



Chapter 13

Private Fundraising: The Guilty Pleas of Channell and Miller

As funding prospects for the contras grew increasingly dim in the spring of 1984, one source of funds for the contras was wealthy American citizens sympathetic to President Reagan's contra policy and willing to donate large sums to send weapons and other military supplies to the contras. Lt. Col. Oliver L. North of the National Security Council staff worked principally with two private fundraisers -- Carl R. "Spitz" Channell and Richard R. Miller -- to solicit donations through a tax-exempt foundation, the National Endowment for the Preservation of Liberty (NEPL).

NEPL in 1985 and 1986 received \$6,323,020 for the contras. Because of overhead costs, commissions and salaries taken by the fundraisers, it disbursed to the contras at North's direction only \$3,306,882.

In the spring of 1987 Channell and Miller each pleaded guilty to a felony: conspiracy to defraud the United States. Together they provided extensive information about their fundraising activities. The pleas were based on Channell and Miller's illegal use of a tax-exempt organization to raise funds for non-charitable items, including weapons and other lethal supplies for the contras.¹

1 The Channell and Miller guilty pleas were obtained principally through the work of Associate Counsel Michael R. Bromwich and David M. Zornow.

On April 29, 1987, Channell pleaded guilty to a felony charge of conspiracy to defraud the United States. At the time of his plea, Channell entered into an agreement with Independent Counsel requiring him to cooperate with the investigation and to provide truthful testimony in future court proceedings.

On May 6, 1987, Miller entered a plea of guilty to the felony charge of conspiring to defraud the United States. At the time of his plea, Miller agreed to cooperate with Independent Counsel's investigation and to provide truthful testimony in subsequent court proceedings.

Supplementing the information provided by Channell and Miller, a number of their subordinates and associates entered into cooperation agreements with Independent Counsel in exchange for immunity from prosecution. They included: Channell employees Daniel L. Conrad, F. Clifton Smith, Krishna S. Littledale and Jane McLaughlin; Miller associate Francis Gomez; and Channell-Miller consultant David Fischer.

Both Channell and Miller in the allocutions preceding their guilty pleas identified North as an unindicted co-conspirator. Both men testified at the trial of North, who was acquitted of the charge of conspiracy to commit tax fraud and making false statements to Congress regarding his fundraising activities.²

2 The private fundraising in which North engaged with Channell and Miller also formed part of the central diversion-conspiracy charge against North, which was dismissed due to classified-information problems before the case came to trial.

National Endowment for the Preservation of Liberty (NEPL)

Channell formed NEPL in 1984. He obtained Internal Revenue Service approval to operate it as a tax-exempt organization based on his representations that its activities were not for profit and focused on the study, analysis and evaluation of the American socioeconomic and political systems.

NEPL was exempted from taxes under Section 501(c)(3) of the Internal Revenue Code, which covers groups organized exclusively for "religious, charitable, scientific, testing for public safety, literary or educational" purposes. Channell was NEPL's president and Daniel L. Conrad its executive director.

Channell had years of experience in raising funds for conservative political causes. As a result, he was asked by White House officials early in 1985 to help organize a "Nicaraguan Refugee Fund Dinner" to raise money for the contra cause. Channell became disenchanted with the way the dinner-planning had been conducted, and in April 1985 he approached White House political director Edward Rollins to offer his assistance in promoting President Reagan's contra policies.

He was referred to White House political aide John Roberts, who in turn directed him to Miller, a private public relations consultant who ran a firm known as International Business Communications (IBC).³ According to Channell, Roberts told him that Miller and his partner Frank Gomez "are the White House -- outside the White House."⁴

³ In 1984, Miller and his partner Gomez began providing public relations advice to contra leader Adolfo Calero. Calero's Nicaraguan Development Council between September 1984 and May 1985 paid \$55,000 in retainer fees to IBC. (Miller, FBI 302, 7/8/87, p. 4.)

⁴ Channell, Select Committees Deposition, 9/1/87, p. 53.

By the late spring of 1985, Channell and Miller had begun raising money for direct aid to the contras through NEPL.⁵ Channell had developed a fundraising technique in which a comparatively small number of wealthy potential contributors were invited to briefings with Administration officials in Washington and then solicited for donations.

⁵ Shortly before Miller and Channell joined forces, Miller and North in March 1985 began pursuing a promised contra donation from a man named Mousalreza Ebrahim Zadeh, also known as Al-Masoudi, who fraudulently represented himself as a member of the Saudi royal family. Miller and North referred to him as "the prince."

In various efforts to assist Zadeh throughout 1985 and to obtain from him a promised \$14 million donation to the contras, Miller estimated that he disbursed more than \$270,000 in IBC funds, which had been earmarked for the contras and raised by Channell's NEPL organization. (Miller Grand Jury, 6/17/87, p. 104.) According to Miller, North was aware of these expenditures and said that the needs of the contras were so great that money spent on Zadeh from funds intended for the contras were justified.

By the fall of 1985, the FBI had begun investigating Zadeh for bank fraud. The FBI informed Miller that Zadeh was not a Saudi prince but an Iranian national and con-man. Despite this warning, Miller remained in contact with Zadeh to obtain information about American hostages in the Middle East and continued to pay some of his expenses. In 1986 Zadeh pleaded guilty to bank fraud charges. (Miller, FBI 302, 7/8/87.)

The North Briefings

The success of the Channell-Miller operation was dependent on donors recognizing its close ties to the White House. Miller introduced Channell to North, who in June 1985 began giving personal and group briefings for NEPL contributors on the war in Nicaragua and the needs of the contras. North's dramatic presentation style prompted many wealthy donors to give tens of thousands of dollars immediately following these briefings.

North testified that he received permission from his immediate superior Donald Fortier and from National Security Adviser Robert C. McFarlane in 1985 to engage in fundraising with Channell and

Miller.⁶ North said he was told, however, that he could not solicit donations directly for the contras under the Boland prohibition. As a result, North said, he would provide information about contras needs and then leave it to Channell and others to follow with a solicitation. North's participation in these fundraising events gave a clear White House endorsement to the Channell-Miller operation, and although North may not have specifically asked for money, he was a party to a joint effort to solicit it. He had no other purpose in briefing wealthy donors.

⁶ North, North trial testimony, 4/10/89, p. 7217.

Fortier died in August 1986. McFarlane denied authorizing fund solicitation, but he pleaded guilty in March 1988 to misleading Congress based in part on false representations he made about NSC staff fundraising activities in letters in 1985 to the House Permanent Select Committee on Intelligence and the House Foreign Affairs Subcommittee on Western Hemisphere Affairs. See McFarlane chapter.

Following the first NEPL briefing at the White House in June 1985, Channell presented contra leader Adolfo Calero with a \$50,000 check. But shortly after this direct payment, Channell expressed concerns to North that the donations might be unwisely used if they were given directly to contra leaders.⁷ North told Channell to direct funds to Miller at IBC. Miller, in turn, transferred the bulk of these funds to a Cayman Islands bank account, I.C. Inc., that he had established in coordination with North.⁸ At North's direction, Miller transferred \$1.7 million to the Enterprise's Swiss accounts. (See "Flow of Funds from Contributors through NEPL to Lake" chart, next page.)

⁷ In June 1985, North and Secord informed contra leaders that they would no longer receive money directly for weapons purchases, but that funding would go to the Enterprise, which would purchase weapons for them.

⁸ The name of I.C., Inc., was later changed to Intel Co-operation, Inc.

Insert offset folio 468C

Channell arranged for wealthy contributors to attend briefings by North, co-hosted by the White House Office of Public Liaison, at the White House or the Old Executive Office Building (EOB) next door. On some occasions -- particularly with the most generous donors -- North would discuss specific military needs of the contras, and their specific costs. For example, on August 23, 1985, North and Channell met with contributor Ellen Garwood in North's EOB office and discussed the need for a \$75,000 Maule aircraft; Garwood subsequently gave Channell a \$75,000 check to buy a Maule.

Group briefings were held at the White House on June 27, 1985; November 21, 1985; January 30, 1986; March 27, 1986; and April 16, 1986. At the January 30, 1986, briefing, the speakers included North, President Reagan, White House Chief of Staff Donald T. Regan, White House Director of Communications Patrick Buchanan, and Assistant Secretary of State Elliott Abrams.

Following White House briefings, Channell arranged for lodging for potential contributors at the Hay-Adams Hotel, across Lafayette Park from the White House. It was at the Hay-Adams that Channell would often make his direct pitch for funding from the donors. Potential donors were sometimes shown lists that North prepared describing contra weapons needs and their prices, including SAM-7 missiles, Blowpipe missiles, C-4 plastic explosives and other equipment.

In some cases, the briefings took place outside of Washington. In September 1985, Channell flew North by private plane to Dallas to meet with Bunker Hunt.⁹ Channell, NEPL's executive director Daniel Conrad, and North brought with them a \$5 million to \$6 million projected budget for contra supplies. According to Channell, North described the needs of the contras but told Hunt he couldn't ask for money himself. He then turned the meeting over to Channell.

As an added incentive for future donations, contributors received thank-you letters on White House stationery from North and other Administration officials. Major contributors received personal thanks in letters from President Reagan. The most generous were invited to pose for photos with Reagan in the Oval Office.

To assist in gaining access to the President, Channell and Miller retained David Fischer, a former special assistant to President Reagan, and Fischer's associate, Martin L. Artiano. Both men had worked in Reagan's unsuccessful 1976 presidential bid and his successful 1980 campaign. Fischer contracted with Miller and IBC for a \$20,000-a-month retainer for him and Artiano to be paid by Channell with NEPL funds.¹⁰ Fischer received immunity from prosecution in exchange for his cooperation.

¹⁰ Fischer denied allegations that he received \$50,000 from NEPL for each meeting he set up with President Reagan. (Fischer, FBI 302, 5/5/87, p. 4; Grand Jury 12/2/87, p. 69.) Independent Counsel found no evidence supporting these allegations.

Beginning in January 1986, Channell through Fischer was able to set up private meetings with the President for the top contributors, who included Barbara Newington, Fred Sacher, Mr. and Mrs. David Warm, Ellen Garwood, Hunt, May Dougherty King and Robert Driscoll.¹¹ Fischer said he set up photo opportunities for donors with the President through the Office of White House Chief of Staff Regan.¹²

¹¹ Newington contributed \$1,148,471; Sacher \$400,000; the Warms \$355,232; Garwood \$2,546,598; Hunt \$475,000; King \$921,500; and Driscoll \$106,000. These were the top donors.

¹² Fischer, FBI 302, 3/18/87, p. 3.

Fischer said that he described to Regan these individuals as supporters of the President and the Republican party. Fischer said that the President was told, preceding the photo sessions, general information about the people, including the fact that they supported his contra policy. (Fischer, Grand Jury, 12/2/87, pp. 49-53.)

NEPL Income

In 1985 and 1986, NEPL received \$10,385,929 in total contributions for a variety of causes. The major contra-related contributions from June 1985 to November 1986 totaled \$6,323,020. Of this, only \$3,306,882 went to contra support, disbursed at North's direction as follows: \$1,738,000 to the Swiss Enterprise account Lake Resources; \$1,080,000 in transfers to Calero; and \$488,882 to other contra-related activities.

The NEPL donations were transferred to Miller's International Business Communications account and then to foreign accounts, including the Cayman Islands bank account controlled by Miller, I.C. Inc. Between September 1985 and April 1986, North directed Miller to transfer more than \$1.7 million raised by NEPL to the Enterprise's Lake Resources account in Switzerland, including:

.....9/20/85:\$130,000 from the I.C. Inc. account

.....9/26/85:\$100,000 from the I.C. Inc. account

.....11/1/85:\$150,000 from the I.C. Inc. account

.....11/18/85:\$48,000 from the I.C. Inc. account

.....12/16/85:\$300,000 from the IBC account
.....1/21/86:\$360,000 from the I.C. Inc. account
.....4/11/86:\$650,000 from the I.C. Inc. account
.....Total:\$1,738,000

North also directed Miller to transfer NEPL funds to other projects. These disbursements included \$200,000 for a purported Arab ``prince" who promised to make a sizable donation to the contras; 13 and \$75,000 to the Institute for Terrorism & Subnational Conflict, to pay the salary of Robert W. Owen, North's personal courier to the contras. About \$450,000 went to a Cayman Islands entity, World Affairs Counselors Inc., through which Miller and Gomez paid themselves for their fundraising services.

13 Miller, FBI 302, 6/11/87, p. 2. See n. 5.

On two occasions, Roy Godson of the Heritage Foundation helped solicit funds from private donors.¹⁴ In the fall of 1985, Godson, at North's direction, informed Miller that an anonymous donor wanted to make a large contribution to the Catholic church in Nicaragua. Based on a plan agreed to by Godson and Miller, the donor contributed \$100,000 to the Heritage Foundation, which then forwarded the money to a Miller-Gomez entity known as the Institute for North-South Issues (INSI). Miller and Gomez took a \$20,000 commission and forwarded \$80,000 to their I.C. Inc. account in the Cayman Islands.

14 Miller, FBI 302, 7/8/87, pp. 10-11.

In November 1985, North spoke with another private donor about the needs of the contras and the Nicaraguan Catholic church.¹⁵ North informed Miller that Godson had located the donor, who would be making a \$60,000 contribution.¹⁶ The money was deposited directly into the INSI account and then transferred to the Lake Resources Account in Switzerland. Miller and Gomez took no commission on this donation.

15 Richard MacAleer, FBI 302, 9/30/87, p. 2.

16 Miller, FBI 302, 7/8/87, p. 10.

After business expenses, Channell and Miller earned substantial sums for their work. Channell was paid \$345,000 during the two-year period; his associate Conrad was paid \$270,000. Including ``commissions" totaling \$442,000, Richard Miller and Frank Gomez and their firm, IBC, received approximately \$1.7 million. Public relations contractors David Fischer and Martin Artiano received \$662,000.