulous millionaire, Huntington Hartford, who had the original rights to Paradise Island and had vowed to build a resort "free of organized crime and gambling interests." After an initial campaign in which Hartford accumulated still unreleased files on British intelligence and organized crime links to Resorts — files still not made public — Hartford sold his interests for 10 percent of the Resorts stock, and a \$1 million bank loan guaranteed by Resorts International. When Hartford ran low on liquidity, Resorts cancelled the guarantee for the note and Hartford was forced to part with his 10 percent interest in the operation.

Drug trafficking was also involved from the start. Crosby's brother Peter, a convicted stock swindler, is a close associate of Dino Cellini — known to be Lansky's right-hand man in skimming casino profits and collecting gambling debts. Dino Cellini is a close associate of Canadian heroin traffic kingpin Giuseppe Cotroni. Dino's brother Eddie was hired to "manage" the Paradise Island casino.

The first major investor in Resorts — to the tune of \$10 million — was William Mellon Hitchcock. Hitchcock had earlier picked up Timothy Leary's tab in creating the LSD drug cult in the United States, and then singlehandedly financed the manufacture and distribution of that drug. Hitchcock's interest in Paradise Island was, initially, to use it as a center for offshore, large-scale LSD manufacturing and as a bank to launder his drug money. The latter service was provided by the Bahamas-based Fiduciary Trust Co., a subsidiary of the Vesco-owned Investors Overseas Services (IOS). IOS itself invested at least \$4 million in the Paradise Island development.

What Hitchcock and some of the local organized crime interests like Sir Stafford Sands didn't know was that Crosby's deal in setting up the Paradise Island casino was accompanied by a plan, using the U.S. Department of Justice and the Internal Revenue Service, to investigate them, to expose their organized

Mob at work:

U.S. Labor Party organizer Max Sawicky has won a continuation of bail while he is appealing a conviction for assault stemming from a police riot in the Newark City Council chambers in 1973. Labor Party organizers had distributed 100,000 leaflets in Newark last week denouncing the original trial as a sham and attacking Gov. Brendan Byrne for attempting to revenge himself on the Labor Party through Sawicky.

The charges stemmed from the Labor Party's 1973 effort to dismantle Leroi Jones's Kawaida cult, which the party identified as the culmination of an effort growing out of the 1967 riots. It was after those riots that the Essex County prosecutor's office, alleging that "political corruption" was at the root of the rioters' grievances, began a "clean-out" prosecution of the old political machine. The clean-out involved the jailing of Newark Mayor Addonizio and the takeover of Essex County by the Resorts International gambling mob. Brendan Byrne was

crime connections — and to steal their investment out from under them.

In 1965, the Internal Revenue Service initiated Operation Tradewinds, an investigation of "hot money" activities in the Bahamas including secret bank accounts, laundering of organized crime proceeds, tax evasion. Coordinating Operation Tradewinds were William Kolar, IRS Chief of Intelligence, and Robert Peloquin of the Organized Crime and Racketeering Section of the Justice Department. Peloquin and his boss, Henry Petersen, worked under the direction of Criminal Division chief William Hundley.

Immediate casualties of the investigation were Sir Stafford Sands and his "Bay Street Boys," who had run the Bahamian government, and Billy Mellon Hitchcock. Also smeared for their organized crime connections were a group of American investors who had financed the political opposition spokesman to the Bay Street Boys, Lynden Pindling, hoping to cash in with their own casino.

The investigators then turned in their badges and cashed themselves in on the Paradise Island loot. The law firm of Peloquin and Hundly, formed in 1967, was retained within weeks to manage the Paradise Island casino, and both men became vice presidents of the Resorts subsidiary that owned the island.

By 1970, Resorts had created a wholly owned subsidiary, International Intelligence, Inc. (Intertel), run by Peloquin and Hundley and recruited almost entirely from the Operation Tradewinds personnel, including William Kolar. Intertel was to provide

the Sawicky case

then Essex County Prosecutor and used the Jones cult to oust the old-liners.

Labor Party interference with the plan to take over New Jersey ultimately provoked then-Essex County prosecutor Joe Lordi to move against the party. Six Labor Party leaders were arrested by Lordi's operation on a variety of bogus charges. including the Newark City Council affair, when police went on a rampage through the crowd in the chamber.

Lordi lost five of the six cases. In Sawicky's case, although they won a conviction, the New Jersey courts held an appeal in limbo until recently, when troubled Resorts International apparently felt driven to act.

Sawicky's defense, including a writ of certiorari to the New Jersey Court of Appeals, will include reopening of the Byrne machine's involvement in the affair.

"security" for the casino and similar services to business.

This included approving Robert Vesco's Investors Overseas Service \$60-million bid to buy outright the Paradise Island operation. The man who put the deal together was Pellegrino Loia (also known as Jimmy Neal), an associate of Giuseppe Cotroni. Loia received a \$50,000 finder's fee. Vesco made his proposal less than four and a half months before he was indicted for stock fraud by the Securities and Exchange Commission and fled to Costa Rica. Intertel claimed no knowledge of Vesco's shady connections and impending indictment.

The activities of Lansky, Vesco, Resorts International, and the Kennedy Justice Department firmly established the Bahamas as a center for the transshipment of drugs to the U.S., the laundering of organized crime loot, and for rapacious casino operations backed by organized crime collection squads.

2. The move to New Jersey

Its Bahama operation a success, the same machine went to work on the state of New Jersey.

The invasion began on a major scale in 1966 when William Hundley deployed Herbert Stern of the Organized Crime and Racketeering Section of the Justice Department to New Jersey to break up the existing political and organized crime structures. By 1973, Stern, first with the Organized Crime and Racketeering Section, then as assistant U.S. Attorney under Sen. Clifford Case's protégé Frederick Lacey, and finally as U.S. Attorney himself, indicted or put in jail 79 top state officials.

"Only a handful of those who've gone to trial have escaped conviction, and only a few of those convicted escaped stiff prison sentences," Playboy Press's book Tiger in the Court commented on Stern's success. "In addition to Congressman Gallagher (ranking Democrat on the House International Relations Committee), the roster includes two successive secretaries of state, two successive state treasurers, a former speaker of the state assembly, a state senator, two commissioners of the Port of New York Authority, the executive director of the Garden State Parkway, plus the mayors and a significant part of municipal administrations of New Jersey's largest cities, Newark and Jersey City, and a half-dozen lesser communities, a handful of judges, the state's most powerful Democratic boss and its most influential Republican Party leader."

Knowledgeable Jersey sources believe that Stern and Lacey's high conviction rate is not surprising. They were both appointed federal judges and heard argument on some of the cases they were said to have originally investigated!

Other Kennedy cothinkers moved into the state and provided the environment for the current takeover. A team of State Department and Ford Foundation operatives were appointed to high state positions. Paul Ylvisaker, head of the Ford Foundation's Grey Areas urban counterinsurgency program, became head of the Department of Community Affairs. Joel Sterns, formerly with the Agency for International Development in Brazil at the time of the 1964 generals' coup, became Ylvisaker's assistant. Ralph Dungan, U.S. Ambassador to Chile during John F. Kennedy's Administration and CIA "bagman" for dirty operations there, became head of the New Jersey Department of Higher Education. Joel Jacobson, currently New Jersey energy commissioner - whose energy program is based on the burning of garbage, solar and hydroelectric power — was in the middle of the operation through his connections with the Ford Foundation-funded Center for Community Change. And the "New Left" Institute for Policy Studies of Washington, D.C. sent SDS leader Tom Hayden into Newark with a group of "left-wing" radicals to begin organizing riots.

On July 14, 1967 the Newark riots exploded. A panel appointed by then Governor Hughes to examine the causes found "a pervasive feeling of corruption" the single most important cause. This led to grand jury investigations by Essex County Prosecutor Brendan Byrne, which were continued by his successor, former OSS counterintelligence specialist Joseph Lordi. Byrne and Lordi also collaborated with federal prosecutors Herbert Stern and Frederick Lacey in breaking up old-line political machines. They were assisted in this by an unlikely ally - Meyer Lansky.

Organized crime in New Jersey, including the tolerant relationship of many politicians to the mob, was managed and overseen by long-time Lansky associate and Atlantic City boardwalk owner Abner "Longy" Zwillman. Stern and the Internal Revenue Service targeted Zwillman for a tax evasion indictment; Lansky ordered him to commit suicide. Eliminating Zwillman pulled the plug on mobsters and politicians alike, while the Newark riots had signalled the go-ahead for breaking up Newark Mayor Hugh Addonizzio's machine in a joint Essex County-federal project. Ironically, one of the major charges against Addonizzio and his police director Dominick Spina was involvement with gambling!

The next significant problem faced by the Kennedy and British-organized crime elements was the almost certain re-election of Republican governor Cahill in 1973. Since 1970, Cahill and state Attorney General Kugler had been the most vociferous opponents of legalized casino gambling.

Two weeks before the gubernatorial primary, former top Robert Kennedy aide Lewis Kaden came to Herbert Stern with "evidence" of campaign financing irregularities in Cahill's 1969 election campaign. Stern leaked the story to the press, leading to Cahill's defeat in the primary by Charles Sandman. The Kennedy machine dragged out their candidate, "the man the mob couldn't buy," Brendan Byrne, and won the election.

Although Byrne's successor as Essex County prosecutor, Joe Lordi, was a known associate of the organized crime family of Vito Genovese through his own and his brother's association with Genovese underling Gerardo Catena, Byrne had a "clean" reputation. That reputation was established by FBI tapes of conversations of Simone Rizzo "Sam the Plumber" de Cavalcante and Angelo "Gyp" DeCarlo describing their difficulties with Byrne. As DeCarlo probably never understood, "the man the mob couldn't buy" had already been bought, but by a different mob—the Kennedy-British organized crime machine, a machine committed to making organized crime "legit."

3. Once Byrne was installed

While governor, Byrne moved ahead rapidly with plans for legalizing organized crime activity. As head of the Law Enforcement Assistance Administration's National Governors Commission on Criminal Justice Standards and Goals, Byrne called for the decriminalization of marijuana. He also began arm-twisting to force the state legislature to authorize a referendum for legalized gambling. The bill was sponsored by two legislators, Assemblyman Steve Perskie and Senator Joe McGahn; Perskie's uncle and McGahn's brother were on the payroll of Resorts International and Intertel. But opposition from law enforcement and church groups was so overwhelming that the referendum was defeated two to one.

Resorts International then put together a \$1.3 million war chest and bought off, for between \$800 and \$25,000, many of the politicians and public figures in the state. Victor Lownes, president of Playboy International, Inc. and manager of four English casinos, became Byrne's top advisor on the casino question. Lownes understood Atlantic City as the Normandy beachhead for a full-scale invasion of the U.S. by legalized casino gambling. "Aside from the profits," Lownes said, "which of course are substantial, the most important concern is what a good operation here in Atlantic City can mean for the future of licensed casino gambling in the U.S. We have a chance to establish respectability of the sort that has existed in Britain for a long time, where the Queen's bookmaker breakfasts at Buckingham Palace on occasion as a token of his honored post."

The total "walking war chest" that Resorts used to get the Casino referendum through the New Jersey legislature was \$300,000, distributed in bribes to various legislators, through an organization called "The Committee to Rebuild Atlantic City." The money for this operation came from the Bank of Nova Scotia in the Bahamas, passed through the Bank of Nova Scotia and Banker's Trust in New York and then to the "Committee." A complaint is on file with the Securities and Exchange Commission, charging that Resorts lied in its SEC and annual reports for that year by stating emphatically that "Resorts made no political contributions in the U.S." The SEC's response to the complaint was that the money definitely was paid by Resorts, but did not represent political contributions. According to the SEC — so relentless in going after Nixon campaign contributors on Intertel's behalf during Watergate - the money paid to buy the New Jersey Legislature merely represented "lobbying expenses."

With the sweetener of heavy payoffs, tremendous coercion and certainly a heavy margin of vote fraud, the casino referendum passed in November 1976. In the next election, when Byrne was virtually certain to lose to Republican Ray Bateman, the attorney heading Bateman's \$100,000 ballot security-vote fraud prevention campaign was Richard Weinroth, an employee of Resorts International. Weinroth participated in suppressing massive evidence of vote fraud accumulated by Republicans, and Byrne was returned to office. Weinroth's partner is Joel Sterns, the top legal counsel for Resorts, who worked in the state Department of Community Affairs after the 1967 Watergate-style cleanup of old-line organized crime.

Other applicants for casino gambling licenses in Atlantic City were equally contaminated. Rocky Aoki, owner of the Benihana restaurant chain and connected to Japanese gangster figures, has applied for a casino license in Atlantic City. Aoki has done this through the Hardwicke Company, whose chairman of the board is the Duke of Bedford, a member of the (Bertrand) Russell family and a high-ranking British oligarch. The Hardwicke Corporation was bailed out of recent