



Chapter 14

Other Money Matters: Traveler's Checks and Cash Transactions

Nearly \$6 million dollars in cash and traveler's checks changed hands in the course of the Iran and contra operations of Lt. Col. Oliver L. North and the Enterprise.¹ The full extent of the cash transactions will never be known because of a purposeful lack of documentation. Traveler's checks were purchased by contra leader Adolfo Calero and used as a convenient form of currency. They were largely traceable as far as who cashed them, but the task was complicated by their volume -- 25,637 checks -- and the illegibility of many of the recipients' signatures.

¹ This estimate includes approximately \$2.7 million in cash transactions between February 1985 and November 1986 reflected in the Swiss records of the Enterprise, and \$2.7 million in traveler's checks cashed in 1985 and 1986, which could be identified and traced by the Office of Independent Counsel. In addition, more than \$450,000 in cash was delivered from Southern Air Transport and other sources to the Enterprise's contra-resupply operation in Central America.

The largest cash transfers originated with the Enterprise primarily in connection with: (1) cash deliveries in the United States from foreign Enterprise accounts to Albert Hakim, Richard V. Secord and Thomas G. Clines; and, (2) the transportation of cash from Southern Air Transport (SAT) in Miami to the Enterprise's contra-resupply operation in Central America. Independent Counsel traced the movement of a total \$2.7 million in 97 separate cash transactions through records supplied by the Swiss Government and Enterprise financial manager Willard Zucker. In addition, more than \$450,000 in cash deliveries from SAT and from other Enterprise sources to the resupply operation were analyzed based on SAT and Swiss financial records, and on interviews with SAT financial officers and couriers who took the cash to Central America.

A separate but related area of investigation was the "operational fund" that North admitted keeping in his office. He estimated that \$150,000 to \$200,000 in cash from Secord and \$100,000 in blank traveler's checks from contra leader Adolfo Calero passed through this fund. From the fund, which North said he established at CIA Director William Casey's direction, North made payments to contra leaders and paid other expenses. North testified that he kept track of the payments in a ledger, which he said he destroyed in October or November 1986 to protect the identities of those involved in the unraveling operation.²

² North, North Trial Testimony, 4/10/89, pp. 7134-45. North's daily notebooks, which were obtained by Independent Counsel when North took the stand in his trial, reflect various payments to contra leaders, but these notebooks apparently were separate from the ledger North claims to have kept.

Finally, large sums of cash were traced in connection with a North-directed hostage-rescue operation using two Drug Enforcement Agency agents detailed to him. This operation, which did not come to fruition, was to have included bribes and hostage-ransom payments, funded largely by a contribution from H. Ross Perot. North continued to use these DEA agents in other operations involving large amounts of cash, making them subject to investigative scrutiny, but no prosecution resulted.

The Traveler's Checks

North was charged in March 1988 with converting to his personal use \$4,300 worth of traveler's checks, provided to him by Calero in support of the contras and hostage-rescue efforts. The Government at trial showed that North used these checks at supermarkets, gas stations and other

stores. North, did not dispute the expenditures, but said he used the traveler's checks to reimburse himself for operational expenses he had paid out of his pocket.³ The jury acquitted North of the traveler's-check-conversion charge.

³ North, North Trial Testimony, 4/6/89, p. 6849.

North estimated that he received from Calero about \$100,000 in blank traveler's checks, which went into an operational fund he kept in his office. He said the checks were used to make payments to about 40 contra leaders and to reimburse himself for expenses.⁴ North said he discussed the operational fund with Casey and national security advisers Robert C. McFarlane and John M. Poindexter.⁵ Asked why he kept such a fund, North said he believed it allowed him to operate outside the Boland Amendment prohibition on the expenditure of appropriated funds.⁶ Calero said it was necessary for North to make the payments to contra leaders because of politically sensitive relationships between Calero and rival faction heads.⁷

⁴ Ibid., pp. 6841-6851. According to OIC's analysis of the traveler's checks signatories, North cashed in his true name 49 checks totaling \$4,940. In addition, he cashed 37 checks totaling \$2,420 using his alias, William P. Good.

⁵ Ibid., 4/10/89, p. 7135.

⁶ Ibid., p. 7173.

⁷ Calero, North Trial Testimony, 2/23/89, p. 2081.

Calero said his lawyer, Carlos Morales, purchased the blank traveler's checks for him from BAC International Bank in Miami, using funds transferred from the contras' Cayman Island bank accounts.⁸ Calero sent some of the blank traveler's checks to Honduras for expenses there, others were used to pay the travel expenses of contra leaders, and on occasion they were spent on contra supplies in the United States. In addition, payments were made to the families of contras living in the United States.⁹

⁸ Calero, FBI 302, 9/22/87, p. 1.

⁹ Ibid., pp. 1-10.

In February or March 1985, North asked Calero for \$15,000 to \$25,000 in traveler's checks for a hostage-rescue operation, shortly after the contras' Cayman Islands bank account had received \$15 million from Saudi Arabia.¹⁰

¹⁰ Ibid., p. 4.

Calero on several occasions sent some of the checks to North via Robert W. Owen, North's personal courier to the contras.¹¹ Owen estimated that he gave out more than \$30,000 in traveler's checks to contra leaders at North's behest.¹² According to OIC's analysis, Owen cashed 426 checks totaling \$45,880. In October 1985, North gave Owen \$1,000 in traveler's checks as a wedding gift.¹³

¹¹ Ibid., p. 6.

¹² Owen, North Trial Testimony, 2/27/89, p. 2427.

¹³ Ibid., p. 2272. Clear evidence of abuse was difficult to establish because no records of the purpose of the expenditures were kept or at least produced to Independent Counsel.

Both Owen and North's secretary, Fawn Hall, were aware of the checks North kept in his operational fund.¹⁴ According to North and Owen, at least one other White House official, Johnathan Miller, a

State Department employee detailed to the National Security Council staff, helped North distribute the traveler's checks from the fund to contra leaders.¹⁵ In an interview with OIC, however, Miller claimed little awareness of North's contra efforts and divulged nothing about his knowledge of North's cash fund. Miller said his contacts with North were limited to policy issues and education efforts relating to the contras.¹⁶ When Miller subsequently appeared before the Grand Jury, he refused to testify.¹⁷

14 Fawn Hall testified that North gave her \$60 in traveler's checks from the fund for a beach trip; she repaid the loan. (Hall, Select Committees testimony, 6/8/87, p. 458.)

15 North, North Trial Testimony, 4/6/89, p. 6851; and Owen, North Trial Testimony, 2/27/89, p. 2427.

16 Johnathan Miller, FBI 302, 5/1/87, p. 5.

17 Johnathan Miller, Grand Jury, 5/27/87.

There are no known documents explaining the traveler's check expenditures, which totaled \$2,691,950. Calero said he initially kept a journal of the traveler's checks disbursements but discontinued the practice; he said the journal was no longer available.¹⁸ He said he wrote no memoranda describing the check expenditures because the contras were involved in a covert operation.¹⁹ As a result, OIC obtained no record of what the payments were intended for -- only who endorsed the blank traveler's checks. Even then, on about a fifth of the traveler's checks -- 4,982 checks totaling \$479,010 -- the signatories' names were illegible.

18 Calero, FBI 302, 9/22/87, p. 2.

19 Ibid., p. 3.

The Cash Drops

In order to transfer money from the Swiss Enterprise accounts into the United States while avoiding financial reporting requirements, Zucker employed a New York bank officer, Nan Morabia, her husband Elliot, and their son David to make cash drops to Hakim, Secord and others on their behalf. Beginning in early 1985, Zucker would contact Nan Morabia and inform her that Hakim or Secord needed a certain amount of cash; Nan Morabia would communicate this to her husband Elliot, who provided and delivered the cash or had their son David deliver it.²⁰ Zucker wired from Enterprise accounts an equal amount to an account named "Codelis" at the Trade Development Bank in Geneva. This account was controlled by two brothers, Edgar and Elie Mizrahi, who were family friends of the Morabias.²¹

20 Nan Morabia was an officer of the Republic National Bank in New York, which handled many of the Enterprise's wire transfers, but she said the cash-delivery operation was conducted by her outside bank channels. (Nan Morabia, FBI 302, 11/16/87, p. 4.)

21 Ibid., 2/17/88, p. 2.

According to Nan Morabia, she arranged at Zucker's request six cash drops, ranging in amount from \$5,000 to \$60,000.²² David Morabia said he became involved at his father's request in drops to Hakim and to a man carrying Secord's business card, who was later identified as William Haskell, a North courier.²³ David Morabia said he did not know the amounts of cash involved.

22 Ibid., p. 2.

23 David Morabia, FBI 302, 2/19/88, p. 3.

David Morabia delivered to Hakim in May 1986 \$100,000 at the New York Hilton Hotel. He delivered to Haskell in November 1986 at the Summit Hotel in New York an uncertain amount, possibly totaling \$100,000. Elliot Morabia delivered \$100,000 in cash to Hakim in New York, on uncertain dates, possibly in June and August 1986; he delivered \$50,000 more to Hakim in late October 1986. Nan Morabia delivered \$7,000 in cash to Robert W. Owen at Republic National Bank in New York in August 1985, and she delivered to Zucker in New York in late September 1986 cash totaling \$50,000.²⁴

²⁴ In addition to cash payments to Enterprise figures, Nan Morabia said that on November 26, 1986, she delivered \$150,000 in cash to Adnan Khashoggi, an Iran arms sales financier, in New York. She said this cash delivery was an authorized payment from the account of Samir Trabigulsi, who has not been identified as an Iran/contra figure. Khashoggi, who had already been questioned in Paris by the time Nan Morabia informed Independent Counsel of this cash drop, was not asked about it. (Nan Morabia, FBI 302, 2/17/88, p. 9.)

The Morabias' drops do not reflect the full extent of the cash deliveries to Hakim and others. Zucker sometimes made the deliveries himself or had other individuals make them.²⁵

²⁵ Zucker, FBI 302, 11/6-10/87, p. 9.

Mrs. Morabia said she understood the purpose of the secret cash deliveries was to avoid Currency Transaction Reports, requiring that cash transactions involving \$10,000 or more be reported to the Federal Government.²⁶ The drops were made surreptitiously -- code names and phrases were used when the parties met in person, so that each could determine the other's good faith. David Morabia said he sometimes would carry with him a half of a dollar bill; the recipient of the cash would have to present the missing half in order for the drop to be made.²⁷

²⁶ Nan Morabia, FBI 302, 11/16/87, p. 2. In addition to Currency Transaction Reports, these cash drops also circumvented Currency and Monetary Reports, which are required for cash being transported in or out of the United States.

²⁷ David Morabia, FBI 302, 2/8/88, pp. 1-2.

Nan and David Morabia were given immunity from prosecution in exchange for their testimony. Elliot Morabia died in March 1987 before he could be questioned.

SAT's Cash Deliveries to the Resupply Operation

Once the contra-resupply network was operational in Central America in 1986, cash was transported to the region from Southern Air Transport's petty-cash funds at the request of the operation's managers Richard Gadd and later Robert Dutton. According to OIC's analysis of SAT financial records, the Miami company disbursed approximately \$467,000 in cash in connection with the contra-resupply operation.

The cash was carried in amounts ranging from several thousand dollars up to \$50,000 by resupply pilots and other employees traveling from Miami to Ilopango airbase in El Salvador, where it was used for fuel purchases.²⁸ The Enterprise reimbursed these cash advances with wire transfers to SAT accounts.²⁹ In addition to the SAT cash transactions, Gadd's company, Eagle Aviation Service and Technology (EAST), issued a total of \$43,000 in cash on four occasions for transfer to the fuel fund in Central America.³⁰

²⁸ William Langton, FBI 302, 4/30/87, p. 2.

²⁹ Ibid., p. 1. Also, Robert H. Mason, Grand Jury, 6/19/87, pp. 11-12.

³⁰ Cynthia Dondlinger, FBI 302s, 3/19/87, 4/6/87, 4/12/87.

Once the cash was delivered to Ilopango airbase in El Salvador, fuel fund deposits were made by Enterprise employees Luis Posada (alias Ramon Medina) and Felix Rodriguez, and recorded by William Cooper.³¹

31 Dutton, Grand Jury, 5/11/87, p. 39.

Rafael Quintero, Secord's representative in Central America, personally carried to Central America at least \$30,000 in cash from SAT in Miami. He said he also received cash several times from Secord's office in northern Virginia for delivery to Central America.³²

32 Quintero, FBI 302, 12/28/87, pp. 8-9.

On at least one occasion, cash was carried from SAT in Miami to North in Washington. In August 1986, Shirley Napier, Secord's secretary, flew to Miami to pick up a package containing \$16,000 in cash.³³ Napier delivered the cash to Fawn Hall, North's secretary.³⁴ Hall gave the cash to North. On the same day, he gave \$10,800 in cash to one of the DEA agents involved with him in hostage-rescue efforts.

33 Napier, FBI 302, 4/2/87, p. 5. Napier was involved in another cash transaction in March 1986, when she picked up \$15,000 in cash from two branches of First American Bank and delivered it to Hakim at STTGI offices in Northern Virginia.

34 Ibid., p. 5.

North testified that it was "reasonable" to conclude that the purpose of using cash in the Enterprise operations was that it was untraceable.³⁵ Independent Counsel was able to identify 21 transactions involving approximately \$357,000 in cash in which North participated.

35 North, North Trial Testimony, 4/10/89, p. 7163.

In conducting its contra and Iran operations, the Enterprise employed couriers whom North personally trusted to deliver traveler's checks and cash, as well as to relay secret information. Rob Owen, in addition to handling traveler's checks for contra leaders, picked up and delivered \$16,500 in cash. William Haskell, a tax accountant whom North sent on a variety of missions, received an estimated \$143,905 in cash and dispersed \$116,600 that could be traced. Both Owen and Haskell received immunity from prosecution in exchange for their testimony about their roles as North's couriers.

The Cash: The DEA Hostage-Rescue Operation

The largest lump sum of cash North is known to have handled was \$200,000 provided to him in May 1985 for a hostage-rescue effort. Ross Perot provided the money for the operation, which North conducted with two Drug Enforcement Agents temporarily detailed to the NSC staff.

In all, Perot made available \$1.3 million for this operation. In addition to the previously mentioned \$200,000 which was paid to a DEA informant, Perot provided another \$100,000 through the FBI, and \$1 million for a hostage-ransom payment that was never made. The \$1 million in ransom money was returned to Perot. Other funding for the operation came from the CIA, which spent \$50,000 for payments to informants; and the DEA, which spent \$49,098 for travel expenses and informant payments. Finally, North generated approximately \$150,900 in traveler's checks and currency from Calero, Hakim and Richard R. Miller, a private fundraiser.

Independent Counsel investigated possible conversions of any of the large sums of cash and traveler's checks for personal purposes by the DEA agents. Possible misuse of small amounts was found in the case of one of the DEA agents, whose names are protected. It did not merit prosecution.

Third-Country Funding and the Missing Brunei Funds

From 1984 through 1986, Administration officials approached more than a dozen foreign countries for various forms of assistance for the contras.³⁶ Most of them responded positively, providing weapons, weapons end-user certificates, training, equipment and other aid for the contras. Three countries -- Saudi Arabia, Taiwan and Brunei -- made or attempted to make substantial cash contributions. The Saudis donated \$32 million between July 1984 and March 1985. Taiwan contributed a total of \$2 million in September 1985 and February 1986.

36 These included Saudi Arabia, Israel, China, Taiwan, South Korea, Chile, Singapore, Venezuela, England, South Africa, Brunei, Panama, Honduras, Salvador, Guatemala and Costa Rica.

In the summer of 1986, Secretary of State George P. Shultz and Assistant Secretary Elliott Abrams decided to solicit \$10 million from the Sultan of Brunei. Although Shultz originally was to have made the approach, he failed to do it. Abrams instead solicited the contribution from a Bruneian official at a meeting in London.³⁷

37 Abrams, FBI 302, 11/5/87, p. 5. See Abrams chapter.

Abrams provided the Bruneian official with a bank account number into which the deposit should be made. Abrams had obtained it from North. But the number -- which was to have been for the Enterprise's Lake Resources account in the Credit Suisse bank Geneva -- had two numbers transposed, and the subsequent \$10 million deposit went into the wrong account.³⁸

38 Instead of Lake Resources account number 386.430.22.1, the number North provided to Abrams, on a card typed by North's secretary Fawn Hall, was 368.430.22.1.

After the United States submitted to Switzerland its initial request for assistance in investigating possible Iran/contra crimes in December 1987, Swiss authorities noted the similarity of the two account numbers. The individual who controlled account number 368.430.22.1 had not been identified by the United States as among a list of individuals involved in Iran/contra. Therefore, the magistrate executing the request concluded that this individual was not involved in activities subject to the request. The magistrate stated that this individual benefitted from the transfer of funds solely because of the transposition of figures in the account number.

Independent Counsel late in 1989 obtained new information indicating that the \$10 million Brunei contribution passed through an account or accounts controlled by or on behalf of Bruce Rappaport, a Swiss businessman with ties to certain individuals involved in the Iran/contra affair.³⁹ In August 1989, Rappaport's lawyers received from Credit Suisse bank a letter disclaiming Rappaport as the recipient of the Brunei funds. It stated: "Credit Suisse knows the identity of the person in whose account the Sultan of Brunei's \$10 million was placed. Neither Bruce Rappaport, nor any entity directly or indirectly controlled by Bruce Rappaport was the recipient of the Sultan of Brunei's \$10 million." ⁴⁰ Despite Credit Suisse's denial, Independent Counsel sought further information regarding the deposit through the State Department, but these efforts did not resolve the question.

39 Rappaport had participated from 1984 through early 1986 in a plan to build an oil pipeline from Iraq through Jordan to the Gulf of Aqaba. Rappaport and his representatives met repeatedly with individuals at the National Security Council to secure financing for a "political risk" insurance package to protect Rappaport's projected investment in the pipeline. Among the individuals with whom he met were McFarlane and CIA Director William Casey, a long-time friend.

The Aqaba pipeline was never built. However, during the precise time that Israel, individuals from the NSC staff and Rappaport were discussing U.S. Government financing and the division of profits from the pipeline, many of the same individuals from the NSC staff were participating (along with Israel) in the arms sales to Iran in November 1985 and February 1986.

Allegations of improper use of influence by Attorney General Edwin Meese III on behalf of Rappaport were investigated in 1987 by Independent Counsel James McKay.

40 Rappaport, FBI 302, 10/2/90, pp. 1-2.

In October 1990, Independent Counsel questioned Rappaport, under an immunity agreement, about his knowledge of the Brunei funds.⁴¹ Rappaport said the account that received the Brunei deposit was not his, and that it did not belong to any of his family members or to any companies in which he had an interest. He said the Brunei money was not transferred from one of his accounts into any other account, and the money was not converted into some other form, such as certificates of deposit owned or controlled by him. Rappaport said he did not know whose account received the Brunei deposit.

41 Ibid.

Independent Counsel was unable to determine the recipient of the \$10 million Brunei deposit. Although Swiss authorities continued to refuse to identify the recipient, they did report that the money was returned to Brunei.⁴²

42 Rappaport also said he did not know North or Abrams. He said he had met on June 24, 1985, with McFarlane. Rappaport said either McFarlane or E. Bob Wallach, a long-time friend of Attorney General Meese, told Rappaport in that time frame that the NSC had a "piggy bank account" with many millions of dollars in it which could be used for emergency purposes. Rappaport said he thought he was told about the money because it might have been available for the Aqaba pipeline project. Rappaport said he believed McFarlane controlled the fund. McFarlane said Meese in mid-1985 recommended that he meet with Rappaport concerning the Aqaba pipeline. (Rappaport, FBI 302, 10/2/90, p. 4.)

According to McFarlane, Rappaport asked if Israel assured him it would support the project, would he help get funding for it. McFarlane said he thought such a project, with Israel's endorsement, would promote goodwill in the region. McFarlane recalled that he talked to the Export-Import Bank and possibly representatives of Overseas Private Investments Corporation (OPIC) regarding the project. (McFarlane, FBI 302, 9/27/90, pp. 9-10.)