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DEPT. OF TRANSPORTATION  
DOCKET SECTION

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BEFORE THE  
U.S. DEPARTMENT OF TRANSPORTATION  
WASHINGTON, DC.

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In the matter of the )  
application of )  
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FLORIDA WEST )  
INTERNATIONAL AIRWAYS, INC. )  
 )  
for transfer of certificate )  
and exemption authority )  
pursuant to 49 U.S.C 41105 )  
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Docket OST-95-418 -6

MOTION FOR LEAVE TO FILE AND SURREPLY OF FINE AIRLINES, INC.

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Counsel for  
FINE AIRLINES, INC.

Dated: September 29, 1995

40 pp

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**MOTION FOR LEAVE TO FILE AND SURREPLY OF FINE AIRLINES, INC.**

On September 22, 1995, Florida West International Airways, Inc. ("FWIA") moved for leave to file an unauthorized Reply in response to the Answer of Fine Airlines, Inc. ("Fine Air") in opposition to FWIA's application for transfer of certificate and exemption authority. In its Reply, FWIA submitted a new affidavit by FWIA's majority shareholder, Mansour Rasnavad, affirming that Rasnavad is "in no way related to Farhad Azima," Rasnavad Aff. at ¶ 2. FWIA also made several new assertions regarding the Department's determination of whether Chilean carrier Fast Air will possess a substantial ability to influence FWIA's activities. In light of this newly introduced evidence, and given the importance of the issues

presented by FWIA's application to the Department's responsibility to ensure the fitness of air carriers, Fine Air respectfully moves for leave to file the instant surreply.

**Mr. Rasnavad's Affidavit: At Best, Misleadins and Deceptive**

The bulk of FWIA's reply<sup>1/</sup> is devoted to demonstrating that, contrary to a statement in Fine Air's brief, Mr. Rasnavad "is not Farhad Azima's brother," and, "[i]n fact, the two men are not related in any way, other than as employer and employee." FWIA Reply at 4.

FWIA states: "Fine Air makes much of the 'fact' that Mansour Rasnavad is Farhad Azima's brother. Fine Air states that because of the close 'family relationship' between the two men, the Department should investigate Mr. Azima, Florida West and Mr. Azima's alleged ties to Florida West. Fine cites Department precedent concerning control in cases involving 'close personal relationships' in support of its argument that Mr. Azima has obtained control of Florida West through his 'brother,' Mansour Rasnavad. . . . There is . . . [a] very significant problem with Fine's argument -- Mansour Rasnavad is not Farhad Azima's brother." FWIA Reply at 3-4.

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<sup>1/</sup> Pages 2 to 5 of FWIA's seven-page Reply are devoted to denying the existence of any relationship between Rasnavad and Azima.

To buttress its point," FWIA has submitted to the Department a sworn affidavit from Rasnavad stating that he is "in no way related to Farhad Azima," Rasnavad Aff. ¶ 2, and that "Mr. Azima is not [Rasnavad's] brother." Id.

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<sup>2/</sup> FWIA's attempts to distance Rasnavad from Azima are understandable. As detailed in footnote 5 of Fine's Answer, according to published accounts Azima has been reportedly involved in several notorious scandals and alleged illegal activities. To name but a few:

- Azima reportedly arranged for the transportation of arms to Iran that gave rise to the Iran-Contra scandal, using Global International Airways ("Global") of which he and Rasnavad were key officers and directors. Associated Press, November 13, 1986.
- Azima reportedly arranged for multi-million dollar loans to Global from an allegedly mob-controlled bank in Kansas City, of which Azima was a director. Global declared bankruptcy and the bank was declared insolvent. Reulatory Compliance Watch American Banker-Bond Buyer, April 27, 1992. Even after Global's bankruptcy, several aviation-related Azima businesses continued to receive loans from banks, which loans were insufficiently capitalized. Money Laundering Alert, July 1990.
- "A former FBI agent who investigated Azima said he had heard about Global planes flying guns to different places and coming back with drugs." United Press International, Investiaators Sav Probe was Blocked Because of CIA Link, February 8, 1990.
- "A Global jet being used by the Palestine Liberation Organization to transport 50 tons of arms to Nicaraguan rebels was detained in Tunisia in 1979 and its cargo confiscated." Dusko Doder, Tunis Halts PLO Aid to Sandinistas, Washington Post, July 12, 1979.

FWIA objects to the fact that, in its Answer, Fine Air cited only two three-year-old articles in "an obscure financial magazine" to demonstrate that Azima has been reportedly involved in various scandals. Fine Air attaches hereto (as Exhibit 2), press clippings from such sources as A.P., U.P.I., Newsday, and the Washington Post describing Mr. Azima's various activities. Further press clippings concerning Mr. Azima are available upon request from the undersigned counsel.

There is good reason to doubt the veracity of FWIA's assertions and Rasnavad's affidavit. Attached hereto as Exhibit 1 is an obituary from the Kansas City Star, dated January 19, 1993, recording the death of Mrs. Valieh Azima, and noting that a memorial service would be held at the home of Farhad Azima, 5921 Ward Parkway. The obituary describes Mrs. Azima as survived by four sons: Farhad Azima, Farzin Azima, Fariborz Azima, and Mansour Rasnavad.<sup>3/</sup>

Also provided to the Department and FWIA's counsel under separate cover<sup>4/</sup> are the records of Newcomer's Funeral Home, created at the time of Mrs. Azima's death, listing the deceased's four sons: "Farhad Azima, Farzin Azima, Fariborz Azima, and Mansour Azima" (emphasis added). The record notes that the information was provided to the funeral home by Farzin Azima, one of Mrs. Azima's four sons.

This evidence raises serious questions about the veracity of Rasnavad's sworn affidavit. First, the fact that Mansour Rasnavad would be cited as "Mansour Azima" in information provided by the family to the funeral home necessarily raises questions about whether Mansour Rasnavad's real name is

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<sup>3/</sup> In an effort to ascertain whether the paper may simply have erred in listing Rasnavad as a son, counsel for Fine Air contacted the Star's obituaries desk. Star personnel say that obituaries are generally paid for, and all information is provided to the paper by, the family (sometimes through the instrument of the funeral home).

<sup>4/</sup> Fine Air is today filing these records in this docket with a motion to withhold from public disclosure pursuant to Rule 39 of the Department's rules of procedure, on the grounds that these records contain some personal information irrelevant to the issue at hand. If FWIA seeks to waive confidential treatment, Fine Air would be willing to withdraw its motion for confidential treatment.

Mansour Azima, and whether, contrary to his assertions, he is in fact Farhad Azima's blood brother. Second, even assuming arauendo that Farhad Azima and Mansour Rasnavad are not blood brothers, the fact that the two enjoy a relationship so close that the family would describe them as "sons" of a common mother in the mother's obituary suggests that Rasnavad's affidavit may be a deliberate attempt to mislead and deceive the Department.

The unquestionable purpose of the affidavit was to support FWIA's assertion that "the two men are not related in any way, other than as employer and employee," Reply at 4, and to assure the Department that Azima and Rasnavad are nothing more than partners in certain "businesses in which . . . [they] participate jointly." Rasnavad Aff. ¶ 6. Clearly, the Department cannot now even consider granting FWIA's application without undertaking a thorough investigation of the relationship between Azima and Rasnavad. This relationship, and FWIA's representations about it, goes directly to Rasnavad's and FWIA's compliance disposition. Relevant materials that should be examined by the Department include their birth certificates, passports, all immigration documents they may have filed, social security records, any evidence that either has changed his name, and any other records in which Rasnavad has ever used the name "Azima." Absent clear proof that Rasnavad is in fact, as he has sworn, "in no way related to Farhad Azima," the Department can have little option but to deny FWIA's application.

## Foreign Actual Control of FWIA

In addition to the question raised by FWIA's Reply regarding the veracity of Rasnavad's affidavit, FWIA's Reply leaves open continued unanswered questions regarding whether Fast Air, LanChile and Ladeco would possess "a substantial ability to influence" FWIA's activities,<sup>5/</sup> and leaves in serious doubt whether U.S. citizens exercise "actual control" of FWIA.<sup>6/</sup>

In its Answer in Opposition, Fine Air pointed out the following:

- (1) A Chilean airline consortium owns 25% of the voting interest of FWIA, the maximum foreign ownership permitted under U.S. law. This fact, ab initio, should trigger heightened Department scrutiny of the carrier for the possibility that these same Chilean investors could exercise actual control of the carrier. The danger of foreign actual control is particularly great, in light of the fact that the foreign investor in the instant case is a foreign air carrier, operating in a highly regulated market, which would be immensely benefitted by being able to exercise economic authority reserved to U.S. carriers.
- (2) Heretofore, the Department has undertaken careful study of whether foreign investors in U.S. carriers possess any means to exercise actual control over the carrier, especially where foreign ownership is at the 25% maximum.'

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<sup>5/</sup> In re The Acquisition of Northwest Airlines by Wings Holdinas. Inc., Order 89-9-51 (1989) (setting forth test for determining "actual control").

<sup>6/</sup> FWIA's reply also leaves entirely in doubt whether Rasnavad's tenure at Global International Airways ("Global"), a carrier that was shut down for failure to comply with FAA regulations and that ultimately went bankrupt (notwithstanding the reported infusion of millions of dollars in loans of dubious legitimacy from banks and S&L's over which Farhad Azima reportedly had influence, see footnote 2 supra and Exhibit 2 herein), evidences the kind of record that merits a second chance in the aviation industry.

<sup>7/</sup> See, e.a., Willye Peter Daetwvler, d.b.a. Interamerican Airfreight Co., Foreign Permit, Order 71-10-I 14 (U.S. citizenship is automatically suspect where  
(continued.. .)

**(3) FWIA’s application raises the possibility of numerous avenues for direct and indirect Chilean actual control of FWIA.**

**Potential avenues of direct control include:**

- **Fast Air veto power over major management decisions;**
- **Fast Air financing of the carrier’s new operations; and**
- **FWIA’s procurement of aircraft from Fast Air.**

**Potential avenues of indirect control include:**

- **The relationship between Mr. Rasnavad and his other businesses and the Chilean carriers: and**
- **Possible Chilean underwriting of Mr. Rasnavad’s investment in FWIA.**

**FWIA has refuted none of the above points.**

**FWIA does not dispute that FWIA is pushing the envelope on foreign ownership by according the Chilean Consortium the statutory maximum 25% of the total voting interest.**

**FWIA does not dispute that, per Departmental precedent, the very fact that 25% of its total voting interest is vested in foreign hands triggers close Departmental scrutiny of whether U.S. citizens exercise actual control of the carrier.**

**Finally, FWIA does not dispute the fact that there exist numerous potential means whereby the Chilean carriers could exercise a “substantial ability**

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<sup>2/</sup>(...continued)

**non-U.S. citizen retained 25% of stock and represents 1/3 of board, “the maximum control technically permitted under the literal terms” of the statute).**



to influence” FWIA, particularly in view of the significant equity position taken by the Chilean carriers:

**Corporate Veto Power.** The Department has long held that a foreign investor may not possess the power to “veto” essential corporate decisions of a U.S. carrier. Thus, for example, in **Paae Aviet, Citizenship**, Orders 83-7-5 and 82-8-41 (1983), the Department rejected the reorganization plan of an air taxi company, acquired by a Malaysian corporation, largely because the plan proposed to vest the Malaysian corporation with a veto power over certain fundamental corporate decisions. Under the applicant’s plan, the corporation would issue 1,100 shares of stock; 100 of these would be “nonvoting common” (Malaysian-owned), the remaining would be “voting preferred” (U.S.-owned). Although the voting shareholders would have the right to elect officers and directors and would exercise day-to-day operational control of the air taxi, the nonvoting shareholders’ approval would be required in “extraordinary circumstances” -- before any merger, acquisition, consolidation -- and the nonvoting shareholders were vested with the right to initiate or block a liquidation or dissolution of the company. The DOT refused to approve the plan, explaining that “the nonvoting stockholders, who are not U.S. citizens, do in fact have the power to control the company. . . . They have the right to influence many of the crucial decisions of the company.”

Similarly, in **Silvas Air Lines, Inc.**, Order 80-10-103 (1980), the CAB found that Silvas Air Lines was not a “citizen of the United States” because a

foreign citizen, Ernesto Ancira, had an effective veto right over allocation of the majority of Silvas funds.<sup>8/</sup>

In the instant case, FWIA's corporate documents reveal that Fast Air would unquestionably possess a veto power over all FWIA's major management decisions, by virtue of the provision in FWIA's by-laws requiring the vote of 80 percent of the board of directors for any "major management decision." Article II, Section 10 of FWIA's by-laws states:

**Major Management Decisions.** The vote of eighty percent (80%) of the Directors of the corporation shall be required to constitute the act of the Board of Directors with respect to any action related to the following matters: (a) capital expenditures in any one year in excess of \$15,000,000 or the incurrence of debt in the amount of \$10,000,000 or more; (b) issuance of any shares of stock of the corporation or of any instruments that are convertible into shares of stock of the corporation; (c) the merger, consolidation, liquidation, or dissolution of the corporation; (d) a fundamental change in or cessation of any part of the corporation's existing business; and (e) the filing of a petition in bankruptcy or seeking other insolvency relief.<sup>9/</sup>

Given that FWIA's application states that Fast Air is guaranteed one of four seats on the board,<sup>10/</sup> the requirement that there be an 80 percent vote in favor of any major management decision -- including, as in Paae Aviet, any merger,

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<sup>8/</sup> In addition, as in the instant case, Ancira was one of four Silvas board members, owner of 25 percent of its stock, and its major financial backer.

<sup>9/</sup> FWIA App., Exhibit FW-1, Page 16.

<sup>10/</sup> "FWIA's board of directors consists of four persons. Under FWIA's bylaws, Mr. Rasnavad may appoint two of these directors. . . . Similarly, FWIA's bylaws authorize Fast Air, S.A. to appoint a single director. Fast Air has appointed Ernesto Ramirez, a Chilean citizen, as its representative." FWIA App. at 9.

consolidation or liquidation, and, as in Silvas, any significant capital expenditure -- clearly accords veto power to FWIA. In light of the holdings of Paee Aviet and Silvas, this veto power alone confers Fast Air with an unlawful degree of control over FWIA.

Capital.low explains that the bankruptcy disclosure statement in which Florida West stated that it intended to obtain a \$2 million bridge loan from an unnamed South American carrier “was never adopted or implemented by Florida West.” Reply at 5. FWIA misses the point. The bankruptcy disclosure statement reveals that from the outset, FWIA (and its predecessor corporation, FWA) has looked to foreign sources of capital. It continues to do so. Fast Air is the source of the majority of the funds available to FWIA;<sup>11/</sup> without this foreign capital FWIA would clearly be unable to function. As the Department has found in the

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<sup>11/</sup> FWIA’s Application states that the FWIA ownership group will collectively contribute “assets and funds” amounting to \$2.4 million. App. at 5. It further states that Fast Air will invest \$150,000 in equity capital and will also make available a line of credit of approximating \$1 million. Id. At a very minimum, therefore, 48% of FWIA’s cash comes from the Chilean carrier. The real number may in fact be higher. FWIA’s pro forma balance sheet states that among FWIA’s liabilities are a shareholders’ loan of \$600,000 and a line of credit loan of \$600,000, in addition to paid-in capital of \$600,000. Absent any notes clarifying this pro forma statement and given that Fast Air is the only debtholder specified in the application, one can only presume that Fast Air is noteholder on both loans, suggesting that its total investment in the carrier is \$1.35 million.

past,<sup>12/</sup> this dependency on foreign capital clearly enhances the possibility that the Chilean investors could exercise a “substantial ability to influence” FWIA.

Aircraft. FWIA does not dispute that, as acknowledged in its application for U.S.-Peru frequencies, it intends to lease aircraft from Fast Air. It contends that “the possibility that Florida West may some day lease a DC-8-71 aircraft from Fast Air surely does not convert a potential aircraft lessor-lessee relationship into one of unlawful control.” Reply at 6. FWIA misunderstands both the nature and purpose of the Department’s actual control test. In examining whether foreign interests possess the “substantial ability to influence the activities of a U.S. carrier,” the Department undertakes “a broad consideration of the particular facts of [each] case,”<sup>13/</sup> all of which, taken together, may effectively vest a foreign party with “substantial ability to influence FWIA.” Thus, while an arm’s length lease or interchange agreement between a U.S. carrier and a foreign carrier alone may not confer unlawful control, it may well do so when the lessor is the U.S. carrier’s second largest shareholder. The fact that the favorable terms of the instant interchange agreement -- with no reserve or maintenance expenses imposed on FWIA -- were spelled out in the FWA disclosure statement<sup>14/</sup>

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<sup>12/</sup> See, e.g., Aero West Airlines, Inc. Fitness Investigation, Order 83-I 2-61 (Initial Dec. of ALJ Ronnie A. Yoder) (1983) (carrier does not qualify as U.S. citizen in light of foreign national’s guarantee of letter of credit constituting most of corporation’s working capital).

<sup>13/</sup> Anthony Cosimano et al., Control Relationships, CAB Order 75-2-89 (1975).

<sup>14/</sup> See Fine Opp. at 7.

suggests that the FWIA has long accepted that it would be dependent on “a South American carrier” for aircraft.

Indirect Control Through Rasnavad. Finally, there exists the possibility of Chilean “indirect” control over FWIA through the instrument of Mansour Rasnavad. As noted in Fine Air’s Answer, this possibility exists partly by virtue of the commercial relationship between the Aviation Leasing Group (“ALG”) -- of which Rasnavad is President and in which he owns a ten percent interest -- and the Chilean carriers. FWIA responds that it “strains credulity” to believe that such a connection could enable the Chileans to influence Rasnavad. Reply at 6. The Department, however, has explicitly found that substantial business dealings between a U.S. shareholder and foreign corporations may affect determinations of foreign control.<sup>15/</sup> In light thereof, Fine Air urges that the Department order FWIA to submit current and past leases of all aircraft leased by ALG or any company owned or affiliated with ALG, to verify that no such company has ever leased any aircraft to either LanChile or Ladeco or currently leases any aircraft to Fast Air.

Yet another possible avenue of indirect control could occur through Chilean underwriting of Rasnavad’s investment in FWIA or Chilean guarantees to cover any losses Rasnavad incurs. FWIA’s Reply and Rasnavad’s affidavit remain

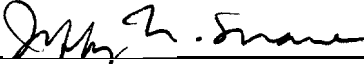
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<sup>15/</sup> See International Air Service Company Acquisition of Control of Aloha Airlines, Inc., Order 78-6-208 (1978) (evaluating U.S. citizenship in light of U.S. shareholder’s heavy dependence on business from a foreign corporation).

curiously silent on this point. Fine Air urges the Department to examine closely the source of the equity capital allegedly furnished by Mr. Rasnavad to FWIA, and whether any material guarantees or other such agreements exist.

Conclusion

FWIA's Reply raises more questions about its suitability for certification than it answers. It includes an affidavit from its majority shareholder that appears to be, at best, deliberately misleading and deceptive. It raises yet new questions about the relationship between Rasnavad and Farhad Azima. And it resolves none of the issues initially raised in Fine Air's Answer about whether the Chilean Consortium, investing through the instrument of Fast Air, will possess a "substantial ability to affect the affairs of FWIA." In light thereof, Fine Air continues to urge the Department to deny FWIA's application.

  
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Dated: September 29, 1995

**EXHIBIT #1**

January 19, 1993

**Kansas City Star (Missouri)**

**VALIEH AZIMA**

Valieh Azima, 77, Overland Park, died Jan. 17, 1993, at Humana-Hospital Overland Park. Services will k at 3 p.m. today at Newcomer's Overland Park Chapel; burial in Johnson county Memorial Gardens Cemetery. Memorial services will k at 6:30 p.m. Thursday at the home of Farhad Azima, 3921 Ward Parkway. Mrs. Azima was born in Tabriz, Iran, and had lived in this area since 1978. Survivors include her husband, Yousef Azima of tk home: four sons, Farhad Azima, Kansas City, Farzin Azima, Leawood, and Fariborz Azima and Mansour Rasnavad of Overland Park; and four grandchildren.



**EXHIBIT #2**

25TH STORY of Level 1 printed in FULL format.

Copyright 1990 Alert International, Inc.  
Money Laundering Alert

July, 1990

SECTION: Vol. 1, No. 10; Pg. 1

LENGTH: 698 words

HEADLINE: CIA ties revealed in bank failures

BODY:

Government records uncovered by Money Laundering Alert show that two failed **midwest** banks gave millions of dollars in loans to **Farhad** Azima, a shadowy Iranian-born businessman with close links to the CIA. Utica National Bank and Trust Co. in Tulsa, Oklahoma, and Republic Bank of Kansas City, Missouri were those banks.

Azima's involvement with the CIA is suspected of having played a role in the 1984 collapse of Indian Springs State Bank in **Kansas** City.

The failure of commercial banks, as opposed to savings and loans, has not previously been linked to possible CIA money laundering to finance covert operations.

The 1984 failure of Republic Bank **was** caused in part by the bankruptcy of Global International Airways several months before. Global's demise also significantly "contributed to the failure of Indian Springs State Bank," according to The Houston Post.

A former senior CIA officer said that Global worked for the agency and that agents of SAVAK, the CIA-supported intelligence arm of the deposed Shah of Iran, also had ties to Azima.

According to former federal prosecutor Lloyd Monroe, the investigation of Azima's role in the collapse of Indian Springs was thwarted because of his alleged ties to the CIA.

Monroe has said the CIA told the FBI that Azima was "**off** limits" because he had "CIA connections." The IRS had asked the Justice Department to probe Azima's role in the bank's failure.

A preliminary investigation by the House banking subcommittee determined early this year that there **was** validity to allegations that the CIA had impeded the investigation of Azima.

Even after Global's bankruptcy, a handful of other aviation-related Azima businesses continued to receive loans from banks to buy jumbo jet aircraft, according to Federal Aviation Administration records. Utica gave loans to Global three years after Global declared bankruptcy.

According to FAA records, Utica and Republic loaned two of Azima's aviation

1990 Money Laundering Alert, July, 1990

firms millions of dollars. They also show that Ray Adams, vice president of Republic Bank in 1983, dealt with Azima. Three **years** later, a man with the same name served as vice president of Utica and was involved in giving **sizeable** loans to Azima.

Although Money Laundering Alert has been unable to confirm that he is the same person, signatures on the loan documents appear identical. Officials at F&M Bank, which took over Utica, said that Utica employee records do not show a person named Ray Adams as having been a vice president of Utica.

In late 1985 and 1986, Utica vice president Ray Adams signed chattel mortgage agreements with Azima for nearly \$ 2 million for a Boeing 707 owned by Global, and for a Boeing 727 owned by **Azima's** Aviation Leasing Group, Inc.

Adams is not listed on mortgage documents tied to Utica loans of an additional \$ 6 million for jet aircraft owned by Aviation Leasing Group.

Three years earlier, Adams was involved in loans to Azima. In October 1983, he signed a repossession order for a Boeing 707 and other jumbo jets.

Utica failed in July 1989. It had been of concern to the U.S. Comptroller of the Currency since 1982. Utica was almost declared insolvent then, but continued to operate for unknown reasons.

The OCC says that "**the** deterioration in the bank's overall condition was due to previous poor management and inadequate supervision by the board of directors which led to liberal lending practices and inadequate analysis of the borrowers' ability to repay loans."

FAA records indicate Utica's loans to Azima were insufficiently collateralized.

Republic failed in mid-1984 for similar reasons, according to a Kansas state banking official, who said Republic's failure was brought on in part by Global's bankruptcy.

Attempts by Money Laundering Alert to locate Adams or former Utica and Republic bank officials who had knowledge of the loans to Azima were unsuccessful. State and federal officials would not comment.

An FAA aircraft registration official, however, confirmed that federal investigators are looking into the relationships between a number of unidentified bank executives and Azima with respect to loans that were given for Global aircraft.

LANGUAGE: ENGLISH

27TH STORY of Level 1 printed in FULL format.

Copyright 1990 Facts on File, Inc.  
Facts on File World News Digest

March 23, 1990

SECTION: UNITED STATES

PAGE: Pg. 193 B3

LENGTH: 673 words

HEADLINE: Savings & Loan Crisis;  
Intelligence Panel Probes CIA Ties

BODY:

The House Permanent Select Committee on Intelligence planned to investigate reported links between savings-and-loan-association fraud and the Central Intelligence Agency, a committee spokesman said March 1.

The decision to pursue the reports came after the committee received a letter from Representative Frank Annunzio (D, Illinois), chairman of the House Banking Committee's subcommittee on Financial Institutions Supervision, Regulation and Insurance. The letter urged that the allegations, which had appeared in a series of articles in the Houston Post, be investigated.

The Post series began February 4 and ran initially through March 11. It alleged that at least 22 now-insolvent thrifts (16 of them in Texas) had made loans to individuals who had links to the CIA, organized crime or both, and that 18 of the 22 were either owned or controlled by such individuals. The reports further alleged that the loans had been used to fund illegal activities that included gunrunning, drug smuggling, money laundering and covert aid to the Nicaraguan contra rebels.

Fraud was said to have been a key factor in the failure of all 22 thrifts, and the cost to taxpayers was estimated at an eventual \$13 billion in federal deposit insurance. In some cases, the CIA, citing national security, had intervened to prevent federal regulators from pursuing funds missing from insolvent thrifts and prosecuting the individuals responsible, according to the Post.

The Post said its eight-month investigation relied on law enforcement records, sworn testimony, court documents and interviews with government investigators and prosecutors. Despite its explosive allegations, the series initially attracted little national press attention.

CIA Director William H. Webster February 5 was asked to testify before Annunzio's subcommittee concerning the assertions in the Post. The CIA turned down the request in a letter dated February 14.

In his March 1 letter to the intelligence committee, Annunzio wrote, "The refusal of the agency to respond to the subcommittee's request and the initial investigative work done by the subcommittee staff, have led me to believe that

1990 Facts on File, March 23, 1990

at least some of the [Houston Post's] allegations have validity. . . . No agency is above the law."

The CIA, which had called the reports "scurrilous and unsubstantiated," said it would cooperate with any investigation.

Among the details cited in the Post:

\* Federal prosecutors were currently investigating Houston developer Robert L. Corson in connection with savings and loan fraud, the Post reported February 4. He was described as a "known money launderer" with reputed links to the CIA and organized crime.

\* Four of the largest borrowers at Silverado Banking, Savings and Loan Association, a failed Denver thrift, had links to Corson or to Herman K. Beebe Sr., a reputed associate of Louisiana Mafia boss **Carlos** Marcello, the Post reported March 11. Three of the four -- developers Bill L. Walters, Kenneth M. Good and Larry Mizel -- were also said to have had business ties to Neil Bush, son of President Bush, who had sat on **Silverado's** board from 1985 to 1988. [See p. 83E1]

\* The Post reported February 8 that U.S. authorities probing the collapse of a small Kansas bank in the mid-1980s had been told by the Federal Bureau Of Investigation to lay off a key figure because he "**had** a get-out-of-jail-free **card**" from the CIA. The suspect, Iranian exile **Farhad** Azima, had been the fourth-largest shareholder in Indian Springs State Bank. Azima owned Global International Airways, which had filed for bankruptcy in 1983 and which had performed contract work for the Defense Department and the CIA. Global was allegedly linked to both the EATSCO (Egyptian American Transport and Services Corp.) fraud case and the Iran-contra scandal. Global was also said to have employed Heinrich Rupp, a self-proclaimed ex-CIA pilot who had been convicted of defrauding a Denver bank. [See 1988, p. 804D1; 1983, p. 96321]

LANGUAGE: ENGLISH

28TH STORY of Level 1 printed in FULL format.

The Associated Press

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February 8, 1990, Thursday, AM cycle

SECTION: Business News

LENGTH: 502 words

HEADLINE: Iranian Airline Owner Alleged to be Link Between Failed Bank, CIA

DATELINE: HOUSTON

BODY:

Federal authorities backed away from investigating an airline owner accused of contributing to the financial failure of a **Kansas** City bank because he had ties to the CIA, a newspaper reported.

**Farhad** Azima, a native Iranian and owner of Global International Airways, was the fourth-largest shareholder in Indian Springs State Bank of Kansas City, **Kan.**, which failed in 1984, The Houston Post reported.

The Post said it was told by federal law enforcement sources, which it did not identify, that the FBI did not investigate **Azima's** and Global's links to Indian Springs because the CIA said Zaima was "**off limits**."

"I was told by the FBI that Azima had a get-out-of-jail-free card," a source in the investigation told The Post in a story published Thursday.

The story is one of a series of Post articles suggesting possible links between the CIA, organized crime and the failure of 22 savings and loans, **as** well as Indian Springs.

Global International, based in **Kansas** City, Mo., started in 1978 shipping cattle to Iran. The fleet grew to 14 Boeing 707 jets.

Some federal investigators say Global was owned by the CIA; others say it performed contract work for the agency, The Post said.

A cargo plane that the Federal Aviation Administration said was owned by Azima was linked in 1986 to secret shipments of American military supplies to Iran. **Azima's** attorney said at the time the plane **was** leased to someone else and Azima didn't know how it had been used.

Global filed for Chapter 11 bankruptcy protection in 1983. It owed Indian Springs State Bank about **\$\$280,000**, according to a list of about **\$\$15** million in Global's debts to unsecured creditors.

The Associated Press, February 8, 1990

The bank's records indicate Global was overdrawn at the bank by an average of **\$\$150,000 a day**, The Post said.

Indian Springs, with about **\$\$27 million** in deposits, failed in January, 1984.

Azima, who was a director of the bank and owned nearly 10 percent of its shares, was a defendant in a suit filed by the Federal Deposit Insurance Corp. seeking to recover some of the bank's losses. The suit alleged that fraud and negligence on the part of Azima, as a bank official, contributed to the bank's failure, The Post reported.

The suit was settled out of court, and no criminal charges were filed against Azima in connection with the failure.

Global "certainly did contribute to the failure of Indian Springs State Bank," said Michael Manning, a Kansas City lawyer hired by the FDIC to investigate the **bank's** failure.

Asked about Global's overdrafts at Indians Springs, Azima told the Post, "**I** don't get involved in the details of the operations. I have no idea about that."

Azima, who now lives in London, told The Post in a telephone interview he didn't recall Global doing any work for the CIA, then said "**As** a matter of policy we don't comment on questions like **this.**"

The CIA, in response to a request from the Post under the Freedom of Information Act, said it could neither confirm nor deny that any relationship existed with Azima.

LANGUAGE: ENGLISH

29TH STORY of Level 1 printed in FULL format.

Proprietary to the United Press International 1990

February 8, 1990, Thursday, BC cycle

SECTION: Regional News

LENGTH: 527 words

HEADLINE: Investigators say probe was blocked because of CIA link

DATELINE: HOUSTON

BODY:

Federal authorities who investigated the failure of a small Kansas bank during the mid-1980s were advised to back off a key figure because he had ties to the Central Intelligence Agency, a newspaper reported Thursday.

In a copyright story, The Houston Post said the investigation centered on **Farhad** Azima, 48, a native Iranian whose family had ties to the Shah. His name is linked in court documents and other evidence to the CIA and a number of organized crime figures.

Azima was the fourth-largest shareholder in Indian Springs State Bank of Kansas City, Kan. He and his companies, including Global International Airways, borrowed more than \$1 million from the bank.

The airline got its start in 1978 shipping cattle to Iran and filed for bankruptcy five years later.

Global International, based in Kansas City, Mo., started with one Boeing 707 aircraft. The fleet grew to 14 aircraft, making it one of the nation's largest charter airlines. Indian Springs records indicate that Global was overdrawn at the bank by a daily average of \$150,000.

Asked about Global's large overdrafts at Indian Springs, Azima replied, 'I don't get involved in the details of the operations. I have no idea about **that.**'

When he was reminded that he had been a director and owned nearly 10 percent of the bank's shares, he said, 'Outside directors don't get involved in the operations of the **bank.**'

Several of Global's creditors listed in its bankruptcy case had connections to the CIA and the Contras, sources told the newspaper.

One Global creditor, Southern Air Transport in Miami, was a former CIA proprietary that was later sold to James Bastian, a ex-CIA lawyer. Southern Air Transport reportedly provided planes for the shipment of arms to Iran and to the Contras.

Azima said he did not '**recall**' any work that Southern Air Transport did for Global.



United Press International February 8, 1990, Thursday, BC cycle

Van Geyso, a former Global pilot, said Southern Air did maintenance work on Global's planes when they were in Miami. Van Geyso said he would make hauls from **Miami** to Chile, Peru and Colombia with cargo including cars, computers, refrigerators and televisions.

**On** one return trip from Bogota, Columbia, he said he brought back illegal drugs.

A former FBI agent who investigated Azima said he had heard about Global planes flying guns to different places and then coming back with drugs.

Azima denied any knowledge of Global aircraft carrying drugs.

A big Global customer was the Department of Defense, which owed Global \$100,000 according to its bankruptcy filings. But **bankruptcy** records also showed Global owed the DOE \$367,000.

**A June 5, 1986,** letter from the Air Force accounting division to Global states Global may have to pay \$18,797, which "represents an invoice from the German Federal Ministry of Defense for aviation fuel issued to Global in support of an Air Force exercise."

The letter did not state the purpose of this exercise;

Global also had Military Airlift Command contracts with the DOD to provide military passenger flights. One such contract for \$2.7 million, which called for five flights a month, extended almost a year past Global's bankruptcy filing.

LANGUAGE: ENGLISH

54TH STORY of Level 1 printed in FULL format.

Copyright 1984 McGraw-Hill, Inc.  
Aviation Week and Space Technology

December 3, 1984

SECTION: AIR TRANSPORT; Pg. 31

HEADLINE: Capitol Air Discontinues Flight Operations

DATELINE: Washington -- Capitol Air discontinued flight operations temporarily Nov. 25, furloughed more than 700 employees, and was attempting last week to reorganize with new financing.

The company, headed by **Farhad** Azima, chairman, reported a \$763,000 loss for the first nine months of 1984. The loss was an improvement of \$35,000 from the same period in 1983.

Capitol recorded profitable summer operations but fell into a cash-flow bind when traffic slipped in the fall season, causing a round of layoffs from its employee work force, then numbering approximately 1,200.

**The** company failed to meet a Nov. 15 payroll and encountered work slowdowns and sick-ins that began to affect operations, a Capitol official said.

Four Teamsters Union employees, since joined by other Capitol employees, filed a petition on Nov. 23 in bankruptcy court in the Southern District of New York, claiming they were owed more than \$5,000 in back pay. The Capitol official said the petition has forced the company into involuntary bankruptcy.

The company said it was awaiting word from an employee group, the Employee Stock Ownership Plan Committee, that had signed an agreement for a stock ownership program. The group was to provide \$1 million cash last week, \$1.7 million at a later time to buy out the 56.9% share of Capitol owned by Capitol Holding Co., and another \$10 million.

Charles Stanziale, a Newark attorney representing the employee group, said the agreement was signed when Capitol was still flying. **The** ESOP committee and its members are viable, and if this case goes to court, they will be there," Stanziale said. He said he could not calculate the effect of the shutdown on the financing plans of the employee group.

The Capitol official said the company was pursuing other financial alternatives to restore the airline to flying status.

The company's two Boeing 727-200s and four McDonnell Douglas DC-8s are parked at Smyrna, **Tenn.**, near Capitol's corporate headquarters. The four DC-86 are leased and were expected to be returned to the lessor before the end of the year.

Stanziale said one problem ahead was Capitol's lack of assets. **One** of its best assets is the labor force," he said. **Who** do you know who would work for nothing?"

1984 McGraw-Hill, Inc., Aviation Week, December 3, 1984

Capitol employed 2,000 at its peak last year when it was operating 12 **DC-8s**. The company was in the process of moving to a Boeing 727 fleet in order to comply with U.S. noise regulations going into effect in 1985. It operated an **Airbus** Industrie A300 on lease during the summer.

Approximately 80 employees remained at work last week at Capitol headquarters and stations.

GRAPHIC: Picture, Capitol Air transports are shown grounded at the airline's headquarters in Smyrna, Tenn., after suspension of service. AP Laserphoto.

LANGUAGE: ENGLISH

20TH STORY of Level 1 printed in FULL **format**.

Copyright 1991 **Newsday**, Inc.  
**Newsday**

February 3, 1991, Sunday, NASSAU AND SUFFOLK EDITION

SECTION: BUSINESS; Pg. 92  
Other Edition: City Pg. 96

LENGTH: 4183 words

HEADLINE: MY Little Town;  
What's a big-city **mogul** doing in Warren, Pa.? Good Question

BYLINE: John Riley

DATELINE: WARREN, PA.

BODY:

MANHATTAN megamillionaire John Catsimatidis says he knew nothing. But **some** in this quiet little Allegheny River town say different. They say he knew everything, and escaped criminal charges only because of his money.

Catsimatidis, the hard-driving, Greek-born entrepreneur who built Red Apple cos. into New York City's largest grocery chain, took over the United Refining Co. here in 1986. Rescuing the **84-year-old** firm from the bankruptcy of its corporate parent, **Texas**' Coral Petroleum, he promised to bring leadership and innovation to United's smoke-billowing riverside refinery and its chain of Kwik Fill gas stations.

Last month, however, United's **2,000-plus** workers were surprised to learn of one innovation from Catsimatidis' regime that they couldn't have expected: the largest episode of criminal wiretapping in Pennsylvania history.

Appearing in the local courthouse on Dec. 11, lawyers for R.A. Security, a division of Red Apple, admitted that for well over a year following Catsimatidis' takeover, phone lines at the refinery had been secretly and illegally tapped and taped by the plant security staff. As part of a prearranged deal, the firm pleaded "**no** contest" to **100** counts of possession of eavesdropping devices and agreed to pay a \$ 1 million fine to settle the case.

BUT THAT'S about all that was settled. The judge, acting at Red Apple's request, sealed the names of those who were known to have been bugged. The charges, worked out in conjunction with the company, provided little detail on why the bugging occurred or who ordered it. And in its aftermath, those questions have not gone away.

Catsimatidis has blamed the episode on an out-of-control former United security director and ex-county detective named Thomas Holcomb. "I do not break the law," Catsimatidis said in a recent interview.

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Holcomb admits he was involved. He and others, however, recite evidence that points straight to the top - to Catsimatidis. Law enforcement sources smile and hint that what they think happened and what they thought they would be able to prove to a jury at a trial are two different things. And elsewhere, a gossipy mix of fact, rumor, grudge and paranoia generates murky tales of corporate intrigue and vans equipped with parabolic antennas prowling Warren's quiet streets.

The plant union is asking for answers. Some employees are afraid to say anything. Others are consulting lawyers about civil suits. And still others are just plain confused.

"We don't know anything - who was taped, who **wasn't**," said refinery worker Nick Archuleta, warming up his car in the parking lot after ending his shift on a cold December afternoon. "People are concerned. They feel their rights have been violated."

"I think everybody's rather paranoid," said another employee, who asked not to be identified. "**But it's** very hard to sue a company that you're working for. It's my livelihood, and it's a very small town."

At the center of it all is Manhattan-based Red Apple - the eclectic collection of businesses which Catsimatidis built since 1970 from a tiny superette on West 87th Street into a company with \$ 2 billion in revenues, 10,000 employees, and a Forbes magazine ranking as the **67th-largest** privately held company in the U.S.

People who don't like Catsimatidis much will poke fun at his deep devotion to a now-deceased cat, who once had the run of Red Apple's corporate offices and reportedly wasn't equally adored by some feline-phobic workers. Or they'll point to controversies involving slum properties and conditions at some of his stores.

And sometimes they'll complain about his friends, such as Joseph Heilbrun, a financial adviser who came to work for Catsimatidis after pleading guilty in 1984 to securities fraud in a massive corporate bribery scandal surrounding Frigitemp Corp. Or Far-had Azima, an Iranian-born Catsimatidis gambling buddy and one-time business partner, who has been identified in the book "Inside Job: The Looting of America's Savings & Loans" as the owner of a plane company involved in the global arms trade during the 1980s and as a director at and borrower from a Kansas City, **Kan.**, thrift that collapsed amid allegations of mob-linked improprieties. **Azima's** lawyer says he has been smeared.

But even critics don't dispute Catsimatidis' skill as a businessman, which fueled his Horatio Algeresque rise from immigrant, to stock boy in a relative's store, to the top of one of New York's toughest businesses. "The meteoric **rise** of John Catsimatidis reads like the Great American Dream," said New York University when it gave him its first Entrepreneur of the Year award in 1987 - one of several similar accolades.

At the core of Catsimatidis' holdings are his supermarkets. His dozens of low-end Red Apple groceries, pricier **Gristede's** markets and Charles & Co. gourmet stores constitute the city's largest supermarket chain. He also owns Pantry Pride and Grand Union stores in Florida and the Caribbean, a pile of valuable New York, New Jersey and Florida real estate, the United oil operation,

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a jet-leasing business and other interests. He is regularly rumored to be a buyer of one of New York's two troubled airline shuttles.

Garrulous and unpretentious in person, Catsimatidis operates out of a cluttered sixth-floor office in low-rent headquarters on 11th Avenue. But at 41, he is estimated to be worth more than \$ 200 million. He barely missed the Forbes list of the nation's 400 wealthiest people a few years ago, and reportedly once glowed at comparisons to Donald Trump, describing himself as a similarly eclectic Renaissance man in the world of money-making. "Doesn't matter what kind of business it is, as long as it makes a profit," he told **Crain's** New York Business in 1989.

That, apparently, was the theory in 1986 when Catsimatidis took control of United - then embroiled in the bankruptcy proceedings of Coral Petroleum.

He got, by most accounts, a sweet deal from Barque Paribas, the French bank that had taken control of United when Coral defaulted. He arranged \$ 110 million in financing through Morgan Guaranty Trust, where Heilbrun had contacts. And, although Catsimatidis knew little about the oil business, he thought he could build revenues by expanding product lines in minimarts at United's retail gas outlets in New York, Ohio and Pennsylvania and improving plant operations.

In that, he appears to have succeeded, moving United's revenues up toward the \$ 1 billion mark since 1986. Catsimatidis estimates that United might be worth as much as \$ 500 million, and says performance has been so good that he doled out \$ 3 million in bonuses last year. "Coral milked it," Catsimatidis says. "We restored that company to its greatness. . . . And I'm proud of that."

Some in Warren say an up cycle in the refinery business is more responsible than Catsimatidis, but no one disputes the bottom line: Times are tough, and there have been no layoffs at United. People are grateful for that.

But those who believe Catsimatidis was behind the wiretapping say the seeds were planted by the acquisition itself. United overnight became the largest single part of the Red Apple operation, contributing about half of revenues. Yet it was hundreds of miles away, its executives were all strangers to Catsimatidis, and it was an extraordinarily complex business he knew nothing about.

"**Being** a cautious grocer where he was worried about pennies on a can of peas, the thought of paying millions for oil was frightening to him," says one former United executive. "**John** was concerned about the loyalty of the people."

Shortly after Catsimatidis took control of United, the security force at the company - about 20 to 30 men who patrolled the refinery grounds and handled security problems at the retail outlets - was absorbed by Red Apple. While the department's budget was handled at United, United security director Holcomb began reporting to Jack Squicciarini - a former butcher and long-time Catsimatidis aide who was vice president for security at Red Apple.

Red Apple lawyer Steven Frankel, a former federal prosecutor, says the **move** had no more sinister motive than a desire to improve efficiency by integrating United into existing security operations. But whatever its purpose, others say, it created a direct line of communication between Holcomb - the man who did the wiretapping - and Red Apple's Manhattan headquarters.

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What happened from there depends on who you believe.

Catsimatidis' version puts the onus on Holcomb. A **42-year-old** former county detective, married with two children, Holcomb had been with United about 10 years. He wasn't well-liked by some at the plant, who describe him variously as **snoopy**, a loner, self-important and prone to exaggeration. That's kind compared with what Catsimatidis and Frankel say.

Holcomb suspected that certain United executives during the Coral era were pulling off "**side deals**" with oil suppliers and customers that benefited themselves or their friends. And, Catsimatidis maintains, **Holcomb** began tapping phones to explore those suspicions - and to generally gather plant gossip - even before Red Apple took over United.

After the takeover, Catsimatidis says, Holcomb's actions became known to Squicciarini, who let them continue under the mistaken impression that such bugging was not illegal. **Squicciarini's** knowledge, he **says**, made Red Apple criminally liable - even though it didn't know that **Holcomb's** taping became far more broad and indiscriminate than ever suspected, and even though Catsimatidis never approved it.

"If people go out and decide to be junior G-men, you can't blame the chairman," Catsimatidis says, waving a lit Marlboro in exasperation.

Is it reasonable to believe that Squicciarini, when told by Holcomb about a suspicion that executives were ripping off United, **would** have authorized wiretapping without ever mentioning it to Catsimatidis?

Catsimatidis says Squicciarini did tell him about the theft **allegations**, and he responded by demanding evidence. "**If** you have proof, put the proof on the **table**," Catsimatidis says.

But, Catsimatidis says, he was never told by Squicciarini that wiretapping would **be** used to gather the proof. And Squicciarini and Holcomb never came up with proof. So, Catsimatidis says, he never learned of the bugging.

Red Apple has not taken any action against Squicciarini for his role. "**His** father worked for me as a butcher in my first **store**," Catsimatidis explains. "Before he died, his father asked me to take Jack under my wing. That was 17 **years ago** . . . I look at people and try find the good things. He said Holcomb told him it **was legal**. He's been with me for 17 years, and **I'll** give him the benefit of the doubt. That's the absolute truth."

Squicciarini declined a request for **an** interview.

When the \$ 1 million fine was paid in December, Pennsylvania Deputy Attorney General Lawrence Claus said the bugging **was** the product of a "corporate criminal mentality." And law enforcement and other sources cite several problems with Red Apple's claim that Holcomb was eavesdropping long before Catsimatidis arrived.

For one thing, they **say**, the tapping took place in a closet in the United security shack. And the lines that were tapped - executive phone lines from United's headquarters building adjacent to the refinery - were shunted through the shack after Catsimatidis took over.

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For another, they say, the United corporate check used to purchase the gadget used for the tapping - called a dial number recorder, or pen register - was signed shortly after Catsimatidis took over.

Frankel insists that he was told by Holcomb that Holcomb had used different, less formal tapping methods prior to Catsimatidis' arrival. But Holcomb tells a somewhat different story. Holcomb, repeating allegations made to law enforcement officials during the course of their investigation, conceded in a recent interview that he laid the groundwork by telling Squicciarini that he suspected corporate wrongdoing.

But he maintained that it was Squicciarini's idea to do wiretapping, that a Red Apple employee from New York installed the equipment, that it became a continuing "witch hunt" for employee disloyalty on Squicciarini's orders after the initial suspicions were resolved, and that Catsimatidis knew about it and approved it.

"I was worried about it," says Holcomb, a stocky, red-bearded man who wore a duck-billed John Deere cap and puffed Marlboro Lights throughout a two-hour interview in his lawyer's office. ". . . But he [Squicciarini] told me that only him and maybe John would hear [the tapes]."

The bugging equipment, hidden in a closet in his security shack, was wired to as many as half a dozen executives' phone lines at a time and was referred to by Squicciarini as "the library," Holcomb says. He was responsible for reviewing all the tapes, and when he found interesting or suspicious material, he would call Squicciarini.

That led to regular trips on United's corporate jets to New York, Holcomb says, where he would bring the tapes to Red Apple's headquarters. Once there, he says, he would deliver tapes of interest to Squicciarini, who then would take them into Catsimatidis' office and close the door. On occasion, he says, he overheard the tape playing or the two discussing it. Holcomb declined to identify people who were taped or what specific matters Red Apple was interested in.

Why did it happen? Holcomb takes responsibility for getting the ball rolling, but he shares the view that Catsimatidis was predisposed to it because of his heavy stake in an unfamiliar business. "He wanted to be aware of everything that was going on," he says.

Holcomb denies some of the wilder rumors surrounding his activities - such as those passed on by Frankel, among others, that the United security van was rigged up with a parabolic antenna to listen in on nontelephonic conversations. And he laments the fact that after trying to be a good soldier, Red Apple has tried to heap all the blame on him, leaving him ostracized in his community.

"I think it was the craziest thing I've ever been involved in," he says. "I lost more sleep and got more cantankerous than at any time in my life. To allow it to go as far as it did - there's no excuse."

Law enforcement officials first heard rumors of the taping from some unhappy former United executives in early 1989. But the probe didn't get serious until



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one day in December, 1989, when United sought to swear out a criminal complaint against Holcomb, who had just been fired for allegedly misappropriating company property in his purchasing of some building supplies.

**Holcomb** hotly denies misappropriating anything, and police apparently didn't pursue it either. Instead, veteran Warren Police Det. Richard Kiehl began what would become a year-long probe by asking the two United executives to swear out the complaint about the wiretapping. That led to a visit to the plant, where Kiehl seized a disconnected dial-number recorder and tape recorder.

That was the easy part.

While there, the pager of the security man accompanying Kiehl went off. He went to make a phone call. "**When** he came back, he said, 'We're going to have to ask you to leave the premises' unless I came back with some kind of warrant," Kiehl recalls. In the days following the visit, Kiehl says, Red Apple brought potential witnesses - including Holcomb - to Manhattan for interviews. After that, he says, Red Apple and United were "cooperative."

Holcomb wasn't ready to spill the beans yet to police. On the one hand, he says, he was upset at being fired and at the company's attempt to bring a criminal charge. On the other, he was afraid that if he admitted the wiretapping, police might focus on him and forget about pursuing the company. And, he says, he got vague indications from Red Apple that if he laid low on the wiretapping, the other problems would go away.

"They just wanted to stonewall, hoping Kiehl would focus on **me**," Holcomb says. "**I** didn't give a - - - whether I went down or not. But I didn't want to be the only one who went down."

So he tried to play a cagey game. He told a little bit, and asked for immunity before going further. But prosecutors weren't willing to grant it because they weren't sure that he **wasn't** the sole person involved in the wiretapping.

WHILE THE GAME of cat-and-mouse with Holcomb was beginning, Catsimatidis was beginning something else. And with hindsight, some in Warren are cynical about his motives.

In February, 1990, just weeks after the start of the probe, the grocery baron personally announced a new program of philanthropic contributions in the Warren area, garnering headlines in the local paper for his promise of expanded donations to local organizations.

Shortly thereafter, United flew three Warren County officials to Manhattan. They were photographed with Catsimatidis holding an oversized \$ 20,000 check that symbolized a pledge to an improved county emergency-response **system**.

The county wasn't even soliciting money at the time, and still hasn't asked for the \$ 20,000 because it hasn't raised additional funds for the project. "This was an out-of-the-blue kind of thing," noted Warren County Commissioner Pat Evans.

He also asked other local groups to submit proposals. The schools got money for a scholarship program, and the Jaycees got \$ 7,000 for a July 4 parade. But

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two other groups that sought aid - the local YMCA and Boy Scouts - say they haven't seen any money yet, although they're still hopeful.

"It sounded like there was going to be a lot of good things happening, but not too much has come of **it**," mused Charles **Grogan**, director of the Boy Scouts Service Center in Warren. "**It** could be he was trying to put on a good face, but I don't see how that could influence an investigation."

Although Catsimatidis hadn't been active in Warren before, he says the concurrence of the donations with the start of the probe was just a coincidence. United had just finished a great year, he says, and he has a long history of civic involvement in New York - including a stint as president of the Manhattan Council of the Boy Scouts of America, and involvement with groups ranging from the National Kidney Foundation to the Police Athletic League.

Not everyone, however, is convinced that charity was Catsimatidis' only purpose. "**He** was just paying his penance," joked one law enforcement official involved in the case.

Whatever its purpose, the charity didn't affect the probe. It plodded along, witness by witness. And as the pieces fell into place, several seemed to support **Holcomb's** claim that he was acting on orders.

For example, one former United executive, one-time chief operating officer Nelson Happy, told investigators that Catsimatidis asked him to listen to a tape of another executive's telephone conversation, and asked his help in deciphering what the conversation was about, sources say. Happy, according to what he told investigators, told Catsimatidis he wanted nothing to do with it. Happy declined to elaborate on those reports.

Also, the former United executive who wrote the check for the wiretapping equipment, Jeff Dahlgren, reportedly told investigators that he got direct authorization from Squicciarini for the expenditure. Dahlgren declined comment.

Still another hint that knowledge of the taping may have gone to the upper echelons at Red Apple, sources say, came from allegations related to investigators that the company's Manhattan law firm - Patterson, Belknap, Webb & Tyler - had knowledge of the bugging and may have had possession of some tapes.

Patterson Belknap lawyers deny that. But Scott Horton, a Patterson Belknap lawyer who worked on Red Apple's account, acknowledged in an interview that he was contacted by investigators and told them he "suspected" that some form of intelligence gathering at United might be going on, because of inferences he drew from memos that contained detailed information about the activities of certain executives.

CATSIMATIDIS angrily contends that all the witnesses who have tried to implicate him, like Holcomb, had axes to grind - either because they were fired for improprieties, or for other reasons he won't specify. He views himself as the victim of "**cliques**" at United that were battling for control. He believes the losers incorrectly concluded that they were bugged - and blame him.

But as they sifted the evidence, investigators became convinced that even if the wiretapping didn't reach Catsimatidis, it went well beyond Holcomb. In October, 1990, they offered him immunity, and he turned over 23 tapes he had

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saved. Those tapes alone contained 435 conversations involving 100 people, both inside and outside United.

Shortly after the probe began, Frankel says, Warren's district attorney was ready to settle the case with United for \$ 250,000. By October, however, state prosecutors had taken over and the tapes - combined with prosecutors' decision to work a deal with Holcomb - had upped the ante. Plea discussions began to center on the much higher figure of \$ 1 million.

Law enforcement sources and others say prosecutors were prepared to pursue charges against Squicciarini - and perhaps Catsimatidis - if a deal hadn't been worked out. Frankel, however, says it wasn't a development he feared, and wasn't the reason Red Apple paid the big fine. A jury, he insists, would never have believed Holcomb and the other witnesses.

"I don't accept it as being true [that Catsimatidis **knew**], nor do I know that law enforcement people accepted it as being true," he says. "What they said was more like, 'There are people in New York who knew, and we might be able to get to Catsimatidis.' . . . I never believed they could have convicted John Catsimatidis."

Catsimatidis, for his part, calls the \$ 1 million a "business decision," arguing that it could have cost him nearly that much to try the case. And he says he didn't pay up to protect himself, but rather to protect others from the damage of a trial.

"Do you know if the tapes came out, how many divorces there would have been in Warren County?" Catsimatidis asks. "The reason I decided to pay that fine was to protect the employees of the company."

Law enforcement sources say that while the possibility of pursuing individuals was lurking in the background of the plea negotiations, they felt that a company plea with a big fine would send the right message to the corporate community. "It was truly a corporate crime, more than it was any one individual," says chief prosecutor Claus.

"We had enough to make them think **twice**" about prosecutions of individuals, noted another law-enforcement source. "But would it really have been a deterrent if two or three people got convicted and got six months probation? A bird in the hand is worth two in the bush."

Others, however, were unhappy with the resolution. One Warren lawyer representing a former United executive says the last wiretapping case in the county brought a 30-day jail sentence for a cop who bugged his wife during a marital dispute. That, the lawyer maintains, was peanuts compared with what Red Apple did. "But they just waltz in here, throw around a lot of money and no one gets charged," he complained.

"I think they bought their way out of it," adds Holcomb. "I don't think it was right. I was prepared to pay my just dues, even though I knew there was a possibility I would get imprisoned."

Financially, at least, the \$ 1 million fine may be just the first of several hits Red Apple will have to take. While the names of the 100 people recorded on the 23 tapes that were recovered are sealed from public view, a procedure has

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been established for individuals to find out if they are on the list.

If those individuals sue, federal law provides for minimum damages of \$ 100 a day or \$ 10,000, whichever is greater, for anyone who is the victim of illegal wiretapping. That could cost Red Apple another \$ 1 million if everyone bugged chose to file suit.

Others could sue as well. Individuals who prove they were actually damaged - by, for example, losing jobs or promotions - could get more than \$ 10,000. Federal wiretapping law also allows for punitive damages, which can be as high as a jury wants to set them.

Some lawyers, citing the intentional nature of the wiretapping, are licking their lips. "The punitive damages in this case could go from zero to an amount that could break the company, just like Pennzoil did to Texaco," noted one attorney.

On the other hand, civil litigation could be limited by the realities of the situation. Some potential plaintiffs note with concern the impact suits could have on United, and say they wouldn't be too popular with their neighbors if they wounded a key cog in Warren's economy. And those who still work at United worry that winning - or even filing - a suit might mean losing a job.

"We haven't discussed that, we haven't threatened it," says Red Apple lawyer Frankel, who believes some suits are inevitable. "But I'm glad people are thinking about it."

GRAPHIC: **Newsday** color photo by Susan Farley; inset; Todd Levy- 1) After John Catsimatidis, inset, 2) bought United Refining Co. in 1986, his security chief did **some** large-scale bugging of the company's executives. 3) **Newsday** photos by Susan Farley- Thomas Holcomb, former head of security, at home in Frewsburg, N.Y. 4) Richard Kiehl, a veteran detective in the Warren police department. 5) File photo- John Catsimatidis, the man behind Red Apple and **Gristede's**, in a 1986 photograph. 6) **Newsday** photo by Susan Farley- Downtown Warren, Pa., the home of John **Catsimatidis**' United Refining Co.

LANGUAGE: ENGLISH

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HEADLINE: Tunis Halts PLO Aid to Sandinistas;  
Tunis Halts PLO Arms for Sandinistas on U.S. Jet;  
American Jet Used to Carry 50 Tons of Arms

BYLINE: By Dusko Doder, Washington Post Staff Writer

BODY:

An American-owned cargo jet being used by the Palestine Liberation Organization to transport 50 tons of **arms** to Nicaraguan rebels was temporarily detained in Tunisia and released last night after its cargo was unloaded, well-informed sources said.

The Boeing 707 owned by a Kansas City-based company, Global International Airlines, was chartered by the PLO through a Belgian company, Young's Cargo Service of Brussels, the sources said.

While the plane's cargo manifest showed that it was carrying medical and relief supplies, the craft actually carried arms and ammunition, including three artillery pieces. All the arms reportedly were of Chinese origin.

It was the first known instance of PLO weapons shipments to the Sandinista had received PLO training in Algeria a few years ago.

In February, the PLO issued a joint statement with a part of the Sandinista leadership condemning Israel. Israel has supported Nicaraguan President Anastasio Somoza and has sold generous amounts of arms to his National Guard.

The Somoza family's support of Israel goes back to 1948 when Nicaragua supplied arms and passports to Jews seeking to establish their state in Palestine.

The Tunisian government last night issued a statement saying that "a chartered 707 belonging to a small U.S. company and under contract for the use of the Palestine Liberation Organization landed in Tunisia to pick up military equipment of non-Western origin belonging to the PLO."

The statement said that "the decision was taken by the government of Tunisia to unload the plane and return it to the care of the crew for departure" from Tunis to Amsterdam.

The plan took off from Tunis early this morning without the cargo but with the crew, American officials said.

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Global International Airlines, in which several wealthy Iranians reportedly have principal interest, was established about a year ago and **owns two aircraft**, according to a company spokesman.

The spokesman, Stan Adler, said in a telephone interview that the Boeing was hired to carry Red Crescent supplies from Beirut to Costa Rica, which the Sandinistas use as a base for their struggle against Somoza.

Three Palestinians and a representative of Young's Cargo Service boarded the aircraft in Beirut after it was loaded with crates bearing Red Crescent symbols. The Red Crescent is equivalent of the Red Cross in the Moslem world.

As the craft was approaching the Tunis-Carthage airport, Capt. Paul **Marable** of Kansas City, Mo., was ordered to land at a nearby military field at Bizerte, about 40 miles from Tunis, according to Adler.

**Marable** and his three crew members, all Americans, were not present while the aircraft was loaded with about 30 additional tons of crates and three pieces of artillery. Adler said that when the captains saw the artillery, he refused to fly the aircraft to Costa Rica.

Other sources said the pilot told officials that the craft had some mechanical difficulties and would have to make a stopover at the civilian airport in Tunis. Once he landed in Tunis, the pilot called the U.S. Embassy seeking help.

State Department officials said that the crew held lengthy discussions with U.S. Ambassador Stephen Bosworth, but these officials would not disclose any details surrounding the three-day delay of the aircraft by Tunisian authorities.

Global officials said that the crew was held incommunicado for 24 hours at Bizerta before they were allowed to phone the U.S. Embassy in Tunis and company officials in Kansas City. The crew, all from the Kansas City area, reported they were treated well.

Apart from the Tunisian government statement, there were no official Tunisian explanation of the mysterious incident. The presence of PLO weapons at a Tunisian military airfield also remains a mystery.

Mohamed Gherib, Tunisian charge **d'affairs** here, said he had no information about the incident. He said that he was in contact with State Department officials who were involved here and in Tunis in protracted negotiations to have the plane unloaded and allowed to fly out of Tunisia.

After Tunisia announced last night that the plane was unloaded and would be allowed to fly to Amsterdam, a State Department spokesman said that "legal implications" involved in the incident were being studied.

The two top Global officials, chairman **Farhad** Azima and executive vice-president **Mansour** Rasnavad, said that the plane was diverted to Bizerta to be reloaded with arms without their knowledge or approval.

LANGUAGE: ENGLISH

## CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Motion for Leave to File and Surreply of Fine Airlines, Inc. on all persons listed on the service list below by causing a copy to be sent via first class mail, unless otherwise indicated.

  
Karan Bhatia

Dated: Seotember 29, 1995

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