



Chapter 9

United States v. Richard V. Secord

Retired Air Force Maj. Gen. Richard V. Secord flew 285 combat missions while serving in Southeast Asia during the 1960s. From 1975 to 1978, he was chief of the Air Force Section of the U.S. Military Assistance Advisory Group in Iran, where he met Albert Hakim, who would later become his business partner in the Enterprise. Secord was promoted to major general in May 1980 and was the ranking Air Force officer in charge of rescue efforts for U.S. hostages held in Iran during 1980-81. After serving as deputy assistant secretary of defense for international security affairs from 1981 to 1983, he retired from the Air Force following allegations of improper dealings with former CIA agent Edwin Wilson, who was convicted of smuggling arms to Libya.

Upon leaving the Air Force, Secord went into business with Hakim, co-founding in 1983 Stanford Technology Trading Group International (STTGI). Using a complex web of secret Swiss bank accounts and shell corporations managed by Willard Zucker at Compagnie de Services Fiduciaires (CSF) in Geneva, they built a lucrative Enterprise from covert-operations business assigned to them by Lt. Col. Oliver L. North.

Secord brought important operational skills to the Iran/contra transactions supervised by North. He disclosed most of his operational exploits in testimony before Congress and to criminal investigators, but he lied when he claimed that he acted as a volunteer for the benefit of the United States and that he personally did not profit from his participation.

One of Secord's central purposes in establishing and carrying out the operations of the Enterprise was the accumulation of untaxed wealth in secret overseas accounts. Testimony and records obtained from the Enterprise's Swiss financial manager, Willard Zucker, show that Secord personally received at least \$2 million from his participation in the Enterprise during 1985 and 1986, that he set up secret accounts to conceal his untaxed income, and that he later lied and encouraged others to lie to keep it concealed.

Secord was indicted in March 1988 for conspiring with North, Vice Adm. John M. Poindexter and Hakim to defraud the U.S. Government of money and services, and for theft of Government property. After the trials were severed and the main conspiracy counts dropped due to problems with classified information, the Grand Jury in April 1989 charged Secord with nine additional felonies as a result of his false testimony before Congress in 1987.

Secord pleaded guilty on November 8, 1989, to the felony charge of lying to Congress about illegal gratuities he provided to North.¹ Secord entered his plea five days before he was to be tried on 12 felony charges. As part of his plea, Secord promised to cooperate in the pending trials and ongoing investigation of Independent Counsel.

¹ The Secord guilty plea was obtained through the work of Associate Counsel Reid Weingarten, William Hassler and Antonia Ianniello, who would have prosecuted the case had it gone to trial.

Secord's Finances

In July 1985 Secord instructed Zucker at CSF to delete references to Secord's name from all Enterprise profit accounts. Zucker transferred funds from the "Richard V. Secord" account to one maintained under the name of a shell corporation known as "Korel Assets."² All subsequent profit distributions -- totaling \$1,457,568 -- for Secord were credited to Korel. On September 20, 1985, Secord signed a series of documents formalizing his control of the Korel account.³

2 The name ``Korel" has no particular significance. Secord rejected Zucker's first recommendation, a company known as ``Homel General," apparently because it could have suggested a reference to Secord's military rank.

3 The documents signed by Secord included a standard Swiss Fiduciary Agreement and three Mandatory Agreements authorizing Zucker to invest funds and otherwise act on behalf of Korel. The Fiduciary Agreement defines Secord as ``mandator," and begins by stating: ``WHEREAS the Mandator is the principal shareholder of KOREL ASSETS INC."

Zucker, who received immunity from Independent Counsel, did not testify before Congress. Hakim, who received limited use immunity from Congress to testify, was the Select Committees' chief source for Enterprise financial information. Zucker produced these Korel documents to Independent Counsel, but they were not produced to congressional investigators by Hakim.

Secord masked his withdrawal of funds from the Korel account. In September 1985, he received \$52,500 for the purchase of a small \$35,000 private airplane; the rest of the money went for other personal uses. He and Zucker used a series of specious, misleading telex messages to make it appear that Secord had purchased the airplane not for himself but for a wealthy Arab. In 1986, Secord purchased a Porsche using \$31,827 withdrawn from Korel. Secord later claimed that he believed this car to be the fruit of a loan from an Arab acquaintance. In spring 1986, Secord, Thomas G. Clines and others vacationed at a German weight-reduction spa using \$4,600 from Korel and Clines's profit account.

Although Secord denied ownership of the Korel account before his guilty plea, he eventually admitted ownership of the account as part of his testimony at the trial of Clines.⁴

4 Secord, Clines Trial Testimony, 9/5/90, p. 193.

During 1985 and 1986, Secord received \$1.037 million in cash payments from the Enterprise. About \$34,000 was accounted for as legitimate business expenditures or withdrawals from his profits, leaving more than \$1 million in unaccounted-for cash withdrawals by Secord.

Of the unexplained withdrawals, three totaling \$796,000 stand out. On May 15 and 21, 1986, Secord personally received cash payments of \$225,000 and \$260,000. Secord said he provided this money to Israeli official Amiram Nir, but there is no supporting documentation.⁵ In July 1986, Secord withdrew \$311,000 in cash, which he said he provided to the Iranian arms dealer Manucher Ghorbanifar, also without documentation.⁶ Nir, who has since died, was unavailable to OIC to verify Secord's account. The Israelis denied that their government ever received these funds, whether or not Nir did. The Israelis, however, were unwilling to provide a witness to testify to these facts. Ghorbanifar also denied receiving \$311,000 from Secord.⁷

5 Secord, OIC Interview, 3/9/88, pp. 106-07.

6 Secord, Grand Jury, 1/22/88, pp. 150-51.

7 Ghorbanifar, OIC Deposition 12/10/87, p. 94.

Secord received two additional cash payments that could be traced as far as his home. In late September 1986, Zucker personally delivered to Secord's wife \$50,000 in cash at a restaurant in New Jersey.⁸ On November 17, 1986, William Haskell, a courier for North and Secord, delivered an unknown amount of cash to Secord at Secord's home.⁹ Haskell received the cash from David Morabia at Republic National Bank in New York.¹⁰

8 Zucker, FBI 302, 12/12-18/87, p. 24.

9 Haskell, FBI 302, 7/6-7/87, p. 14.

10 David Morabia, his father Elliot and his mother Nan assisted Zucker in laundering cash deliveries to various U.S. clients. See Other Money Matters chapter.

Secord claimed to have no specific memory of what was done with the cash he received in late 1986. To the extent he received cash, however, he said he was sure he spent it on operational matters.

Despite Secord's suggestion that the money went to operational expenses, the Enterprise had effectively ceased Central American activities after a contra-resupply aircraft carrying Eugene Hasenfus was shot down over Nicaragua on October 5, 1986. None of the operatives received significant amounts of cash from Secord after that. The Enterprise generally did not deal in cash on the Iranian side. The obvious inference is that Secord retained the cash for his own use.

On January 24, 1987, the Israelis refunded to Secord \$23,000 in cash remaining from an Enterprise account in Israel. Secord originally denied having received this money, but when confronted with a receipt, he admitted receiving it and claimed it was used for travel expenses in 1987 in response to investigations of the Enterprise's activities.

The calculations described above contrast with Secord's financial profile reported to the Internal Revenue Service and with Secord's testimony to the Select Committees in 1987. Secord and his wife reported adjusted gross income of \$147,000 in 1985, which consisted mainly of Secord's salary. Secord's personal return for 1985 shows none of the income he realized on arms sales to the contras or Iran.

On Schedule B of his 1985 personal return, Secord answered ``no" when asked whether he had any foreign financial accounts. Secord was not charged with giving false information on his income tax form because the Swiss financial records available to Independent Counsel at the time of his indictment could not be used in a tax case, under the provisions of the treaty through which the records were obtained. But Secord's failure to give honest answers on his tax forms provides evidence of his motive in attempting to deliberately conceal his profits.

Secord's Testimony to Congress and Independent Counsel

In December 1986, when subpoenaed by the congressional intelligence committees, Secord refused to testify, invoking his Fifth Amendment right against self-incrimination. In late April 1987, however, Secord agreed to testify voluntarily before the Select Iran/contra Committees; he also agreed to be interviewed by OIC.¹¹ Secord, the Committees' first witness, testified from May 5 to 8, 1987. He was recalled and deposed by Congress in June 1987.

¹¹ In February 1987, Secord appeared before the Grand Jury investigating Iran/contra and refused to testify. In March, he appeared before U.S. District Chief Judge Aubrey E. Robinson, Jr., in response to a corporate subpoena and denied having custody of Enterprise records. Otherwise, Secord did not respond to OIC inquiries during early 1987.

Secord's congressional testimony can be characterized in two ways: He provided an enormous amount of largely truthful information regarding the Enterprise's operational workings; his responses to questions about its financial activities were much less candid. Secord's testimony to OIC followed the same pattern: It was generally accurate as to operational matters and blatantly false regarding his personal finances.

OIC investigators were handicapped in early interviews with Secord by a lack of access to the Swiss financial records of the Enterprise, which did not become available until November 1987. The absence of these records, together with the need to remain unexposed to records produced by Hakim to Congress under a grant of limited immunity, made it difficult to examine Secord on specific transactions. This problem was largely cured by the time Secord was deposed by Independent

Counsel for two days in January 1988, after receipt of Swiss records. Secord, nevertheless, continued to lie about his personal finances.

Secord Indicted: March 1988 and May 1989

In March 1988, Secord was indicted with North, Poindexter and Hakim on conspiracy and theft charges and on three additional charges involving illegal gratuities offered or paid to North. The trials of the four defendants were severed because of problems arising from the grants of immunity by Congress. The conspiracy and theft charges were dismissed due to classified-information problems,¹² leaving Secord to face the three remaining North-gratuities charges.

¹² See North chapter.

In May 1989, Secord was charged in a supplemental indictment with nine additional counts of obstruction, perjury and false statements. In November 1989, he pleaded guilty to one felony charge of false statements to Congress, admitting that he lied when he denied that North had received personal benefits from the Enterprise.

Gratuities to North: The Basis for the Guilty Plea

Four of the criminal charges facing Secord involved illegal gratuities for North. The evidence showed that Secord and Hakim wanted to ensure that North would continue in his position as an NSC staff member so that they could continue to profit from the covert operations that North oversaw.

Specifically, the charges centered on Secord paying for a \$16,000 security system for North's home in Great Falls, Virginia. In addition, Secord and Hakim established for North and his family a \$200,000 Swiss investment fund. Because North was a Government official, the gifts amounted to illegal gratuities. As a result of these facts, Secord pleaded guilty to lying in the following exchange with congressional investigators in June 1987:

Q: Mr. Secord, did there -- are you aware of any money from the Enterprise which went to the benefit of Mr. North?

A: No.

The North Security Fence

In the spring of 1986, Secord introduced North to Glenn A. Robinette, a former CIA agent who became involved in a variety of operations for the Enterprise. At Secord's request, Robinette purchased and installed for North a home-security system, after North was reportedly targeted for assassination by the Abu Nidal terrorist group. On May 19, 1986, Robinette paid a subcontractor \$6,000 for part of the system's installation. On May 20, Robinette received from Secord \$7,000 in cash.

During July and August, Robinette spent an additional \$8,000 on the North security system. Following a request from Robinette to Secord, the Enterprise issued a check for \$9,000 to Robinette on August 20.

After exposure of the Iran/contra affair in November 1986, Secord, Robinette and North tried to cover up the gratuity paid to North. In December 1986, North asked Robinette to send him a "bill" for the security system. Robinette sent North two back-dated bills dated July and September 1986. North in turn sent Robinette two back-dated letters in which arrangements for future "payment" of the security system were discussed. When Robinette informed Secord of the letters he had sent North, Secord said, "Fine. Glad you did." ¹³

13 North was convicted in 1989 of accepting an illegal gratuity -- the home-security system -- from Secord. This conviction was overturned on appeal.

The "B. Button" Account and Phantom Job Discussions

Secord and Hakim in 1986 provided a fund for North and his family by establishing a \$200,000 Swiss investment account, the "B. Button" account. Evidence regarding this account was part of the Government's proffer to support Secord's guilty plea.

In February 1986, Secord and Hakim asked Zucker in Switzerland to find a way to transfer Enterprise money to North to help defray the costs of educating his children. First, they arranged a meeting between Zucker and North's wife, Betsy. Zucker met with Mrs. North in Philadelphia in March 1986, where he got information from her regarding the North children. As a first step, Zucker opened a new Enterprise bank account -- Hyde Park Square Corporation -- with a \$200,000 deposit. Using a Government encryption device to relay a message, Secord in April 1986 informed North of the existence of a "200 K Insurance Fund."

In May 1986, Zucker transferred the \$200,000 from the Hyde Park Square account to an account titled "B. Button." In Zucker's handwritten notes, "Mrs. Button's" phone number was the same as North's residence. Zucker called Mrs. North a few weeks after establishing the B. Button account, but Mrs. North was unavailable for another meeting. Zucker reported this to Secord. Independent Counsel could not prove that North accepted or received any of the money.

During the summer of 1986, Zucker continued to look for ways to transfer funds to the North family. In September 1986, at Hakim's urging, Zucker met with a Washington, D.C., attorney to create a phantom real-estate job for Mrs. North so that bogus commissions could be paid to her. This arrangement was never consummated.

Secord also provided cash to North. In September 1985, North purchased a vehicle for \$9,500, shortly after Secord gave North \$3,000 in cash, according to Secord's handwritten notes. North testified at his trial that he paid for the vehicle with money from a \$15,000 cash fund kept in a metal box in his bedroom closet, in which he deposited pocket change.¹⁴

¹⁴ North, North Trial Testimony, 4/10/89, pp. 7150-51.

Obstruction, Perjury and False Statements

In addition to the four gratuity-related charges against Secord, he faced eight charges based on false testimony to Congress about his Enterprise profits. The charges, in summary, were:

-- Obstruction of Congress. Secord testified falsely about his economic interest in and benefits from the Enterprise, as well as about its financial structure and the manner in which accounts were manipulated to conceal individual profit interests.

-- "Korel" perjury. Secord in May 1987 falsely testified before the congressional Select Committees that: (1) Enterprise profits had been kept for him under his name and not under a pseudonym; (2) Korel was not his company and not a repository for his profits; and (3) his interest in Korel was no different from his interest in the other companies constituting the Enterprise. In fact, profits from the Enterprise were kept for Secord in the Korel account, which was established and maintained exclusively for him. As mentioned previously, Secord subsequently admitted in the Clines trial that Korel was, in fact, his investment account.

-- Perjury regarding the forswearing of profits. Secord testified falsely to the Select Committees in May 1987 that: (1) he waived all interest in Enterprise profits in July-August 1985 and thereafter retained no personal economic interest in Enterprise companies; (2) his personal profits were

returned to the Enterprise; and (3) Zucker only managed personal profits for Secord of about \$400,000 for a period of months until those funds were ``washed out" when he foreswore his profits.

In fact, Secord retained an economic interest in the profits of the Enterprise, continued to receive benefits from it and used Zucker on a continuous basis to manage the Korel account, which held in excess of \$1 million in profits. While Secord said he was foreswearing his profits in July 1985, he was actually arranging to conceal his profit distributions in Korel, signing a fiduciary agreement with CSF in September.

Zucker was never informed that Secord had foresworn his profits until a discussion with Secord in December 1986 in Geneva, after the Iran/contra affair was publicly exposed. According to Zucker, Secord said: ``you do remember that I said that I had renounced all interest in any of these accounts." 15 Zucker did not respond, knowing the assertion was false.

15 Zucker, FBI 302, 11/6-10/87, pp. 4-5.

-- Perjury regarding Iranian proceeds. Secord testified falsely before the Select Committees in May 1987 that: (1) he did not personally receive any money from the Iran arms sales beyond his \$6,000 monthly salary; (2) he and Hakim agreed not to make a profit on the sales; and (3) Hakim received no profit from the sales. In fact, both Secord and Hakim did receive personal funds from the Iran arms sales, and Secord received funds beyond his monthly salary.

-- Perjury about payments to STTGI. Secord testified falsely before the Select Committees in May 1987 that it was ``his belief" that \$500,000 that STTGI received from CSF was ``the result of the line of credit loan that [STTGI] signed with CSF in 1985." STTGI actually received at least \$700,000. According to Zucker and CSF documents, none of it constituted a loan from CSF.

-- Perjury about ``Tri-American Arms." Secord lied to the Select Committees in May 1987 about an investment in Tri-American Arms, a Colorado weapons company. First, Secord testified falsely that a \$150,000 transfer to Tri-American Arms came from Hakim's profit distribution and not from other Enterprise funds. Second, he falsely denied that one of the purposes of Tri-American was to sell weapons to the contras.

In fact, it is undisputed that the \$150,000 transfer to Tri-American Arms came from an Enterprise disbursement account -- Albon Values -- and not from Hakim's personal funds. Notes taken at a meeting of would-be investors in April 1986 showed that weapons sales to the contras were contemplated, and Secord himself told a federal law-enforcement agent in 1986 that one of the potential markets was the contras.

-- Perjury about the Defex Account. Secord before the Select Committees in May 1987 falsely asserted that the Enterprise's ``Defex" account was established to hide the source and location of Enterprise funds from arms dealers. In fact, the Defex S.A. account was opened to conceal from contra leaders and U.S. officials the profits Secord and his partners were receiving on weapons sales to the contras.

-- Perjury about foreign bank accounts. Secord falsely denied before the Select Committees in May 1987 that he had any beneficial interest in any foreign financial accounts, with the exception of a British checking account with a small balance. In fact, Secord had substantial beneficial interests in Swiss Enterprise accounts.