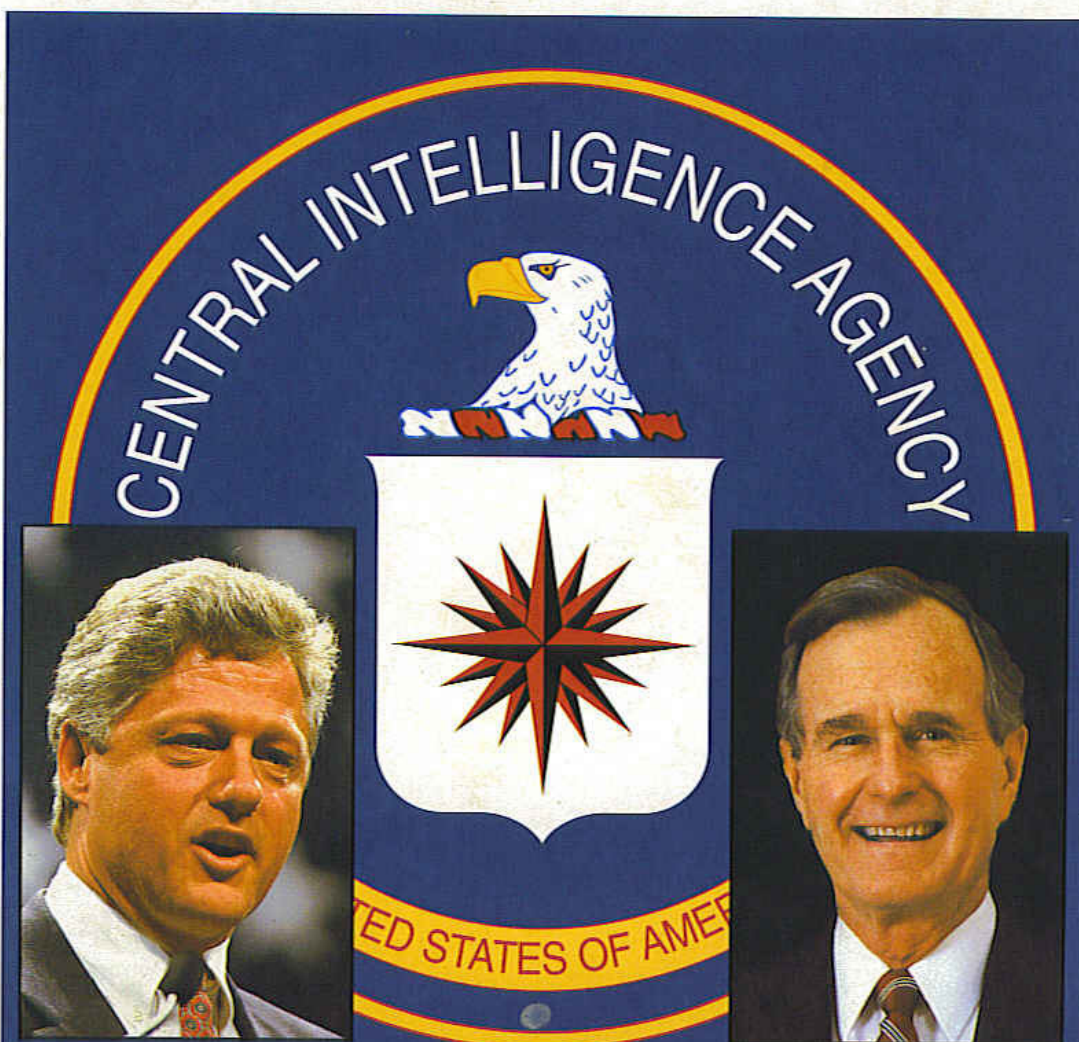


The Confluence of IRAN-CONTRA and WHITEWATER

COMPROMISED

BEST-SELLER

CLINTON, BUSH AND THE CIA



**From Mena, Arkansas, to the White House:
How the Presidency Was Co-opted by the CIA**

TERRY REED AND JOHN CUMMINGS

"This book could topple the President."

—*London Sunday Telegraph*

COMPROMISED is the true story of the Faustian pact that Bill Clinton made as governor of Arkansas. It tells how his unbridled political ambitions and his pledge to create jobs for Arkansas led him to compromise his ideals in exchange for support for his presidential candidacy in 1992.

By selling out politically to the Reagan-Bush administration, by giving the Agency free rein to operate a secret training base near the tiny western Arkansas town of Mena, and by looking the other way as Arkansas factories turned out untraceable weapons parts for the Nicaraguan Contra "freedom fighters," the young governor helped create an operation that laundered untold millions of dollars and that enriched Clinton's political friends and helped finance his campaign fund.

The Arkansas-CIA connection became Clinton's darkest secret, and only now is the tiniest shaft of light being shed on what has become known as the Whitewater Scandal. Coauthor Terry Reed, who helped train Contra pilots in rural Arkansas, became the first person to pull back the shroud on the "Arkansas Connection" long before most people ever heard of Clinton cronies like Webb Hubbell, Clinton's former associate U.S. attorney-general, who became the first major figure to plead guilty in an ever-widening investigation that is confirming Reed's disclosures. Former National Security Advisor Bud McFarlane also corroborates Reed's revelation that former spymaster George Bush was in the center of the Iran-Contra loop, and he, like Reed, paints Bush as a cold-hearted powermonger bent on wresting the White House away from Ronald Reagan.

Reed, who was recruited into the Arkansas operation by Oliver North, reveals in this eyewitness account how the "black operations" in Arkansas worked, from the training of Contra pilots and the manufacture of weapons parts—all in violation of a congressional ban on Contra aid—to the airdrops of cash into Arkansas by CIA operative Barry Seal. Seal disclosed to Reed that more than \$9 million a week was dropped from planes onto secret drop zones and later laundered through an investment banking firm whose president had close ties with Clinton.

TERRY REED is a former Air Force intelligence operative who served in the most secret project of the Vietnam War, Task Force Alpha. In civilian life, he was recruited by the FBI's counterintelligence division to help combat the illegal sale of technology to the Soviet Union and later became a CIA asset. He is an FAA-certified flight instructor with more than 3,000 hours of flight time.

JOHN CUMMINGS is a prize-winning former investigative reporter for *Newsday* in New York and has coauthored *The Heist* (1986), *Goombata: The Improbable Rise and Fall of John Gotti and His Gang* (1990) and *'Til Murder Do Us Part* (1993).

"The most credible aspect of Mr. Reed's book is that it was not written with Whitewater in mind. It simply collided with Whitewater. If it is even a quarter true, it is as damaging in what it says about the Reagan and Bush administrations since it reopens the old wound of Iran-Contra as in what it says about Bill Clinton's Arkansas.

—*The Wall Street Journal*

"An underground classic."

—*The Washington Post*

"*Compromised* . . . will put to the test Clinton's remarkable ability to survive."

—*The Boston Globe*

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Seal explained that a New Jersey gun-manufacturing company had been purchased—lock, stock and barrel—and was being moved to Arkansas to quietly and discreetly produce weapons components for the Contras.

This was clearly another facet of what was later described in the congressional hearings on the Iran-Contra Affair as CIA Director William Casey's plan to have CIA-owned proprietaries, or front businesses, become the bypass conduit around a whimsical Congress. The director saw these flip-flopping congressional attitudes as obstacles to the Reagan administration's controversial and unpopular foreign policy initiatives.

Continuous on-and-off congressional bans on American military aid to the Contras was creating a shortage in the arms supply for the Nicaraguan operation. This "drought" was depleting the level of arms in the reservoir to a critically low level. Firms that normally supplied the Defense Department had been barred by Congress from supplying the Contras because of those congressional bans. Casey wanted to establish a continuity to the supply effort, hopeful that the White House objective of overthrowing the Sandinistas could be attained through eventual armed internal rebellion.

Terry, having seen unnecessary loss of life in Southeast Asia, put himself in the shoes of the Contra soldiers. How could they, he thought, even have a chance of survival without at least a minimum stock of weapons? In Vietnam, he had been put in harm's way while Congress debated the morality of the conflict. Now, it was happening again, only this time to a group of "freedom fighters," as President Reagan called them, in a country very close to his own. The congressional jockeying continued to rage on.

The recent moving of a New Jersey arms-manufacturing company to Arkansas was not merely the result of vigorous recruitment by the Clinton administration, as the state would claim. It was instead, Seal said, the result of behind-the-scenes CIA decisions to make Arkansas the equivalent of a "proprietary." But, nonetheless, it would help Bill Clinton deliver on his campaign promises to provide jobs for Arkansans.

Iver Johnson's Arms, the firm brought to Arkansas from New Jersey, was one steeped in American history. Established in Massachusetts during the American Revolution, it had helped arm the colonial soldiers to fight the British. It already had ongoing military and civilian arms contracts that would allow it to operate openly under the usual scrutiny of the Treasury Department's Bureau of Alcohol, Tobacco and Firearms.

Under federal law, arms companies must create a paper trail for tracking and control of all weapons, especially for components that go into fully automatic weapons. The M16, the weapon used by American military services, is a weapon requiring this documentation and control. All international sales require an End-User Certificate, which traces the weapon from origin to destination. The Boland Amendments, which banned sales to the Contras, effectively forced the CIA to find a source of weapons without such certificates.

The secrecy required to produce the nontraceable parts posed an immediate problem for Iver Johnson's. Iver Johnson's was working on a classified contract with the United States Navy to produce a .50 caliber sniper rifle. This required government inspectors' scrutiny of the company's operations in its new location in Jacksonville, Arkansas.

To circumvent this scrutiny, the decision had been made to cast critical, and untraceable, parts at a location other than Jacksonville. Seal explained, as they sat in the coffee shop, that the Mena firm they had just visited would contain that casting operation. The trip to Mena was now beginning to make sense to Terry.

Because Iver Johnson's was an established firm, it provided instant cover for the clandestine work that was slated to be done in Mena. On paper, Philip Lynn Lloyd, a wealthy Arkansas businessman with close ties to the Arkansas bond industry, was listed as a principal in the company and the man responsible for its relocation to Arkansas.* Terry was learning that Lloyd was probably just a "cover" for the project.

"So now that you know what we're up to, what will it take in the way of machinery to cast and machine the lower receiver housing of the M16?" Seal asked.

"I'll need blueprints, and I'll need to know quantities," Terry replied.

The lower receiver housing is the major part that makes the M16 a fully automatic, military assault weapon, as compared to the AR15, the semiautomatic version that is sold to the public in sporting goods stores.

Federal law requires that during production each receiver housing be stamped with a serial number and that documentation be created that will track it from cradle to grave. Obviously, the CIA did not want serial numbers on weapons going to the Contras during a period when Congress had banned the sales.

Seal and Terry ended their first arms discussion pleased with themselves. Seal had found a local confidant who understood machine tools, and Terry felt honored that he was being entrusted with such important secret knowledge. He felt that the window of opportunity was opening, and he decided to leap through it.

Things were going well for the Reeds in Arkansas. They had temporarily moved into an upscale apartment on the west side of Little Rock, the "in" place to be. Terry's new ultra-light company, named Command Aire, was getting a lot of good press, representing, as it did, the efforts of the state to attract new industry.

The Reeds found that being part of this effort was the key to membership in Little Rock society. In just a few months, they had an overview of the social and political pecking order there. Because one of the principals in Terry's company, Seth Ward, was a socialite and a Little Rock industrialist,

*Lloyd was convicted in federal court in Little Rock in December 1990 of nine counts of bankruptcy fraud and conspiracy stemming from the concealment of more than \$500,000 worth of assets when his personal financial empire collapsed.¹

By January 1984, a month after visiting the foundry in Mena with Terry, Seal needed to get something else underway. He had to find a site in a remote area around Mena that would serve as a secret base to train Contra pilots in air-delivery techniques.

At this time, a restaurant named SOB's (Shrimp, Oysters, Beer), situated on the north bank of the Arkansas River in Little Rock and close to Terry's factory, had become their hangout. Seal, who lived in Baton Rouge, Louisiana, liked the Cajun atmosphere and the restaurant's resident ragtime band.

"Christ, Cathey didn't tell me we gotta teach these _____ to fly, too!" Seal said, referring to the Contras. "It was my initial understanding these guys would all be skilled pilots and all we had to do was teach them how to hit the _____ in' target with a palletized load of supplies. I guess the truth of the matter is the _____ in' Nicaraguans don't have any pilots. Some _____ in' freedom fighters!"

Seal had unforeseen problems because the Agency had suddenly discovered that, like it or not, the CIA would have to create a "Contra Air Force" with people who had motivation but little else. And Cathey, a former infantry officer, either hadn't recognized this or he had kept the fact from Seal. These crews were needed desperately to reduce the CIA's exposure in case one of the supply planes was shot down. If that happened, Seal had warned, the crew "had better be beaners," so the world would not discover the Boland Amendment was being violated.

Seal desperately needed someone who knew FAA requirements for setting up an airport.

"Tell me about this airport you started in Oklahoma City," Seal said as he built his salad from the ice-filled bathtub that served as SOB's salad bar. "Especially the part about FAA licensing if you're near a vector airway."

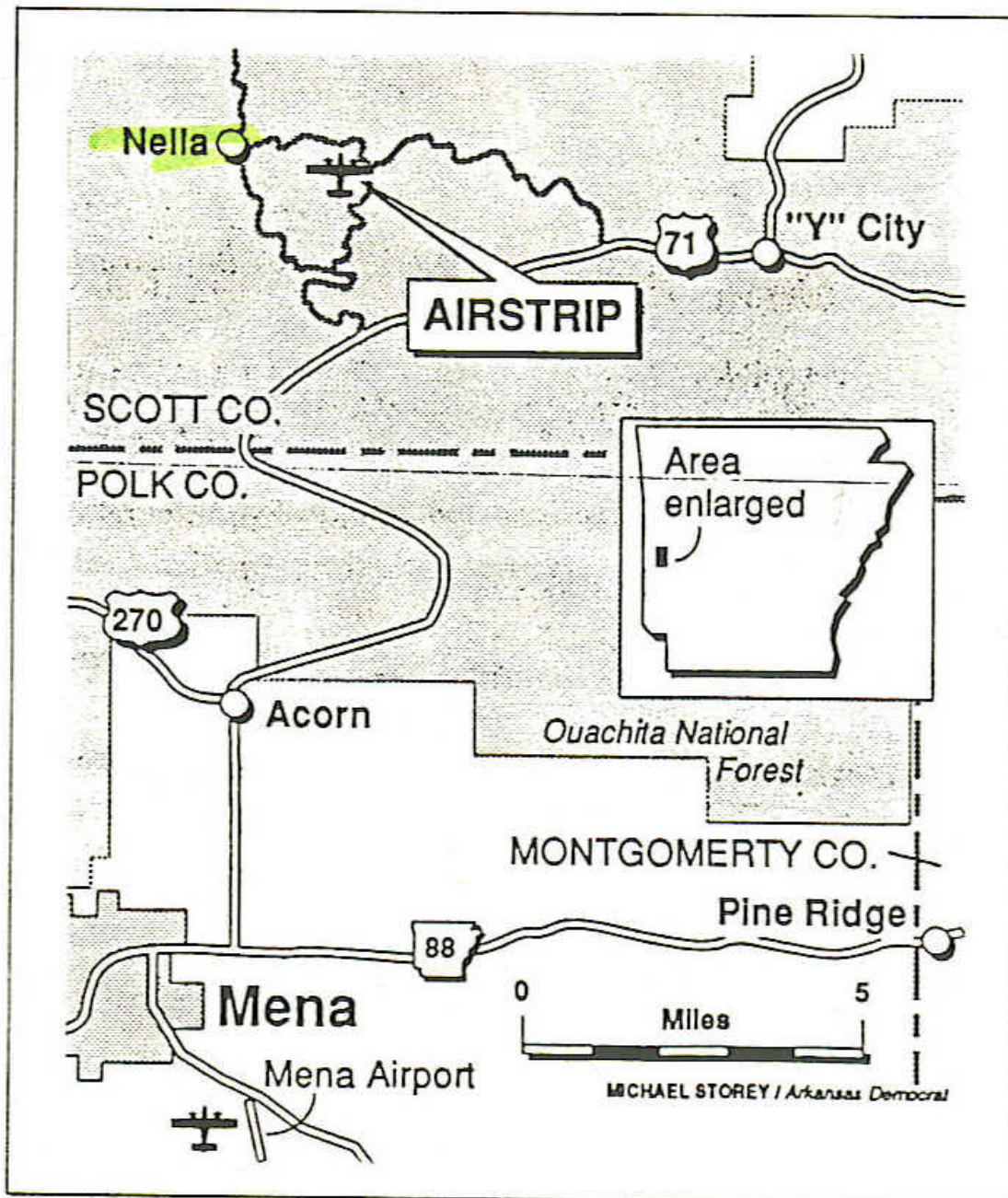
From his conversations with Terry, Seal was now aware of Reed's prior involvement with a group of Oklahoma businessmen who had sought an FAA permit to build a private airstrip north of Oklahoma City. Seal had become concerned about FAA notification requirements and didn't want to be in violation of any FAA rules, because this would bring immediate and unwanted attention to the training site.

"Better yet, why don't I just put you on board officially as an aviation consultant while I figure out exactly how you fit into all this," Seal suggested.

"Sounds good to me. What do I need to do?" Terry replied as he loaded his plate with radishes.

Notes

1. *Arkansas Business*, December 17, 1990.
2. *Newsweek*, January 24, 1994.



Map of the Mena area, showing the location of the **secret pilot-training strip set up** for CIA Operations Jade Bridge and Centaur Rose by Terry Reed and Barry Seal at Nella. Source: The *Arkansas Democrat*.

GETTING OFF THE GROUND



"Bank tighter to the left. More! More! There it is, offa my left wing. What do ya think?" Barry Seal asked from the right seat of his Lear jet, N83JA.

It was a clear, cold January day in 1984 as Terry Reed and Seal circled a remote area of western Arkansas at an altitude of 5,000 feet MSL (mean sea level). Terry, still somewhat uncomfortable piloting the high-performance jet, was concerned about the plane's stall speed as they exceeded 45 degrees of bank in order to bring the field Seal was referring to into view.

"Okay, I got it now. It's definitely remote, and I like the surrounding terrain. But does the topography look similar to Nicaragua?" Terry asked.

"Yeah. They'll love it. They'll think they're home," Seal answered, "Now, if we can just teach 'em to stuff an airplane into 2,500 feet without killing themselves, maybe Uncle Sugar will give us a big r-e-w-a-r-d! Let's go land at Mena and drive back up here to see how it looks from the ground."

Maps of the area refer to it as the town of Nella. But only Rand-McNally—and God—know where it is for sure (see documents at end of chapter). It is not now, and never was, a town. In its best days it was only a wide spot in the road, a road house, a stagecoach stopover point, a watering hole before entering the Oklahoma territory. The area reminded Reed and Seal of the movie *Deliverance*, where Burt Reynolds and a group of city slickers discover the beauty and danger of backwoods rural living while on an all-male canoeing and camping trip.

The nearest town, about 12 miles to the south, is Mena, population 5,000. In describing Mena, a local law enforcement officer told one of the authors, "If ya wanna pick up girls here, you gotta go to your family reunion." Seal had earlier selected this heavily wooded location, along with two others, as the possible site of the Agency's clandestine bivouacking and training area.

Terry had officially been on board the operation only two weeks. He and Seal were flying to Mena that day in order to have an engineering discussion with the president of a metal-casting firm, and, on the way, Seal had wanted to show Terry the primary site he was considering. After the

meeting at the foundry, which was to outline the computer-controlled machine tools necessary to produce the needed weapons parts, Terry and Seal attempted without success to drive to the Nella site. One thing they discovered: Security would not be a major problem if they chose the Nella site. It was almost impossible to find it on the ground, even with a map and a compass.

But the two did eventually survey the area and concluded it would be a perfect training base, serviced only by primitive dirt roads maintained by the United States Forest Service for fighting forest fires within the Ouachita National Forest and accessible safely only by four-wheel-drive vehicles. They immediately identified that the mountainous terrain within the region would not only add realism to the flight training but danger as well.

Terry was instructed to return later to do a more thorough survey of all three sites, not only to evaluate ground conditions but—more important to Seal—to consider the strict FAA rules governing the airspace above the land. If the site was not selected properly, commercial aviation could be adversely affected and bring about unwanted FAA licensing requirements. Of concern to Terry was the ability to use ground-based navigation aids already in place in western Arkansas as a way to locate the field in inclement weather and at night. Seal initially had not paid enough attention to this.

It was now clear that the problems to be dealt with were increasing. On the flight back to Little Rock, Terry noted, "As I survey these sites, I should take into consideration the proficiency level of the pilots who'll be using the field. That surrounding terrain could be pretty dangerous, especially in bad weather. They still peel about half a dozen flatlander pilots off of Rich Mountain every year."

Chuckling, Seal replied, "I got some good news and some bad news. The good news is Cathey says the beaners know how to fly single-engine airplanes. The bad news? Barely."

This was becoming more and more like Richard Nixon's "Vietnamization" program, Terry thought. His mind drifted back to Thailand where, in 1973, the U.S. Air Force was tasked with trying to teach Vietnamese pilots not only to fly Mach 2 but to use such advanced Western technology as the toilet. All within one lifetime. It was simply impossible to do, Terry had discovered firsthand.

Seal's headquarters in Arkansas was based at Rich Mountain Aviation, situated in a brand-new building at the southwest end of the Inter-Mountain Regional Airport in Mena. From there, Seal said he had based his aircraft refurbishing and retrofitting activities, another facet of his business activities.

Terry, familiar with the aviation world as he was, was impressed not only by the building but by the quality of the major airframe repair and modifications going on there. This was no backwoods operation, even though it was located in the backwoods.

Terry completed the surveys over the ensuing month, during which time he met Seal's Mena "network," consisting primarily of Fred Hampton, Joe Evans and Emile Camp. Hampton, he was informed, was a second-generation, fixed-base operator who lived in the area and had operated Rich

"We need to look close for U-Haul truck going south on 71. I am worried about its safe passage to Nella. We had near-miss recently and truckload of munitions was almost discovered by local police. I am just very worried. Shipment is overdue. It was supposed to arrive by noon today."

Terry slowed the aircraft to minimum controllable air speed and descended to 1,000 feet above the highway. It was dark and the headlights from highway traffic were needed in order to locate and track the road . . . but no U-Haul could be seen. On the outskirts of Fort Smith, Sawahata asked Terry if he knew where "rock 13" was on the Arkansas River's Kerr-McClellan navigation way near Barling, Arkansas.

After consulting a road map, Terry was able to locate No. 13 Lock and Dam, which Highway 59 utilizes as a bridge to cross the river. He flew over the area and circled in a steep, right-banked turn, so that Sawahata could look out the right window.

"Aki, what the hell are we lookin' for? If you tell me, it'll make it a lot easier," Terry asked.

"I need to locate a special barge that should be parked near the dam. It has our shipment," Sawahata replied.

Terry banked the plane in the other direction, to the left, giving himself the vantage angle for viewing the ground. He orbited long enough to ascertain there was no barge, but a U-Haul was parked nearby. Sawahata nervously got on the radio and began talking to the driver, who said his last radio communication with the barge indicated it was heading west just past Ozark, Arkansas. It had been forced to drop anchor and wait out the storm.

Sawahata was relieved. He asked Terry to remain in view of the river and fly toward Ozark. Twenty miles up the river, they spotted a lone barge heading west toward Fort Smith. It was difficult to notice since it was powering upstream without navigation lights. Aki again got on the radio and began talking with the barge captain to get their estimated time of arrival at Lock 13. Sawahata and Terry loitered in the area until the barge and truck safely linked up.

"What was that all about, Aki?" Terry asked as they headed finally for Little Rock.

"Terry-san, you know rule. You do not have a need to know."

"Well, it seems the pulpwood you say OSI ships to Japan is heading the wrong way. It's going west toward Oklahoma. It should be going east toward the Gulf of Mexico, don't you think?" He could not help being facetious, remembering that OSI's cover was to purchase raw materials such as those offered by the timber industry of Arkansas and then export them to Japan.

Terry, again, through no desire of his own, had been exposed to yet another CIA secret, a transportation system that was obviously hauling weapons. Where the barge had originated its journey, he did not know then. But he was beginning to get a pretty good idea of the transportation route the weapons were traveling.

With what he had witnessed that night, combined with the information relayed to him by Seal about the Army and National Guard's "donation" of

weapons parts, Terry had a pretty complete picture of a secret weapons pipeline and its "outflow valve" in Arkansas. As of that night, he also knew weapons were being stored, at least temporarily, at the Nella complex awaiting Dodger flights to points south. Did the Boland Amendment have a flaw that purposely allowed this, he wondered?

Months later, after he was put into play with people on the next rung of the good-ole-boy ladder, he would learn that "special barge traffic" carrying critical cargo for Operation Centaur Rose had its safe transit assured by the U.S. Army Corps of Engineers, which controls the whole Arkansas River. Good idea, Terry thought. No weigh stations, no speed traps, no prying eyes from local sheriffs. It made him wonder: How long had the Agency been using the rivers, largely abandoned by American commerce in favor of the interstate highways? Just like Southeast Asia, he mused. Everything moves by water.

• • •

It was mid-October 1984 and the students were in awe, viewing the leaves turning color for the first time. The Ouachitas were ablaze with color, and the cockpit temperatures were now considerably lower. Ramon Varnados, the majordomo of the complex, had to figure out how to operate the sophisticated portable heater units in preparation for cold weather. Army manuals are designed for a fifth-grade reading level, which was about Ramon's limit.

Though lacking perhaps in formal schooling, Ramon was nonetheless street smart when it came to making a buck. He had quickly become known as the source of anything that was either hard to find or officially off-limits to the students. He had established a major black market in copies of *Penthouse* and *Playboy*, centerfolds of which were prominently displayed on the barracks' walls. This was one of the few luxuries allowed by Medina.

The heavy, humid air of summer was finally gone, and the increased in-flight visibility, coupled with the smoother ride, made flying less tedious and much safer. It was a welcome relief for Terry and the others as they jumped full speed ahead into phase II—airdrops.

• • •

"Sixty seconds to mark," said the ground controller's voice to the perspiring Hispanic pilot in the left seat of the Cessna 402.

"Roger. Give me a hack at 30 seconds," Ignacio, the captain of the sortie, replied, requesting a signal to begin his timing.

Terry was sitting in the right seat, traveling at 150 mph and 500 feet above the treetops, approaching the drop zone from the valley to the north of the field. He and his trainee were wearing their Honeywell night vision systems as he spoke to his three students on the intercom system. The two in the back were craning their necks to keep up with the cockpit action.

"You got a visual on the DZ (drop zone)? . . . I didn't hear you confirm with the kicker that the door is open. You're gettin' behind it, you're gettin'

be in light of such reckless, selfish and irresponsible behavior. Right then, he was contemplating the option of getting out of the "land of opportunity" before disaster struck.

Nash was apparently filling the power vacuum left as a result of Sawahata's departure, and, from the way he talked, he also didn't have much love for Seal. It sounded like power-play time, and Reed wanted no part of it.

Before he could return home that day, a call was made to his house by J. A. Matejko from Iver Johnson's Arms. When Terry returned the call, he was told by an upset Matejko, "Terry, I don't know what's goin' on, but you need to get over here real quick. I got a problem."

At Jacksonville, an hour later, Terry and Matejko huddled in his office. Matejko began, "All I know is, some big old crazy fart named Seth Ward, claiming to be connected to the governor's office, barged in here today demanding blueprints for what he said was secret CIA work he knew was going on here. After I told him I didn't know what he was talking about, he got all upset, pushed me aside, came in here and used my phone without permission. I could hear him askin' the operator for the phone number of the governor's mansion. Then he sat there and wouldn't leave. I tried to ignore him, but the old asshole just sat there. It finally came lunchtime and I left.

"But then later I get this call on an unsecure phone from a guy named Skeeter Ward, who says he's in Russellville. He proceeds to tell me that he's bid on and won a government contract to build gun bolts. He wants me to mail him the blueprints tomorrow so he can order the steel in order to run the job. What in hell's goin' on here?"

The feeding frenzy had already started. The maggots were starting to swarm over the cadaver. "Unprofessional" was an understatement now. This was serious.

Terry had to act fast. He had always found Skeeter Ward, despite his flaws, to be somewhat reasonable . . . when he wasn't around his father and trying to impress him with his business savvy. Terry told Matejko he would look into the mess. He then flew to Russellville to control the meltdown he saw coming.

"What's it gonna take, Skeeter, to get your dad under control and out of Iver Johnson's. Hell, he's camped out over there, blabbing about 'CIA-made gun parts' in front of people who don't even know what's going on," Terry asked, already predicting the answer.

"Well, it's pretty simple. Just give me some work so that he thinks he's got you all over a barrel, and I think he'll go away. You know dad. He's not happy unless he's stabbin' someone and twistin' the knife," Skeeter replied with a grin.

Terry realized there was no reasonable method to prevent the "muscling in" of the Ward family, at least not in the short term. He returned with blueprints to an M16 bolt-and-carrier assembly. Iver Johnson's discreetly subcontracted to POM the task of secretly producing 500 units a month. Like cells maturing and dividing, the loop had expanded, on its own.

This was not a new problem for the Agency. As in any banana republic it dealt with, once the puppet government is up and running, it gets greedy, arrogant—and even begins to think it's really running things.

Arkansas was no different. What Terry was seeing was the seamy, dirty, internal power struggle common to the evolution of any Third World government. Bill Clinton had made big promises to the electorate. Most people weren't questioning the newfound prosperity from new industry moving into the state. Nor were they questioning the state-backed financing that made it possible. But growth has a way of becoming addictive, and Governor Clinton's ballot casters were wanting more frequent fixes.

The insiders, like Ward, knew it was feeding time for the hogs and they were lining up at the secret government trough. This was growing beyond what the Agency had envisioned. Its plan did not include the good-ole-boy nepotism that was beginning to take over. Aside from being a feeding frenzy, it was also a power struggle, plain and simple.

Millions in cash were pouring in as a result of the Boland Amendment's prohibition of military aid or support to the Contras. What the Agency had thought was a haven for laundering black funds and ill-gotten gains had fueled a raging fire now requiring constant replenishment. Nash and the Clinton administration seized upon this to go one step further. They could utilize the cash float to their advantage, and the Agency couldn't complain.

The Clinton administration took advantage of the Agency's compromised position and began loaning out these secret funds to select industries. The state's financial problems evaporated, just as Oliver North's had on April 1, 1985, when he began cashing Contra traveler's checks for his personal expenses.

Governor Clinton was at least as smart, and he knew an opportunity when he saw it. And opportunities like this didn't come along every day. Was that why the Arkansas Development and Finance Authority (ADFA) was formed?*

Seth Ward and businessmen like him were the first to reap the benefits. ADFA records reflect that Ward was one of the first to "belly up to the bar," as he put it. POM, according to these records, received a \$2.75 million loan on December 31, 1985, that was used to build an addition to its Russellville plant and to purchase equipment necessary to fulfill its obligations to its new-found "customer," the same one Air America had served. And who processed the extensive paper work for the POM loan? None other than Webster Hubbell, the attorney for the firm, the son-in-law of Seth Ward, the Rose Law Firm partner of Hillary Clinton, the personal friend of Bill Clinton, the former associate attorney general of the United States—and now convicted felon.

*ADFA was created in 1985 under State Legislative Act 1062 as a successor to the Arkansas Housing Development Agency to finance qualified agricultural business enterprises, capital improvement facilities, health-care facilities, housing developments and *industrial enterprises* (italics ours). Its ten public board members are chosen by the governor. It raises money through bond issues but was given initial capitalization of \$6 million from the state treasurer. Neither state tax funds nor the state's credit is pledged directly to guarantee the ADFA bonds. But under separate law enacted the same year, should ADFA defaults exhaust the \$6 million, the "authority is authorized to . . . draw funds for principal interest from the state treasurer."²

This meant Terry was supposed to be waiting to intercept Seal's plane on the 090-degree radial of the Monticello, Arkansas VOR (navigation fix) at 3,500 feet at 4 A.M. the following day.

"His brother" was Seal's reference to a CIA handler who was setting up the meeting in Panama. His reference to a RON kit was his way of advising Reed they might be gone more than one day. The lack of a telephone at his brother's place meant for Janis to understand there would be no way for Terry to be contacted by phone while he was out of the country. "Papa Bravo" was to be decoded as P.B., or simply a cryptic way of "calling the play"—or piggybacking. Terry would have to tell Janis he wouldn't be at the dinner table for a few days, something routine for a spook's wife.

Seal's voice had exuded excitement, and Terry was sharing the feeling. Ever since his return from Mexico four months earlier, Terry had been "consulting" for the Agency and developing an in-depth business plan that would utilize a machine-tool proprietary as a cover for a weapons transshipment operation in Mexico. Operation Centaur Rose in Arkansas had proved to be a successful prototype of what the Agency wanted to develop and expand upon, either in Mexico or some other "offshore" location.

The CIA had decided that operating outside United States borders would reduce the nuisance factor that had come into play in Arkansas, where "snoopin' and meddlin'" by the local law enforcement groups had resulted, as in Mena, in too many prying eyes. This problem had been compounded by a major turf war that had developed between federal agents who held diametrically opposing views of who Barry Seal really was.

Perhaps, in hindsight, the "drug cover" given the operation had not been an excellent idea. In theory, it was to have been a way to allow the FBI to be the "controlling" investigative body, giving the appearance of leading an investigation against the operation. This was to provide federal security, thereby keeping state and local law enforcement out.

With this carefully orchestrated disinformation program, if an outsider later read the FBI's case files on Mena, they would appear to be the result of a criminal investigation. But, in reality, the FBI had been using its vast resources for containment and coverup; the equivalent of a shadow shadowing a black operation.*

But the Agency-selected, counter-intelligence FBI agents assigned to Jade Bridge and Centaur Rose had lost control, and it had become literally, a law enforcement feeding frenzy. This had forced the Agency to assert its control with the Justice Department as well, to prevent arrests and prosecutions.

Believing Mena to be a major drug-smuggling mecca because of Seal's cover as a trafficker, a state police investigator would later testify that stakeout operations at the Mena Airport by a joint task force even included

*This became evident from an FBI teletype provided to Terry Reed through federal court discovery in 1993. The three-page report, dated August 18, 1987, and marked "Secret in its entirety," proves the FBI was alerting the CIA and DEA that the residue of the Mena operation was in jeopardy of being exposed by the media. This document identifies Barry Seal as a "CIA operative."¹

agents from the Arkansas Game and Fish Commission. Nothing had been accomplished, because they did not realize that the CIA used Seal as a diversion to distract them from what was really happening at Nella, just under their noses 12 miles away. And by the time the stakeout even began, the training operations at Nella had already been shut down, and some of those involved at Nella were being groomed for bigger and better opportunities in Mexico.

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Mexico had been *número uno* on the agenda at the meeting at SOB's as Terry and Seal renewed their friendship after several months of not seeing each other. Seal, like Terry, had been very busy with other things. Terry wasn't aware of the fact that Seal actually had been put into the federal Witness Protection Program and had become the government's chief witness in a series of high-profile drug trials reaching from Las Vegas to Miami. He had proved to be one of the best undercover agents the government had ever developed and was an extremely effective witness.

His testimony helped convict Norman Saunders, the Chief Minister of the Turks and Caicos Islands, whom Seal had ensnared on tape while giving Saunders a \$20,000 bribe to protect drug trafficking in his tiny island nation. During this time, Seal had been kept under wraps in Miami, sometimes in an underground one-room cell for his own protection. This was the ultimate hell for a man who hated confinement of any kind.

Terry did not know any of this when he met with Seal that December night in 1985 in Little Rock, but it was clear from the start of the meeting that Seal was anxious for a change of scene.

"Damn! You must have hit a nerve with that business plan of yours," Seal proclaimed. "You've really got these people's attention, which ain't easy to do. I think if we handle this right, that this is something we could work on together—and out of this in' country! I don't know about you, but I'm gettin' real in' tired of the U.S."

It was apparent from Seal's comments that he had been in touch with the people at SAT or someone reading Terry's confidential reports.

"So you've been in touch with Johnson?" Terry asked. "I was afraid my reports were going into some black hole in outer space. I've been getting no feedback and was beginning to wonder if they were interested at all."

"This is way beyond the interest phase. Not only do they wanna pursue this ASAP, but their plans down there could make Bridge and Rose and Mena appear as small as the tits on a Vietnamese hooker."

Seal was still chuckling as he began to sketch out an operation on his napkin that would possibly be located in the center of Mexico. The map was familiar. It looked just like a diagram Terry had sent to Johnson.

"That looks just like the routing diagram I sent to Johnson. Where arms could come in from all over the world, 'cool off' and be transshipped back out of Mexico."

"Well, if that's the case, I guess John Cathey and my handler are takin' credit for your work product. 'Cause this is what they're interested in. And

"What's this blackmail you're talking about?"

"Ever hear the old expression, it's not what ya know, it's who ya know? Well, whoever said that just hadn't caught the vice president's kids in the dope business, 'cause I can tell ya for sure *what* ya know can definitely be more important than *who* you know."

"You gotta calm down and tell me what you're talking about, if you want me to know. What's this about the vice president's kids and dope?"

"I don't wanna tell ya too much, 'cause truthfully ya don't have a need to know. But Terry, I been workin' with several federal agencies for the past couple of years, as ya probably suspicioned. In the course of that business, a person can't help but run across some real *sensitive* information. It seems that some major players in the Medellin Cartel, whom I personally know, ran across some knowledge that's very valuable to both the Republicans and the Democrats. Real national security stuff. It seems some of George Bush's kids just can't say no to drugs, ha ha ha ha. . . . Well, ya can imagine how valuable information like that would be, can't ya? That could get ya out of almost any kind of jam." Seal paused for a moment then asked, "Ya ever play Monopoly? The information I got is so good it's just like a get-out-of-jail-free card . . . ha, ha, ha, ha YEE-HAWWWWWW . . ."

"Barry, are you telling me George Bush's kids are in the drug business?"

"Yup, that's what I'm tellin' ya. A guy in Florida who flipped for the DEA has got the goods on the Bush boys. Now I heard this earlier from a reliable source in Colombia, but I just sat on it then, waitin' to use it as a trump card, if I ever needed it. Well, I need to use it now. I got names, dates, places . . . even got some tape recordin's. I even got surveillance videos catchin' the Bush boys red-handed. I consider this stuff my insurance policy. It makes me and my mole on the inside that's feedin' the stuff to me invincible. Now this is *real sensitive* inside of U.S. Customs and DEA, and those guys are pretty much under control. It's damage control as usual. But where it gets *real interestin'* is what the Republicans will do to the Democrats in order to dirty up the people who might use this information against Bush."

"So you've got direct knowledge of the Republicans trying to neutralize some Democrats before they can nuke Bush with this?"

"Hell, yeah. I've been part of it. Remember that meetin' we had at SOB's when I told ya ya should play ball with these guys and get your butt down to Mexico and be prepared to receive me? . . . Remember in that meetin' I told ya I had a plan to blow the lid off the whole damn Mena deal and shut it down due to adverse publicity? Well, what I didn't tell ya was that project was already in effect, and the Republicans were already trying to neutralize some important people in Arkansas . . . namely, the Clinton family."

Seal took a break to communicate with ground control. When he turned back to Terry, he continued, "Yeah, that day ya explained to me the connection between the Ward family, the Rose Law Firm and the governor's mansion, well I about shit! Ya see what ya didn't know was I was on a secret mission by none other than the Agency to sort of uh, dirty up some people real close to the governor. Now, I had been workin' on this through Dan Lasater. Now Dan's a good ol' boy and all that, but he's gotta drug problem."

and he's got the balls to be stealin' from the Agency, too. From what I hear, Dan's been doin' a lot of questionable out-a-state investin'. In fact, he's stashin' a lot of cash in a resort in New Mexico.*

"I was told to exploit that, which I was workin' on. But you come along with this new connection. And when ya told me that Finis Shellnut was the guy at the ranch (where the 'green flights' dropped their money in Arkansas) . . . dollar signs started dancin' in my head. I saw an immediate way to get some white stuff up some noses around Bill Clinton real fast. Now don't get mad, but that duffel bag I had ya take over to Skeeter Ward wasn't really money."

"I'm afraid to ask what it was," Terry said as he focused on the "little airplane" displayed on the Lear's flight director.

"Let's don't call it cocaine. Let's just call it neutralizin' powder. Least that's the way the Bush family saw it. This is just one family warrin' against another. Just like the Mob."

"ddamn, Barry, this is heavy ! Are you saying you were the source of the cocaine ending up around a lot of important people in Arkansas? Like the ones I've been reading about in the paper. There's a major scandal brewing there. . . ."

Terry sat silently and continued to think. Seal gazed out the window and said nothing.

Already predicting the answer by Seal's silence, Terry asked, "Did you have anything to do with Roger (Clinton) and some of those guys in Lasater's firm getting investigated?"

"Terry, I told ya when I met ya, I'm in transportation and I transport what the government wants transported. In this case, the Republicans . . . the Bush family . . . wanted some stuff transported through Mena and into Arkansas that would end up in the noses of some very prominent Democrats. And yes, I must 'fess up, I've had a hand in that. YEEE-HAWWWWWW! It's not who ya know, it's what ya know."

Terry found all this disquieting. Seal had never discussed drugs with him before, and if Barry was telling the truth, he had unknowingly delivered some to Skeeter Ward. Seal was telling him that he had a hand in the major political storm that was brewing in Arkansas. Terry had not bargained for this sort of involvement.

Roger Clinton, the governor's brother, had already been arrested and had pleaded guilty to drug trafficking charges. He was now serving time at

*Lasater was a major investor in a ski resort named Angel Fire near Taos, New Mexico, where Governor Bill Clinton vacationed at Lasater's expense. Lasater later sold the resort to a Savings and Loan that eventually failed and was taken over by the Resolution Trust Corporation (RTC). In an article headlined "Probe of Clinton Pal Shut Down Early, Ex-Cop Says," Mike Gallagher of *The Albuquerque Journal* revealed on September 20, 1994, that an Arkansas State Police investigator probing allegations of narcotics shipments by Lasater to the resort claimed his investigation was stonewalled by federal prosecutors. This left the clear suspicion that Lasater's money-laundering activities for the Agency gave him carte blanche to do what he pleased without law enforcement interference.

the least, misleading. Containing an investigation was one thing, but shoring up a state's finances was quite another.

Economic chaos in the Arkansas bond business could ensue unless a new source of "bridge capital" was found right away to shore up the free-wheeling lending policies of Clinton's aggressive industrial recruitment program.

"Yes," Sawahata answered. "And this could cause long-term problems for our other operations in Arkansas. This state has terrible budgetary short-fall with the closing of 'Rose' and 'Bridge'. Governor Clinton has real problems on his hands. Our operations transfused over \$250 million into his economy in less than two years . . . and his people stole . . . er, diverted . . . from us another \$75 to \$100 million."

Sawahata felt compelled to spell it out. Johnson seemed to grasp Clinton's addiction to this money, but not the magnitude of it and the danger that could ensue from all the loose financial ends. The state's "habit" now required "fixes" totaling hundreds of millions of dollars annually to support the economic growth package Clinton had promised his electorate, not to mention meeting the financial obligations for which he was already committed. For Arkansas to go without the black money would be the same as a junkie trying to go "cold turkey." The state would face serious withdrawal symptoms.

Johnson quickly grasped the political implications with the gubernatorial election just eight months away. "Is he in danger of not being reelected over this money issue?" Johnson asked.

"I do not know, but Bob Nash tells me they are having to access funds from First American in Washington in order to cover the commitments they made for industrial development, based upon our cash flow into their economy."

"You mean they are borrowing our money from First American in order to make up for their cash shortage?" Johnson was clearly startled.

"Exactly. And this cannot go on forever, as you know, without causing audit problems from bank examiners," Sawahata told him.

Johnson, in astonishment, replied, "Mr. Casey and Mr. Clifford wouldn't like that." The last name seemed to slip from his mouth as an afterthought.

"Mr. Who?" Sawahata was puzzled by the second name. He reacted as if he had not heard of "Clifford" before.

"Oh, just another guy who's got his butt sticking out over our banking business," Johnson said, dismissing Aki's question and getting on to his own. "But I'm curious; how did Mr. Clinton and company gain access to our funds in First American?"

"Through bond business here in Arkansas. It seems this was brainchild of Mr. Dan Lasater. But with Mr. Lasater out of way, state has implemented the plan through biggest firm here in Arkansas, Stephens & Company."

"Let me get this straight," Johnson said. "Clinton needs money in order to keep his promises to bring industry to Arkansas. So, Stephens issues a municipal bond or whatever, and our bank, First American, buys or underwrites the damn thing. So our offshore money is laundered

right here in Arkansas through legitimate industrial loans, and Clinton benefits?"*

By "offshore" Johnson was referring to CIA money held in foreign banks to disguise the fact that it was money used to fund intelligence operations. This was a Cold War technique designed to prevent the money's source from being traced back to Washington. Oliver North and the others had learned that this was an ideal way to move money to the Contras without congressional investigators finding out.

"That's about it," Sawahata replied.

"damn. Clinton is presidential material, isn't he?" Johnson chuckled. "And I thought the South lost the war!"

It now became clear to Terry as he sat and listened that the money delivered by Barry Seal's "green flights" and the profits from black operations in Arkansas had built the "laundromat" that was now permanently in place under the guise of the Arkansas bond business. Having run short on "laundry," Clinton and his friends had tapped into other sources of "dirty money."

The public would learn years later of the tenebrous connection between Stephens, First American Bank and the Bank of Credit and Commerce International, later to have its acronym, BCCI, emblazoned in headlines throughout the world. CIA Director Robert Gates later labeled it the "Bank of Crooks and Criminals, Inc.," but admitted to its extensive use by the Agency.

And Jackson T. Stephens, the chairman of Stephens & Company in Little Rock, who would later be identified as the one who helped BCCI get its financial foothold in America, had replaced Lasater as the state's investment banker of choice to attract new capital.

Through these discussions in the bunker, Cathey was realizing the urgency in helping Arkansas find new investors to replace the BCCI money, before federal bank examiners launched an investigation that would lead to Arkansas—and, more importantly, the Agency. This was especially important since state investigators in New York would later charge that First American Bank and Trust in Washington, owned by First American Bancshares, had hidden ownership ties to BCCI (see "The Poisoned Rose" in *The New Republic*, April 4, 1994).

This allegedly secret tie was vehemently denied by BCCI's chairman, former Defense Secretary and Washington power broker Clark Clifford, and his partner, Robert Altman, both of whom were indicted in New York in connection with that banking tie.

The full impact of the money debacle seemed to impact Cathey as he said, "Let's not take this money thing too lightly, Bob. We'd better do something to cushion the blow economically, so that Clinton can try and wean himself of our First American money. That can't go undetected very long, even if he is successful in bridging the shortfall through savvy bond investments."

In the fall of 1990, the Internal Revenue Service began a statewide investigation in Arkansas, saying it believed the state had become a magnet for dirty money. An IRS spokesman, Phil Beasley, said information compiled by the Federal Reserve Board and the FBI showed a 210 percent increase in cash surplus in Arkansas in 1988 and 1989 alone.

"But why's that bad?" Terry asked. "That's what I've been trained to do. I'm a Cold Warrior. I would love to win. I would love to see the end of the USSR in my lifetime," Terry said emphatically.

"You sound just like North. You two have a lot in common. You're both very bright, yet very stupid!"

"Well, enlighten me then, Allah, because I just don't get it. You're saying the USSR is on the verge of economic collapse and that is bad? You mean, if I help the U.S. in Nicaragua, that is bad? That's what I've been trained to do, WIN! You're beginning to sound like a football coach who wants his own team to lose the homecoming game."

"Think about China," Nir replied with a soft voice and after a long pause, "because we are. Who will replace the USSR as the power base of all of Asia if Russia collapses? China will. Don't you get it? The enemy of my enemy is my friend. We have much stronger ties—both the U.S. and Israel, I mean—with Russia than with China. China we fear . . . and so does your country, I might add. No, you need a healthy Russia to keep China in balance."

After a brief pause and scanning his eye across the beautiful Mexican countryside below, where he would later die, Nir added in a melancholy tone, "And it's not surprising you have difficulty understanding that, because your President Reagan doesn't understand it either."

"So you're saying Reagan is a threat to world peace, or so you perceive it?"

"Yes!" Nir snapped. "And it's not only us who perceive it that way. We have many supporters of this view, both friends and enemies. We Israelis would not normally care what happens within your government, unless we see ourselves being set up to be double-crossed and embarrassed. And worst of all, maybe not being aligned with the proper president of your government."

"What do you mean, 'proper president'? Don't we have only one?"

"No," Nir answered. "You have two, Bush is now in charge* and he's trying to overthrow Reagan. It's a coup, plain and simple." It was becoming painful to listen to.

"How do you convince me of that? Being from Missouri, I've got to be shown, or haven't you heard?" Terry responded, still doubtful of the Israeli's wild statements and conclusions.

"Well, our agents have been mingling with your agents for years, just as you and I are today. And we have all been writing reports for years, advising our leaders on the merits of maintaining a balance of power between the U.S., Russia and China. But only in the past six years has your country had



*Ronald Reagan's former national security advisor, Robert C. (Bud) McFarlane, in his book *Special Trust*, underscores this breakdown in constitutional authority. McFarlane is the first Reagan White House insider to put George Bush directly "in the loop" of the Iran-Contra scandal, something that Bush has vehemently denied. In an interview with "60 Minutes," in October 1994, McFarlane described the internal breakdown within the White House when he revealed that Bush was briefed about covert operations that Reagan was not aware of.

Fowler didn't know that he had played his trump card before Terry could play his. The trump card was Janis; she was the mutual pawn. This was unbelievably wonderful news, but it cut two ways. Janis was free, but now Terry had no bargaining chip. He would have to fight as aggressively as Amiram Nir had once described Israel, fighting "with your back to the sea." With Nir's words in mind, Terry had set out with Trubey and Dunlap's help to develop his final battle plan. Falling back on his military training, he approached what was about to happen the way he built nuclear war contingencies.

All nuclear war damage projections were based on the effects of two 75-kiloton weapons dropped on Japan in World War II. Not being familiar with the legal war he was now waging, he decided to go into his personal arsenal and deliver enough "yield" to vaporize his enemy. He might go down, he thought, but only after inflicting major damage and casualties.

Trubey's first salvo in mid-May 1990 consisted of more than fifty subpoenas directed at such targets as the CIA, the FBI, the DEA, EPIC, FAA Intelligence and the Arkansas State Police. After the missiles had "left the hole" and streaked silently toward their targets, Robin Fowler's phone call reported the first "hit." From his command post in Wichita, he relayed to Trubey's battle station in Topeka the "bomb damage" of the weapon that had impacted on the neon pig, the savings and loan logo atop FBI headquarters in Oklahoma City.

Trubey relayed to Terry, "Robin just got a call from FBI Agent Wayne Barlow in Oklahoma City, who just received our subpoena. This is great news, Terry. Not only does Barlow say he knows you but his contact with you involved classified information that he won't discuss over Robin's unsecure phone. He made Robin go over to the FBI office in Wichita in order to discuss it on a secure line. Terry, I think we've got 'em on the run."

Barlow's subpoena had been loaded with high explosives. It ordered him to appear in Wichita on June 11 and bring "complete files on Northwest Industries, Inc.; Technoimpex; Barcorp Corporation; Emery L. West, aka Veda; Reed Kane and Associates; Janis Kerr Reed; Terry K. Reed; Joseph (Jozsef) Bona; and 1978 Piper Arrow PA-28 N2982M."

Barlow, by admitting he knew Terry, and by saying his contacts with him involved classified information, was the crack in the wall of silence that had been built around the intelligence community. The silence up to this point had been interpreted by Fowler as a denial of Terry's involvement with the intelligence world, and an unspoken approval to take Terry down.

The remainder of that day, the day that Fowler's case began to unravel, centered on "damage reports" from various federal agencies offering "regrets" and saying, in effect, that they couldn't appear in court. Classified material was involved, they all said, and invoked the Classified Information Procedures Act, another legality new to Terry, only *two days* before his scheduled trial.

The law was enacted in October 1980, and from the application of it came the term *graymail*. From what Terry learned, the law was normally used to prevent government agents who had been indicted from blackmailing the government into dropping the charges against them by threatening

to disclose classified material during the trial. It prohibits "unauthorized disclosure for reasons of national security and any restricted data." It defines national security as encompassing "national defense and foreign relations of the United States." Trubey and Terry found this definition interesting because his involvement in intelligence did, in fact, involve the USSR, Mexico, Israel, Hungary, Japan, China . . . and *Arkansas*. What the law says is that a defendant must notify the government in advance of a trial about any classified information that he plans to use or that might surface during the trial. If the defense fails to do that, the court can bar its use during the trial.

Up to this point, Theis had denied almost all of Terry's discovery demands. He had no classified information in his possession, and the government agencies contacted by Dunlap had refused to cooperate or had denied knowing of any involvement by Terry in any intelligence operation. For this reason, the defense was preparing to go to trial with only unclassified material. All it had was Terry's story, with him as a witness, and fifty subpoenas.

But this eleventh-hour move by the government not only gave Terry the credibility he needed but in essence proved that the government had not been cooperating with either the defense or the prosecution—an old story in cases like this. The CIA and the intelligence community had lied to the government's own attorneys on numerous occasions.*

Fowler was quickly learning that the fast track to career advancement was for a government attorney to blindly accept a case on face value. He had clearly ignored a U.S. attorney's first responsibility: to stop an unjust prosecution.

One could conclude from the government's actions during that presidential election year of 1988 and from the use of the Classified Information Procedures Act (CIPA) in 1990 that the criminal justice system had been perverted in order to silence an asset with embarrassing political knowledge. The judicial system had effectively gagged him until now. But since Terry at last had subpoena power and could pry behind the layers of deceit that shrouded the truth, it was time for the government to retrench and hide behind "national security," leaving Fowler to take the heat and the judge's wrath alone.

While Fowler filled out Department of Defense Form 398, detailing his life's history in an attempt to get security clearance in order to be able to talk directly with the federal agencies involved, Terry felt he was being jerked around once more by the government.

It was years later before Terry would read the court's transcript of the telephonic hearing, which occurred on June 1, 1990, between Fowler, Trubey and Judge Theis as Fowler outlined areas of classified information that the government felt were certain to come out in the trial. The transcript of that hearing was sealed and treated as classified. It reads in part as follows:

*In 1983, former Attorney General Ramsey Clark testified in a New York federal trial that the Central Intelligence Agency lied to him repeatedly about a case the Justice Department had investigated back in the 1970s.

There are a number of areas, your honor, that I'm concerned about. I'd like to just briefly go through those for the record. I'm concerned with the potential testimony of Wayne Barlow, an FBI agent out of Oklahoma City. He has, in fact, told me that some of his prior contacts with Mr. Terry Reed involved classified information. There are a number of other areas I'd like to just very briefly mention.

The second area of concern is information accepted from the FAA Intelligence Division. A third area of concern involves information accepted from the DEA's EPIC organization. The fourth, information potentially that would be brought out on direct or cross, particularly that of Oliver North, Jack Bloom (sic) and Robert Johnson. In particular, there's concern for information that the director of the CIA has been ordered to produce in regard to certain files and information from the National Security Archives, and finally, there's the possible testimony of the defendant, which may or may not implicate classified information. I think there are a number of areas which it's reasonably expected at that point the classified information might be—that might come out at trial, and I'm concerned enough about that to raise the issue here.¹²

Not until 1994 did Terry realize the significance being placed by the government on what they had advertised as a routine mail fraud case. Fowler, with his ears probably still ringing from what he was learning from other agencies, wrote a letter on June 5, 1990, to Justice Department headquarters in Washington outlining his case and its pitfalls.

In the letter's fourth paragraph, Fowler was forced to admit "I learned that (Reed) was involved in classified FBI operations in 1981–1982 (at least part of which involved missions in Eastern Europe). This information, at the least, gives the defendant an aura of credibility that will require further investigation to dispel, and gives me some concern regarding the scope of his knowledge of classified information regarding the Contra part of the Iran-Contra scandal."

Fowler unknowingly had established Reed's linkage to the Central Intelligence Agency. The FBI does not operate in Eastern Europe. But the CIA does. Reed's "missions" behind the Iron Curtain clearly established his CIA "creds."

The letter continues, "Based on the defendant's (Reed's) participation in at least some classified FBI operations, and the nature of the defendant's trial subpoenas, I have some concern about the issues which may potentially be raised as the discovery in this case, and eventually the trial, proceeds.

"For example, the defendant (Reed) has subpoenaed the director of the CIA regarding the files on Bill Cooper and Buzz Sawyer. The defendant has also subpoenaed Col. Oliver North and Felix Rodriguez, both of whom (I believe) had communications with then-Vice President Bush of a confidential nature. . . ."

Why did the name of George Bush surface in this letter? What did Fowler know? Someone high up in the Justice Department, or maybe the Bush White House, was clearly concerned that the Reed trial might possibly prove Bush a liar after he had so vehemently denied being "in the Iran-Contra loop." One thing is certain: Neither Reed nor Trubey had made any reference to Bush during the two years that had elapsed since the indictment.

Copies of the Fowler letter were routed to six other government officials, including one from the CIA. Undeniably, a great degree of high-level concern was being expressed over a mere \$33,000 insurance-fraud charge.

Fowler's letter was attached to a cover letter from his boss, then-U.S. Attorney Lee Thompson, which he entitled "Major Development Report." In it Thompson cited concern that the Reed case could have "implications cutting across several agencies; may involve some aspect of foreign relations; may have a high likelihood of coverage in news media or congressional interest; and may ultimately contain certain challenges to or have an impact upon presidential authority . . ." (see documents at the end of the chapter).

But the U.S. attorney's concern was not expressed in any way to Trubey, who had asked repeatedly that the Justice Department keep her informed. Neither she nor Reed learned of this letter until four years later, when it was "back-doored" to Reed by a source in Washington. Reed's veracity was being confirmed behind the closed doors of the U.S. attorney's office, yet Trubey was being given only poker-face denials.

And even more agonizing to Reed was the prosecutor's decision to try and "dispel," in Fowler's words, the information he had just been provided.

The cover-up game would go on!

By June 6, 1990, Terry had had a chance to absorb what was happening. His frustration turned to rage! The subpoenas they had fought so hard to have served were officially "on hold." The time for legal protocol was over. It was time, he decided, to take matters into his own hands. After thoroughly reading the CIPA act, he perceived it as a ploy to make him play out in advance to the court and the prosecutor his entire defense strategy. The CIPA law was forcing Trubey to itemize all elements of evidence they planned to put into play so they could be screened for possible classified material, which he did not knowingly have. This would give the Justice Department a chance to neutralize anything embarrassing to the government.

He wrote and filed a letter with the court, without Trubey's knowledge or approval, entitled "Statement of Position of Defendant Terry K. Reed." He had decided that the only way to bypass the entire judicial system and communicate directly was through the court file, which he was sure the Agency was monitoring. He had no way to penetrate the dark world and "reach out and touch someone," since he was now persona non grata to the intelligence community. He still felt his plight had been brought on by a few selfish agents involved in Screw Worm, with the situation escalating to its present state because of the breakdown in communications. It was as if the war had knocked down the telephone lines, so he decided to send a "carrier pigeon" to deliver the message. He was under attack, and if the provocations continued, he would be forced to protect himself any way he could, even if that meant exposing classified material and agents (see documents at the end of the chapter).

He wanted them to know he wasn't picking the fight. He was being boxed in by the "Injustice Department" and wanted the Agency to intervene. Surely, he thought, if they realized he wasn't a threat and would quietly go away, they would possibly put an end to this madness.

Sitting on the floor of their New Mexico home, with the children tucked in and asleep, Terry and Janis stared at the computer printout Trubey had sent them.

"Janis, don't cry. Be strong. This is something we need to do and be prepared for," Terry soothed, as they looked over the list of federal prisons as if selecting a college. Amenities like college courses were even listed for those wishing to continue their education or to work in a trade shop to obtain a skill. He would wake in the night to his wife's sobbing, and he too would go outside and cry.

There were times he couldn't bear to look at his children, knowing that prison life would kill him and that someone else would raise them.

On the afternoon of November 8, the last thing Terry expected to hear was Marilyn Trubey's voice exclaiming, "Terry, I just got off the phone with Judge Theis. He wants you here by noon tomorrow. If you'll waive your right to a jury trial and promise not to talk to the media for thirty days, he'll acquit you."

Terry sat in his office in silence and disbelief. It took only a few moments for the anger to well up inside him. He was already formulating questions Trubey didn't want to hear.

"No, Marilyn, I think I'll pass on that one," Terry said emphatically. "I want my day in court with a jury of my peers."

"Terry, listen to me. There's no better status to end all this than an acquittal," she replied.

Terry saw it differently and, besides, by this time he didn't trust anything the government or the court had to say. He had seen Judge Theis fall asleep as his life swung in the balance and then read the written results concocted by ill-equipped law clerks. And the government that denied him was no different than a pet rattlesnake. It could only be handled with thick leather gloves and could never be trusted. Why should we trust them now? he thought. As much as he respected and admired Marilyn Trubey, there were times she still acted very naive about the system she served.

Marilyn broke from her stoic Barbara Stanwyck manner, lost her composure and snapped, "If you don't take this acquittal, you'll have to find another attorney. It just won't get any better than this, Terry."

The next day, as his jet airliner streaked toward Wichita for him to meet the noon deadline the judge had mandated, his mind was racked with rage. How could this be happening? He had found that the justice system didn't expose the truth, it contained it. How much dirty laundry was hidden behind the guise of national security? He felt betrayed.

At a time he should be joyful, he was at one of the lowest points of his life. They were even robbing him of his chance to share his promised acquittal with Janis. They had been through this two-and-a-half-year nightmare side by side, every step of the way, and because of Theis's unyielding demand to appear immediately, Terry went alone.

The time spent en route was occupied with filling the pages of a yellow legal pad. They overflowed with the explosions of thoughts and anger he wanted to express to Judge Theis, the senile manipulated representative of

a judicial system that had been devoured by an imperial presidency and the real power behind that . . . the CIA.

Was he the only one who could see it for what it was? Why wasn't there a public outcry? Were they all brain dead? Behind the marble walls of the federal building in Wichita, the serpent was putting on its bib and preparing to swallow the truth. Visions of the monster Jaba in *Return of the Jedi* (the third part of the *Star Wars* trilogy) sitting in slime and swallowing small creatures came to mind as Terry compared this mental image to the criminal injustice system. How many people like him does it take to keep the monster full? They were sending him to the mental gallows, to be silenced and killed.

Trubey didn't know what was happening in his mind that day when the jet landed. But a burning ember deep inside was beginning to glow. They hadn't killed it yet, although they had certainly tried.

"Terry, what's important is for you to go in there, agree to the judge's conditions and not rub the government's nose in all this," Charles Anderson told him. It was 1 P.M., November 9, 1990, and the public defender's office was awaiting notice from Theis's office that the paperwork for the Reed trial was complete.

Terry didn't like what he was hearing. Anderson had told him not only that he should avoid the media that was on its way to the courthouse, but that Anderson's office didn't want Terry reading his statement into the court record either. The terms Anderson and Trubey had hammered out with Theis were beginning to sound to him like a plea bargain.

"Charlie, it was my understanding I was coming here for an acquittal. I can't talk to anyone about this for thirty days, and now you're telling me I don't even get to speak at my trial. I'm about ready to get back on the plane and go home."

"If you do that, the judge will just dismiss your case, and you'll be walkin' around with a cloud over ya the rest of your life," Anderson replied. "At least this way, you're being found not guilty." Terry felt he was being appeased.

"Terry, I know you've been through a lot. But think of your family. You need to get on with your life. Just put this down and go home. My advice to ya is don't be pokin' no sticks at no tigers."

Oliver North wouldn't be coming to Theis's courtroom after all.

• • •

"All you and your office should be carin' about is comin' out of this smellin' good!" Theis scolded Fowler. He even said this to him in front of the defendant.

As Marilyn Trubey and Terry Reed motored east on I-35 that victorious evening, the last element of the Benjamin Burgess political machine bit the dust in Wichita, Kansas.

November 9, 1990, would become known in criminal defense circles in Wichita as "Robin Fowler Flame-Out Day." That was the day Theis not

only acquitted Reed but lectured Robin Fowler in front of the chief public defender for the state of Kansas.

He had been disgraced. He had been cruelly toying with the lives of two innocent people. His actions in keeping the Reeds mercilessly locked in the criminal justice system for over two and a half years had tarnished not only his record but the U.S. attorney's office as well.

If the prosecutor was not venal, then his only excuse was stupidity. Fowler never seemed to question anything the government told him. Invoking the Classified Information Procedures Act way back in June—that should have been the clue. That's when he should have known that the day had come to dump the Reed case.

That was the day FBI Special Agent Wayne Barlow had called him. Until that day, he was just doing his job, prosecuting a simple mail fraud case. Or so his superiors had told him. From that point on, this case had been running him instead of him running it. Fowler had even been forced to get a security clearance just to stay on the case and to be able to talk to his own department.

How was he to know Reed was an intelligence asset if they didn't tell him? How was he to know Reed had worked for the FBI and the CIA? How was he to know Reed had become a pawn in a political "dirty-up job"? Before he got this case, he wasn't even sure if Iran-Contra really happened. After all, Wichita is a long way from Washington. Fowler even naively called KTOK-AM investigative reporter Jerry Bohnen in Oklahoma City and asked him if Iran-Contra had really happened, and for a list of books to read on the subject.

And then the FBI had continued to investigate the Reeds for the entire time they had them under indictment. If they had sufficient evidence for a conviction, what did they need to investigate? The FBI must have been desperate to get them charged with something else. Why had the FBI in Oklahoma City gone to the trouble of interviewing Reed's old neighbors and the family that bought his home way back in 1983, asking about events that had occurred long before the airplane was stolen? Were they checking on the government's exposure?

And those three Keystone Cops out of Arkansas, Young, Baker and Don Sanders, had lied so frequently on the stand that Fowler had been forced to "recreate" the order of their individual involvement. Baker and Young did not get even one date straight on *anything* that happened.

Yet the prosecutor went along with it all. The U.S. attorney is supposed to not only prosecute the guilty but to protect the innocent person from overzealous investigators. He should have stopped the whole proceeding right then and walked out, right after the first suppression hearing.

Instead, on two different occasions, in court motions, Fowler tried to rearrange the chain of events and to claim that it was Don Sanders who had first gotten involved with the plane.

Then there was Colonel Goodwin, the commander of the Arkansas State Police, the man who reported directly to Bill Clinton. He had refused to comply with Theis's order to produce the Mena files. Trubey asked Theis

to hold Goodwin in contempt. Fowler today doesn't know what's in those sealed files, even though Trubey had said in court that Reed had been working for the CIA and training Contra pilots in Mena. Why hadn't he listened?

Joe Dunlap had certainly been through a lot on this case, including being chased out of Arkansas and almost arrested. And occasionally, when Fowler and Dunlap met in the halls of the Federal Building, Fowler just couldn't help but play mind games with Dunlap and try to convince him that Reed was just a sleazy drug trafficker.

Another clue that Fowler ignored was a tactic well known in all fields of endeavor as the "lateral pass." The U.S. attorney in Springfield, Missouri, when he passed the whole thing off to Fowler in April 1988, called it "a good case." If so, why didn't he prosecute it?

In the end, what happened? Fowler had to go to Judge Theis and admit that he couldn't get a conviction. Having kept Reed and his wife in the "system" for over two years Fowler was then forced to admit he couldn't "produce" what he had promised the grand jury—Reed's head—and that hadn't gone down too well with Theis. In addition, the way he had told Janis Reed to cop out on her husband in exchange for her freedom was a terrible trauma to put her through.

But the worst part was that Fowler lied and suppressed critical discovery that Trubey had asked for on repeated occasions. He denied her the FBI interview transcript with Baker that clearly showed it was October 8 when Baker went into Reed's hangar after the wind allegedly blew the door open.¹⁵ Plus Fowler and his associate, Jack Williams, wrongfully suppressed Baker's own investigative report that also said it was the eighth when he first went into the hangar.¹⁶ If those documents had been admitted into court, as they should have been, the judge would have had to rule in Trubey's favor. It would have all been over right then and there. The judge would have thrown the case out, eighteen months earlier, in June of 1989.

What could Fowler do now? After all, he was 34 years old, divorced, horribly out of shape, and his personal life was in shambles. Ben Burgess, the man who had brought him to Kansas, was gone. Fowler was all alone in defeat.

With Desert Shield in full swing that November night, Robin Fowler decided on a new course of action, one that people would perceive as noble and redeeming. He would resign his position with the government and volunteer to do something completely different. He would join the United States Army!

And it wasn't some cushy office job in the Judge Advocate-General's division he would seek. No, something more challenging than that. Something that would test him, something adventuresome and dangerous.

He would become a paratrooper.

By January 1991, as Terry Reed wrestled with getting his life back in order, Robin Fowler would be wrestling with basic training as an enlisted grunt. Sweating out of his body those endless calories from too many happy hours in Wichita bars. Ultimately, he would waddle his way through boot camp with young men fourteen years his junior. And he would make it. He

IN THE UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF ARKANSAS
WESTERN DIVISION

TERRY K. REED, et. al.

PLAINTIFFS

VS.

NO. LR-C-91-414

RAYMOND YOUNG, et. al.

DEFENDANTS

STATEMENT OF UNDISPUTED FACTS

Come the defendants, by their attorneys, and for their statement of material facts, filed in conjunction with their motion for summary judgment and pursuant to Local Rule 29, state:

1. Terry Reed claims that he was an "asset" of the Federal Bureau of Investigation (FBI) and the Central Intelligence Agency (CIA) between 1982 and 1987 and has suggested in deposition testimony that he may still be acting in that capacity. (Complaint, paragraph 8; Exhibit E, pp. 40-42)

2. Between July, 1984, and August, 1985, Reed helped train Nicaraguan nationals as pilots, (Exhibit E, pp. 46, 53) flying out of the Waldron, Arkansas, airport, having planes repaired at Mena, and generally operating out of a clandestine encampment disguised as chicken houses near Nella, Arkansas. (Exhibit E, pp. 52-59, 64)

3. Reed believes that he incurred the displeasure of the CIA when he discovered that it was using a warehouse he operated at the Guadalajara, Mexico, airport for an operation

List of Arkansas state attorney general's undisputed facts in Terry Reed's lawsuit against Bill Clinton's chief of security and the private detective. Note that the attorney general's office does not contest the fact that Terry Reed trained Nicaraguan nationals at Mena, Arkansas.

United States District Court

DISTRICT OF _____

UNITED STATES OF AMERICA,

Plaintiff,

SUBPOENA

v.

TERRY KENT REED,

Defendant.

CASE NUMBER: 88-10049-01

TYPE OF CASE

☐ CIVIL☒ CRIMINAL

SUBPOENA FOR

☒ PERSON☐ DOCUMENT(S) or OBJECT(S)

TO:

OLIVER NORTH
c/o Brendan V. Sullivan
839 Seventeenth Street, N.W.
Washington, D.C. 20006

YOU ARE HEREBY COMMANDED to appear in the United States District Court at the place, date, and time specified below to testify in the above case.

TO:

FELIX RODRIGUEZ
215 N.E. 2nd Avenue
Miami, Florida 33161
(305) 591-5659
(305) 591-1875

YOU ARE HEREBY COMMANDED to appear in the United States District Court at the place, date, and time specified below to testify in the above case.

TO:

WAYNE BARLOW
c/o F.B.I.
50 Penn Place
Oklahoma City, OK 73118

YOU ARE HEREBY COMMANDED to appear in the United States District Court at the place, date, and time specified below to testify in the above case.

PLACE

UNITED STATES COURTHOUSE
401 North Market - Room 410
Wichita, KS 67202

COURTROOM

Judge Theis

DATE AND TIME

JUNE 11, 1990 at 9:00 A.M.***

YOU ARE ALSO COMMANDED to bring with you the following document(s) or object(s):*

Complete files on: Northwest Industries, Inc.; Techno Image; Paracorp Corporation; Emery L. West, a/k/a Veda; Reed Kane and Associates, Inc.; Kerr Reed; Terry K. Reed; Joseph (Jozsef) Bona; 1978 Piper Arrow PA-44; 1129824.

***or at such other time as directed by defense counsel.

☐ See additional information on reverse

This subpoena shall remain in effect until you are granted leave to depart by the court or by an officer acting on behalf of the court.

U.S. MAGISTRATE OR CLERK OF COURT

RALPH L. DeLOACH

DATE

May 22, 1990

(BY) DEPUTY CLERK

[Signature]

This subpoena is issued upon application of the:

☐ Plaintiff ☒ Defendant ☐ U.S. Attorney

QUESTIONS MAY BE ADDRESSED TO:

Marilyn M. Trubey
Assistant Federal Public Defender
444 SE Quincy, Room 365
Topeka, KS 66683 (913) 295-2595
ATTORNEY'S NAME, ADDRESS AND PHONE NUMBER

*If not applicable, enter "none".

Subpoenas issued by Terry Reed's defense attorney, including those of Oliver North and Felix Rodriguez.

United States District Court

DISTRICT OF KANSAS

U.S. DISTRICT COURT
DISTRICT OF KANSAS

Nov 9 3 48 PM '90

UNITED STATES OF AMERICA

RALPH L. DELOACH,

BY *B. Stinson* DEPUTY

JUDGMENT OF ACQUITTAL

V.

CASE NUMBER: 88-10049-01

TERRY KENT REED

The Defendant was found not guilty. IT IS ORDERED that the Defendant is acquitted, discharged, and any bond exonerated.

ENTERED ON THE DOCKET
DATE: 11-13-90

/s/ FRANK G. THEIS
Signature of Judicial Officer

HON. FRANK G. THEIS, SENIOR JUDGE
Name and Title of Judicial Officer

November 9, 1990
Date

FEDERAL PUBLIC DEFENDER
DISTRICT OF KANSAS

NOV 14 1990

TOPEKA

Reed's judgment of acquittal—what a defendant is awarded after winning a thirty-month criminal prosecution, which nearly bankrupted the Reeds.

Clark's conviction had been upheld by the appeals court. He was now forced to surrender his law license and pay a \$10,000 fine. Terry wasn't informed whether or not Hall would find a replacement for Steve, but for now at least, Clark continued to cheer from the side lines just like an injured athlete. It really saddened Janis and Terry to see Steve out of the "game," especially after being told that it was Larry Nichols, through a blind-side tackle, while being coached by Bill Clinton, who had taken him out.

Hall and Clark had figured a quick way to obtain otherwise expensive discovery. They got it from government files. They knew there were extensive investigative files on the subject of Mena and Barry Seal, files that had taken years to develop, involving countless man-hours and no doubt hundreds of thousands of dollars. All of those files had been compiled by law enforcement agencies of nearly every variety, but no arrests had resulted from them.

How did they know those files existed? Steve Clark knew of their existence as a result of having been the state's attorney general, and the files had recently been the centerpiece of a front-page newspaper article and photo in the *Arkansas Gazette* dated September 11, 1991. The photo showed Winston Bryant and U.S. Congressman William Alexander transporting the files to Washington, D.C., to turn them over to Iran-Contra prosecutor Lawrence Walsh.

With much media hype and fanfare, this was a staged publicity stunt designed to create the illusion for the citizens of Arkansas that there was finally going to be a thorough investigation into the use of Arkansas by the CIA and other federal agencies as their base for black operations. Bill Clinton, Bob Nash, Oliver North, Terry Reed and a few other select individuals knew how and why the CIA had used Arkansas. *The state had been "rented" by the Agency, just as Laos had been.*

By delivering the files to Walsh, Bryant was in essence admitting deceit and defeat. He was handing off the responsibility for an investigation he had known all along he could never undertake. Bryant had campaigned on one juicy issue, namely, why his opponent, U.S. attorney Asa Hutchison, hadn't aggressively sought indictments from a grand jury investigation in the Mena affair.

It all smacked of a Washington-led coverup, Bryant had alleged. There was sufficient evidence—literally tons of it at this point—to prove that the late Adler Berriman Seal had been running a government-backed operation out of western Arkansas. Bryant had alluded to rigged grand jury proceedings, witness tampering and overall containment of one of Arkansas's worst scandals. All this had occurred while Hutchison was a U.S. attorney and Clinton was governor.

The strategy worked. Bryant was elected. The brains behind the Bryant machine was a man by the name of Lawrence Graves. He was the campaign strategist who hired William Duncan, the seventeen-year veteran Internal Revenue Service agent who investigated Mena and then walked away from his job and his government retirement after being told to perjure himself before Congress by denying the existence of some of his more "sensitive" information. With Duncan's inside knowledge on all of the wrongdoing and

On February 23, a Sunday morning, Terry got up early to watch one of his favorite shows, *Sunday Today*. He had a special interest in watching this particular segment, since Garrick Utley was hosting a ninety-minute special on BCCI, the Bank of Credit and Commerce International.¹²

As the BCCI scandal unraveled over the years, Terry had maintained a keen interest, always suspecting that the illegal money trail the investigators were following would eventually take them to Arkansas. Terry had not really been part of the "green flights" in Arkansas that Seal had been in charge of, but he figured that sooner or later massive amounts of cash deposits would show up in the Arkansas bond or banking business.

Again, while working on a very limited discovery budget, he and Hall were hoping something major would happen to blow the whole Mena scandal wide open. If it was ever going to happen, they figured, it would have to happen now, with so many independent investigations still probing not only Iran-Contra but BCCI and the money trails into the Arkansas financial community as well.

With great interest and a notepad in hand, Terry watched the NBC special as Utley and guests described "the biggest fraud in the history of banking—perhaps the biggest fraud in history, period. Billions of dollars—at least \$8 billion, perhaps \$10 or \$12 billion, were taken, stolen, were gone."

How could that be? Terry thought. You simply don't hide \$8 to \$12 billion. And the CIA was already implicated in the scandal. He bet he knew where part of it was. Invested in Arkansas! With Seal's operation flying in the cash . . . the paper trail had been broken! There would be no record of wire transfers or anything else to track . . . it all made sense!

That's what had been discussed in the bunker in Little Rock! The Agency was somehow involved in all these "lost funds," and Clinton's bunch at ADFA had probably been caught skimming from the profits. The money wasn't lost . . . it was right under everybody's noses. It had been reinvested in America through issues of industrial and municipal bonds. It was a great scheme the more he thought about it. Maybe it took all this transfusion of cash, which was being stolen from around the world, to keep our American lifestyle afloat. Maybe what Garrick Utley was describing as the biggest banking fraud in history was actually Reaganomics at work! Terry wondered.

The TV special then touched on names like Clark Clifford, Robert Altman, Bert Lance, Jimmy Carter and First American Bank. Terry thought he remembered from his time in Little Rock that there was some kind of connection between Jackson Stephens of Stephens & Company, the largest investment banker in Arkansas, and First American. This was turning out to be a really interesting show.

Utley then introduced as a guest Jonathan Beaty of *TIME* magazine, who was reporting live from Burbank. Beaty had become an expert on the scandal and in fact was actually single-handedly responsible for overturning some of the rocks that hid the largest scoundrels found to date. If he kept turning them over in the right direction, he might find a couple of the missing billions right there in Arkansas.

Beatty began by stating, "I think that this, in the end, will be seen as a bigger cover up than Watergate ever was." He went on to say that "intelligence agencies from both the Eastern and Western worlds needed this bank."

Peter Truell of the *Wall Street Journal* was saying things like, "There are several dealings related to the bank which . . . which come home to the Bush family." And at one point Truell said, "Everybody is trying to distance themselves from BCCI—from the tainted scandal."

Brian Ross, an NBC journalist, said, "It's frustrating because there are limits to what journalists can do. We can't subpoena records. We can't subpoena people to come. We can't compel them to testify. It's very frustrating."

Utley closed with a personal appeal: "If there is silence, indifference, BCCI will be forgotten, and many people will breathe easier and sleep better. But if the public demands a public accounting, government will react. In the end, the choice is to stay silent or to speak up."

This was amazing, Terry thought. Here was the media appealing for help in order to continue an investigation that the Justice Department should be pursuing. That statement about the Bush family probably had something to do with why the Justice Department wasn't interested in BCCI. And Terry knew that if his suspicions were correct and that Seal's airborne deliveries were linked to the missing BCCI funds, then a thorough investigation would not only expose the CIA's involvement but would lead right up the steps of the Arkansas State Capitol building as well. Probably right into Bob Nash's office.

And from there into ADFA.

And from there into the Arkansas investment banking and bond business.

And from there into the pockets of some mighty important people.

Was this why Seal was killed? he wondered.

Terry sat there on his sofa and tried to absorb it all. He had definitely been involved in a lot more than training Contra pilots. The Agency and Clinton probably figure he knows all the details of everything that happened during Centaur Rose, since he not only became friendly with Seal but had been forced to assume Aki Sawahata's duties for a while as well.

No wonder Clinton had invited him out of Arkansas back in 1986. It was starting to fully impact him for the first time. He was a living liability to a lot of people. He knew too much!

The BCCI special had brought nearly everything into perspective. There was still, however, a missing piece to the puzzle. In order to contain a scandal of this magnitude, someone high up in the Justice Department would have to be running interference, not only for the Bush administration but for the Arkansas state government as well.

Terry thought back to the Camp Robinson bunker meeting. From that night on, he knew that the Republicans and the Democrats worked together on projects that were beneficial to the CIA's objectives. It was demonstratively clear that the CIA had compromised both parties. That's why there had been no real outcry about Iran-Contra by any of the Democratic candidates. It appeared that Iran-Contra wasn't even going to be an

issue in the 1992 election. George Bush and Bill Clinton, if he were to become the Democratic candidate, would certainly not be able to sling mud at each other over Mena . . . that's for sure, he thought. It certainly was interesting to observe a presidential race in the making while possessing all the inside knowledge he had . . . watching them all maneuver, wishing they could annihilate each other, but not being able to because they're all compromised.

But what really bothered him was wondering who in the Justice Department had been compromised in order for the CIA to be assured there would be no real BCCI investigation. He thought about Felix Rodriguez's comments about getting to the prosecutor. That would probably have taken someone in Justice to do that. And then what about the night in the bunker? In that meeting, there had been discussion of controlling the U.S. attorneys in Arkansas in order to contain Mena and other things as well. He was rehashing Felix Rodriguez's comments about getting to the prosecutor when it hit him!

"Shit! That's it! Johnson! *Who and where is Johnson?*" he said out loud, startling Janis, who was now sipping coffee beside him. "That's it!" he again exclaimed.

He could now account for the true identity of everyone of importance in the bunker that night with the exception of Johnson. Cathey was North, Gomez was Rodriguez, Sawahata was . . . well he figured Sawahata wasn't his real name, but that wasn't important. Aki had never behaved like an attorney, but Johnson had.

Johnson had not only said he was an attorney and talked like one, but he had been in charge that night in the bunker. He said Casey had sent him, and he was the one who shouted down Clinton that night. Okay! That's solved! It's Johnson, he decided. But how could he find Johnson? Marilyn Trubey and Joe Dunlap had spent months trying to find him. Even the law firm in Miami that represented ABC in the case with SAT had looked for Johnson. No one could find him.

But wait a minute! Robin Fowler, the yuppie prosecutor in Wichita, strongly implied that he had found him! He had even made mention of him during the CIPA hearing!

He ran to retrieve the CIPA transcript. There it was on page 5, lines 16 to 23: (Classified) "information potentially that would be brought out on direct or cross (examination) particularly that of Oliver North, Jack Bloom (sic) and *Robert Johnson*, particularly there's concern for information that the director of the CIA has been ordered to produce . . . "¹³

"There it is in black and white," he yelled to Janis. "Fowler found Robert Johnson, and he was concerned about his testimony being classified."

As Terry reread the entire CIPA transcript, he became more and more convinced that Robert Johnson was the door to the "black abyss." His name was separated from reference to the director of the CIA by only seven printed words.

While coming down from his near-euphoric state, Terry realized that there was still the problem of physically locating Johnson. Even though it

Barr had joined the CIA in 1973, where his work brought him into contact with the future vice president while Bush was serving as the Agency's director from 1976 to 1977. By 1978, Barr had joined the Washington law firm of Shaw, Pittman, Potts and Trowbridge, a firm very much aligned with the CIA, which had a history of providing criminal defense for intelligence agents.

From there, Barr moved into a well-placed political position and became a member of the transition team of President-elect Ronald Reagan in 1980. Two years later, he was deputy assistant director of the Domestic Policy Council and served on the Reagan White House staff, where he again began orbiting in the same circles as George Bush and Bill Casey, then director of the CIA.

In 1983, around the time Oliver North was forming Project Donation and was briefing Terry Reed on the CIA's efforts to bypass the congressionally imposed Boland Amendment, Barr strangely left the White House and drifted into obscurity, allegedly back to the firm of Shaw, Pittman. This lower profile position—out of the media's eye and off the government's payroll—gave him freedom of movement and less chance of being discovered as he assisted the Agency and Southern Air Transport as they ramped-up for Operation Screw Worm in Mexico and had need of "specialized" legal services.

Having survived the near catastrophe of Iran-Contra, George Bush needed Barr's overt services in 1988 and returned him to the White House to aid in the selection of a running mate. He was forced to stay on throughout the campaign, however, and became a Dan Quayle handler when the vice presidential nominee experienced trouble from his draft avoidance record during the Vietnam War.

For solving problems and helping his old CIA boss get elected president, Barr was given a position on Bush's transition team and, in April 1989, was appointed assistant attorney general for the office of legal counsel. By July 1990, he was Bush's deputy attorney general, the number two man in the Justice Department, overshadowed only by Attorney General Richard Thornburgh, who he replaced in October 1991. He was 41 years old at the time, making him the third youngest attorney general ever appointed.

Adding additional intrigue, it was Barr who drafted the legal opinion justifying the invasion of Panama and the arrest of Panamanian General Manuel Noriega, a paid CIA asset.¹⁸ And Noriega who claimed it was the CIA, not he, who was trafficking in cocaine through his country. Could it be, Reed wondered, that the whole damn U.S. invasion had been designed to cover the Agency's trafficking trail and to silence Noriega about CIA involvement in Bill Clinton's state? After all, it was Noriega's people who Max Gomez had said were going to start "investing" in Arkansas. Terry recalled from the conversations in the bunker near Little Rock.

The Reagan administration and the Agency most assuredly were the ones who engineered the assassination of Barry Seal, for the same reasons. Seal's name had rolled off the lips of Akihide Sawahata, Bob Nash, Felix Rodriguez, Oliver North, William Barr and Bill Clinton—in the same context that the CIA had grown to view Noriega—an asset becoming a liability.

ANATOMY OF A SMEAR

Terry Reed loves to tell reporters scandalous tales about Bill Clinton and the contras. The trouble is the stories are false.

By RICHARD BEHAR LITTLE ROCK

TO HEAR TERRY REED TELL IT, during the mid-1980s he was a key player in a covert "resupply network" that flew arms to the Nicaraguan contras and drugs back to the U.S., using a small airport in rural Arkansas as a base. On top of that, the enterprise was personally supervised by Governor Bill Clinton, whose state received 10% of the profits from the operation. And according to Reed, he even discussed the scheme with Clinton while the Governor smoked marijuana in a van parked outside a busy Mexican restaurant in Little Rock.

The only trouble with Reed's sensational tale is that not a word of it is true. That inconvenient fact has not stopped a busy rumor mill in Arkansas from cranking out ever more preposterous allegations, nor has it prevented some credulous journalists, including Andrew Cockburn, a columnist for the *Nation*, from using Reed as a source for absurdly speculative accounts. None of those who are taking Reed's wild stories seriously seem to have asked why Clinton, a vocal critic of U.S. aid to the contras who even then was considering running for President, would have done risky favors for the Reagan Administration. But then again, answering that question would spoil the fun.

As with most smears, Reed's allegations are built on a slim foundation of truth. Before being gunned down in Louisiana by a squad of Colombian hit men in 1986, a convicted drug smuggler and DEA informant named Barry Seal was involved in something fishy at the airport in Mena, a heavily wooded town 130 miles west of Little Rock. In 1984 Seal played a part in Oliver North's campaign to prove that the Sandinista government was in league with Colombia's Medellin cocaine cartel. In exchange for a reduced sentence on drug-smuggling charges, Seal flew his C-123 transport plane to Managua and picked up 750 kilos of cocaine from a high-ranking Sandinista official, recording the transaction with hidden cameras.

What does this have to do with Reed, a 43-year-old pilot and machine-tool sales-

man who now lives in Moorpark, Calif.? He claims that in 1983 North recruited him to go to Mena to work with Seal and help train contra pilots. He also says North asked him to donate a Piper airplane to the contras and then report the plane as stolen so that insurance would cover his loss. Later that year, Reed and his wife Janis received a \$33,000 insurance payment for the Piper. He says he quit the contra effort in August 1987 after he learned that it involved drug running. For that, he claims, the government sought revenge.

Two months later, a Little Rock private investigator named Thomas Baker stumbled on a rusted Piper in a local aircraft hangar. He asked his best friend, state police captain Raymond ("Buddy") Young, who has been Clinton's chief of security for a decade, to run the plane's identification numbers through the FBI's national crime data base. Lo and behold, it turned out to be Reed's missing plane. Reed and his wife were indicted for mail fraud in Wichita. The case was dismissed in 1990 after the government refused to turn over North's diaries, notes and phone records, which Reed claimed would back up his alibi.

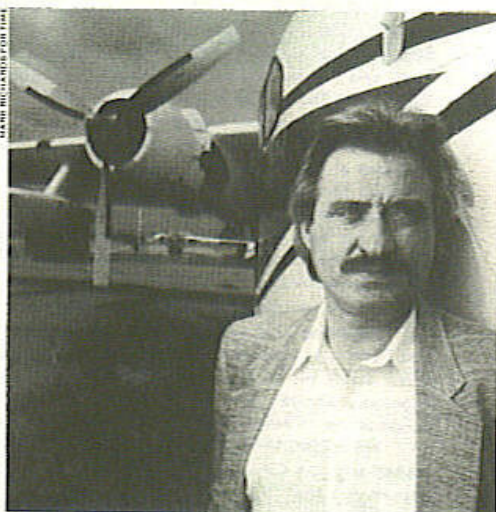
Since then Reed has been waging a vendetta against Baker and Young. He began by filing a suit accusing them of fabricating a federal crime. More recently he has added Clinton to his list of targets. In an interview with *TIME*, he breathlessly proclaimed that "I just spoke to my lawyer and he says that a Clinton emergency fund was just increased considerably, and he seems to think that some kind of offer will be made to get this thing to go away." That was news to Reed's attorney, John Wesley Hall, a constitutional expert from Little Rock, who says he actually told Reed that no one would ever settle the suit. Adds Hall: "I haven't been able to corroborate [Reed's story], that's the problem."

No wonder. There is absolutely no proof that Reed ever worked with either the CIA or Seal. Oliver North denies that he has ever met or spoken with him. A couple with whom Reed claims he was dining on the night of his alleged conversation with

Clinton say they have never been to the restaurant with Reed.

Over the past decade, Reed has shuttled from one job to another, leaving behind a string of charges that he absconded with company funds. Among his victims: an Illinois-based Japanese machine-tool company named Gomiya, which currently has a \$600,000 judgment outstanding against him. Last month U.S. marshals seized Reed's van for Gomiya. Reed blames the CIA.

Given Reed's track record, why does anyone take him seriously? In part because there are so many unanswered questions about what was going on at Mena. In 1988 a federal grand jury that



Terry Reed at a California airport

had investigated the affair for three years failed to return indictments, leading some state law-enforcement officers to grumble that the case had been scuttled by higher-ups in Washington. Clinton says the state has done everything it can to solve the mystery. But Charles Black, a deputy state prosecuting attorney, says when he asked the Governor to provide financial assistance so the state could conduct its own grand jury investigation in 1988, Clinton never got back to him. Last year Democratic Congressman Bill Alexander obtained \$25,000 from the Federal Government to fund a probe by the state police, who will soon decide how to proceed with the investigation. That is a timely idea, if only to lay Reed's fabrication to rest.

TIME, APRIL 20, 1992

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TIME magazine's article written about Reed and Mena. Exhibit A, United States District Court, Southern District of New York, Case no. 93 CIV 2249.

April 22, 1992

Time Magazine Letters
Time and Life Building
Rockefeller Center
New York, NY 10020

To the Editor:

What an appropriate title for your article about my husband Terry Reed and me: "Anatomy of a Smear" (April 20, 1992)! But who is smearing whom, and why? I was distressed to see that TIME used its considerable reputation and authority to pass on to its millions of readers so many inaccuracies and omissions.

Example: In characterizing Terry Reed and his "sensational tale" regarding his knowledge of secret contra and associated drug operations, TIME described him as "a 43-year-old pilot and machine tool salesman". TIME does not mention that he served honorably for eight years in Air Force intelligence which included two tours of duty in the most highly classified operations of the war in Southeast Asia. Also, having been almost exclusively self-employed since 1982 by owning and operating his own high-technology marketing/consulting company, he has hardly established a pattern of "shuttling from one job to another".

TIME wrote that the Wichita fraud case relating to a missing plane brought against my husband "was dismissed". The truth is that he was brought to trial and found NOT GUILTY (acquitted). In a similar inaccuracy, TIME said that my husband, in subsequently bringing a lawsuit against Tommy (not Thomas) Baker and Buddy Young, chief of Bill Clinton's security force, "has been waging a vendetta". TIME never mentioned that the federal judge hearing the Wichita case wrote that the sworn testimony of these men (Baker and Young) was made with "a reckless disregard for the truth". Our federal suit filed in Arkansas names only two people and Bill Clinton is not one of them. Furthermore, no dollar amount has been placed on this suit. The actions that provide the foundation for this suit began in 1987, long before Bill Clinton announced his bid for president. Our intent has only been for a jury to conclude that there was a conspiracy to violate our constitutional rights.

Regarding TIME's reference to a judgment, we have made it no secret that Gomiya, a Japanese trading company, holds a DEFAULT judgment which surely will be overturned once their involvement in this affair is exposed. Gomiya's complicity in this matter was discussed in depth with congressional investigators in our 1988 debriefing in Washington.

When TIME wrote, "There is absolutely no proof that Reed ever worked with the CIA," [and] Oliver North denies that he has ever met or spoken with him", it ignored two facts: 1) The Classified Information Procedures Act was invoked by the government in our Wichita case when the U.S. Attorney went on record saying that the FBI told him that it had "prior contacts with Mr. Reed [that] involved classified information", and 2) Oliver North has admitted his willingness to lie concerning national security matters and was convicted of doing so.

TIME states that "Terry Reed loves to tell reporters scandalous tales about Bill Clinton and the contras" and gives as the main example an article in The Nation by Alexander Cockburn (whom TIME mistakenly identified as "Andrew" Cockburn). But neither of us have ever spoken to Mr. Cockburn or otherwise cooperated with the Nation's story which was drawn instead from court documents, depositions, and other public records. Which, of course, raises an important question: Why did TIME make all of the foregoing damaging mistakes when the truth is in publicly available materials? This is especially puzzling since my husband and I personally supplied most of these materials to the TIME reporter who interviewed us. We have tried to maintain a low profile regarding this case to protect our three small children from additional stress, and have not cooperated in general with the countless media persons, investigators, and political contenders who have pursued us for many months.

Nonetheless, if national attention is finally going to be focused on Menzies, Arkansas and certain nefarious government activities, then THANK YOU TIME MAGAZINE for your article, even if it had to be at our expense! Sincerely,


Janis Kerr Reed

c/o 523 W. Third St.
Little Rock, AR 72201.....(501) 371-9131

Letter that Janis Reed wrote to TIME magazine protesting Richard Behar's story.

PART 4 IN A SERIES

'Anatomy of a Smear': The Arkansas Coverup



Terry Reed loves to tell reporters scandalous tales about Bill Clinton and the Clintons. The trouble is the stories are false.

By ROBERT MCKAY, LITTLE ROCK

IF YOU'VE EVER READ THIS, it's a good idea to know that Terry Reed is a pilot and former CIA operative who was the subject of a *TIME* article. Reed claims Behar went after his scalp because he refused to provide *TIME* with "dirt" against Arkansas cops and Clinton.

Reed's story is a mix of truth and fiction. He claims to have been a CIA asset and a pilot. He also claims to have been involved in a variety of activities, including drug smuggling and money laundering. Reed's story is a mix of truth and fiction. He claims to have been a CIA asset and a pilot. He also claims to have been involved in a variety of activities, including drug smuggling and money laundering.

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TIME Magazine Sued for \$41 Million Over 1992 "Slash and Burn" Article

"Will it never end for poor Richard Behar?... Now he's ticked off Terry Reed, a pilot and former CIA operative who was the subject of a *TIME* article.... Reed claims Behar went after his scalp because he refused to provide *TIME* with 'dirt' against Arkansas cops and Clinton."

— Newsday

In earlier articles in this series, *FREEDOM* exposed reports of drug smuggling, money laundering and other illegal activities centered around Mena, Arkansas — a quiet town in the western part of the state.

"The Drugging of America" has been prepared with the help of local, state and federal law enforcement officials, as well as members of the news media in Arkansas and elsewhere.

In the series, *FREEDOM* has pre-

sented accounts of how, in the 1980s, Mena became a base for an international, multibillion-dollar cocaine transport operation.

As described in earlier articles, corrupt U.S. government officials were allegedly involved in covering up the illegalities, which included special aircraft modifications so drugs could be flown into the United States and weapons transported out.

One of the main cover stories about Mena has been that drug smuggling, arms running and related Central Intelligence Agency (CIA) covert operations died with Barry Seal, the smuggler, CIA asset and Drug Enforcement Administration snitch who perished in a fusillade of bullets early in 1986 outside a halfway house in Baton Rouge, Louisiana.

Few know this cover story better than

those personally involved in the smuggling operation or those courageous law enforcement officials who have battled — sometimes at risk to the lives and welfare of themselves and their families — to expose the illegal activities and bring those allegedly involved in drug smuggling, money laundering and related coverups to justice.

Terry Reed — One of the Players: According to knowledgeable sources interviewed by *FREEDOM*, Terry Reed was one of the players in CIA covert operations based at Mena.

Why, then, would *TIME* have devoted a full page in its April 20, 1992, edition to denigrating Reed and making strange assertions to the effect that he had no connection to the CIA or to drug smuggler Barry Seal?

That question may be answered by a lawsuit filed on April 8, 1993, by Reed against *TIME* Warner Inc., *TIME* Inc. Magazine Company and reporter Richard Behar, demanding more than \$41 million in damages for allegations printed in *TIME*'s April 1992 article.

Reed's 31-page complaint, filed in the U.S. District Court for the Southern District of New York, alleges: "The article contained a series of false and highly defamatory statements...in order to discredit Reed, a CIA asset who took part in significant CIA activity in the mid-1980s in the state of Arkansas involving that agency's covert operations supporting the Nicaraguan contras."

"...The article, ironically entitled 'Anatomy of a Smear,' did in fact, and upon information and belief was intended, to smear Reed's name and to completely destroy his credibility."

"Everything in [Reed's] Complaint Has Been Verified": In the *TIME* article, for example, Behar made an issue about a couple with whom Reed stated he was dining on the night of an alleged conversation with then Governor Bill Clinton. Behar claimed the couple said they had never been to the restaurant with Reed.

Reed's lawsuit discredits Behar's claim. It identifies the couple by name (the *TIME* article did not) as Cheryl and Wally Hall and states that they "never told Behar that they 'had never been to the restaurant with Reed.'" Furthermore, the suit states, "the couple refused to grant Behar an interview."

As another example, Behar quoted Reed's former attorney, John Wesley Hall, as stating, "I haven't been able to

corroborate [Reed's story], that's the problem."

The lawsuit charges that was not at all what Hall said. What he actually said was, "I haven't been able to corroborate a few of the details of Reed's story, but that has not been a problem as everything in [Reed's] complaint has been verified."

Behar's article contained such sweeping statements as, "The only trouble with Reed's sensational tale is that not a word of it is true."

Reed's lawsuit countered this strongly and charged that "Reed was recruited by Lieutenant Colonel Oliver North for the purpose of training Nicaraguan contra pilots. This training took place in or around the Intermountain Regional Airport located in Mena, Arkansas."

"... This training was part of the covert resupply network supervised by Lieutenant Colonel Oliver North during the 1980s which provided covert arms and civilian training assistance to the contras in the Nicaraguan conflict."

Law enforcement officials have confirmed to FREEDOM that Reed was involved in the covert activities around Mena, and that information he provided was accurate.

Seeking "Dirt" and "Ammo": According to the suit, Behar took information obtained from Reed in confidence and used it to try to wrest additional "dirt" and "ammo" regarding certain Arkansas officials.

The suit alleges, "When Reed refused to provide Behar with such information and materials, Behar threatened Reed by stating that Behar would write a negative article about Reed, and would include in that article various off the record statements Reed had made to Behar earlier..."

It also charges, "Despite Behar's promise to Reed to keep confidential the location of Reed, his wife and three children, Behar maliciously disclosed in the article where the Reeds were living."

Reed claims Behar was selected by TIME for the article because of his "established proclivity for writing... slash and burn articles."

The Nation's Biggest Cocaine-Smuggling Operation: The lawsuit charges, "[A]t least 7 CIA aircraft that

Reed used to train contra pilots in the training program in rural Arkansas in the mid-1980s were both serviced, retrofitted and 'laundered' to conceal the identity of those airplanes at Rich Mountain Aviation, at the Intermountain Regional Airport located in Mena, Arkansas, under the management and control of Adler Berriman [Barry] Seal and the CIA."

Terry Reed's story — supported in many details by law enforcement officials at federal, state and local levels — raises troubling questions about what may have been the nation's biggest cocaine-smuggling operation. How could it have operated with impunity? Who in

endeavored to fully open up the matter. Law enforcement officials have pressed for effective investigations, but found their efforts blocked or scuttled.

Now it is TIME which is being called to account. The magazine must answer why, instead of helping to raise the lid off the Mena coverup, it evidently sought to drive more nails into it.

Analyzing Behar's coverage of the Mena saga, columnist Alexander Cockburn commented in *The Nation*, "Leaving aside for a moment the matter of Behar's motives, TIME's story was ludicrous, claiming that all reports of contra resupply and CIA activities in western Arkansas stem from allegations by Terry Reed, a former pilot, trainer of the contras and associate of George Bush's pal Felix Rodriguez."

Cockburn concluded, "Behar is certainly a terrible journalist... With TIME's story, it is as if the magazine, back in 1972, had used an interview with Nixon's Attorney General, John Mitchell, to denounce the Watergate revelations as 'a smear.' But then, moments before the final incriminating tape surfaced, in mid-summer 1974, prompting Nixon's resignation in August, TIME ran a cover story implying that maybe the press was going too far in pursuing Nixon."

"News Manipulation... As a Matter of Office Routine": In the eyes of TIME founder Henry Luce, "News manipulation

was sheer policy, TIME's way of life, performed as a matter of office routine."

TIME was called for comment on the lawsuit, but no spokesman was available.

In TIMEspeak, when one throws enough allegations, insinuations, and double-edged questions, the task has been accomplished: the victim, if not dead, has been bloodied and his reputation rendered a shadow of its former self.

Terry Reed is one man who is fighting back.

— Thomas G. Whittle

1. W. A. Swarthburg, *Luce And His Empire* (New York: Charles Scribner and Sons, 1972).

A CONTINUING COVERUP



In the 1980s, the town of Mena, Arkansas, reportedly served as a base for a multibillion-dollar cocaine smuggling enterprise which operated without government intervention.

our own federal government was in league with the smugglers, and for what benefit?

It is not surprising that Terry Reed ran into problems after seeking to blow the whistle on accumulated corruption witnessed during his years as a trainer of pilots for the CIA. There are many people who want to keep Mena's skeletons buried.

National publications such as *The Nation* and *FREEDOM*, as well as certain local Arkansas newspapers, have published accurate accounts of covert activities at Mena. Legislators such as Congressman William Alexander have

— EPILOGUE —

What you have read is only the prelude to the Terry Reed story. The official cover-up of these dirty secrets he has revealed goes on unabated.

To admit what really happened in Bill Clinton's Arkansas, to pull back the veil of U.S. government duplicity in drug trafficking, would be disastrous for the political perpetrators, who as you read this, are hiding—and probably shredding—documents, protecting accomplices and suppressing evidence—all under the guise of “national security.”

In five federal judicial districts, the Justice Department and the FBI are fighting federal court subpoenas to keep Terry Reed and his wife from obtaining the necessary documents that would reveal the truth about what was done to them. Imagine, “national security” is being invoked to mask the investigation of what the government said was nothing more than a \$33,000 insurance fraud! For those who try to use the Freedom of Information Act to strip away the veil of secrecy, and after very great expense, this is an example of what the government reluctantly turns over:

No Criminal record found on [REDACTED]
[REDACTED] on [REDACTED] were requested through Arkansas.
Original information from the source also indicated that aircraft [REDACTED]
[REDACTED] were also being used by the subjects of this report for
smuggling.
[REDACTED] show [REDACTED] was registered to [REDACTED]
[REDACTED] is listed in [REDACTED]
[REDACTED] shows [REDACTED] as a commercial pilot with instrument rating.
[REDACTED] All
lookouts are for alleged narcotic and currency smuggling activity.
Aircraft [REDACTED] according to [REDACTED] should not be
displayed on any aircraft. The number has not been issued. [REDACTED]
[REDACTED]
[REDACTED] records show this aircraft as a [REDACTED]
[REDACTED]
[REDACTED] stated by letter to [REDACTED] that they sold the
aircraft on [REDACTED] but were unable to say who they sold it to.
[REDACTED]
[REDACTED] revealed that [REDACTED] has made five legal entries into the United States
from Canada beginning in [REDACTED] through [REDACTED] During these entries the
aircraft was piloted twice by [REDACTED] One time each by [REDACTED]