

1. Intertel and the Bahama beginnings

In the Bahamas Resorts International provided the basis for the operation. In 1965, Resorts, then known as the Mary Carter Paint Company, targeted Paradise Island in the Bahamas for the development of a huge gambling casino-resort complex. From the beginning, organized crime was in on the deal. The president of Mary Carter (now president of Resorts International), Robert Crosby, secured a gambling license and constructed a toll bridge to the island from Nassau with the assistance of Sir Stafford Sands, who was later exiled from the Bahamas in disgrace for his organized crime connections and dirty-money operations. In exchange for the gambling license, Crosby gave the Lansky-dominated Lucayan Beach Hotel and Casino, on Grand Bahama Island, four-ninths of the take from the Paradise casino.

Resorts also thoroughly swindled the man who must be the United States' most credulous millionaire, Huntington Hartford, who had the original rights to Paradise Island and had vowed to build a resort "free of organized crime and gambling interests." After an initial campaign in which Hartford accumulated still unreleased files on British intelligence and organized crime links to Resorts — files still not made public — Hartford sold his interests for 10 percent of the Resorts stock, and a \$1 million bank loan guaranteed by Resorts International. When Hartford ran low on liquidity, Resorts cancelled the guarantee for the note and Hartford was forced to part with his 10 percent interest in the operation.

Drug trafficking was also involved from the start. Crosby's brother Peter, a convicted stock swindler, is a close associate of Dino Cellini — known to be Lansky's right-hand man in skimming casino profits and collecting gambling debts. Dino Cellini is a close associate of Canadian heroin traffic kingpin Giuseppe Cotroni. Dino's brother Eddie was hired to "manage" the Paradise Island casino.

The first major investor in Resorts — to the tune of \$10 million — was William Mellon Hitchcock. Hitchcock had earlier picked up Timothy Leary's tab in creating the LSD drug cult in the United States, and then singlehandedly financed the manufacture and distribution of that drug. Hitchcock's interest in Paradise Island was, initially, to use it as a center for offshore, large-scale LSD manufacturing and as a bank to launder his drug money. The latter service was provided by the Bahamas-based Fiduciary Trust Co., a subsidiary of the Vesco-owned Investors Overseas Services (IOS). IOS itself invested at least \$4 million in the Paradise Island development.

What Hitchcock and some of the local organized crime interests like Sir Stafford Sands didn't know was that Crosby's deal in setting up the Paradise Island casino was accompanied by a plan, using the U.S. Department of Justice and the Internal Revenue Service, to investigate them, to expose their organized

Mob at work:

U.S. Labor Party organizer Max Sawicky has won a continuation of bail while he is appealing a conviction for assault stemming from a police riot in the Newark City Council chambers in 1973. Labor Party organizers had distributed 100,000 leaflets in Newark last week denouncing the original trial as a sham and attacking Gov. Brendan Byrne for attempting to revenge himself on the Labor Party through Sawicky.

The charges stemmed from the Labor Party's 1973 effort to dismantle Leroi Jones's Kawaida cult, which the party identified as the culmination of an effort growing out of the 1967 riots. It was after those riots that the Essex County prosecutor's office, alleging that "political corruption" was at the root of the rioters' grievances, began a "clean-out" prosecution of the old political machine. The clean-out involved the jailing of Newark Mayor Addonizio and the takeover of Essex County by the Resorts International gambling mob. Brendan Byrne was

crime connections — and to steal their investment out from under them.

In 1965, the Internal Revenue Service initiated Operation Tradewinds, an investigation of "hot money" activities in the Bahamas including secret bank accounts, laundering of organized crime proceeds, tax evasion. Coordinating Operation Tradewinds were William Kolar, IRS Chief of Intelligence, and Robert Peloquin of the Organized Crime and Racketeering Section of the Justice Department. Peloquin and his boss, Henry Petersen, worked under the direction of Criminal Division chief William Hundley.

Immediate casualties of the investigation were Sir Stafford Sands and his "Bay Street Boys," who had run the Bahamian government, and Billy Mellon Hitchcock. Also smeared for their organized crime connections were a group of American investors who had financed the political opposition spokesman to the Bay Street Boys, Lynden Pindling, hoping to cash in with their own casino.

The investigators then turned in their badges and cashed themselves in on the Paradise Island loot. The law firm of Peloquin and Hundley, formed in 1967, was retained within weeks to manage the Paradise Island casino, and both men became vice presidents of the Resorts subsidiary that owned the island.

By 1970, Resorts had created a wholly owned subsidiary, International Intelligence, Inc. (Intertel), run by Peloquin and Hundley and recruited almost entirely from the Operation Tradewinds personnel, including William Kolar. Intertel was to provide

the Sawicky case

then Essex County Prosecutor and used the Jones cult to oust the old-liners.

Labor Party interference with the plan to take over New Jersey ultimately provoked then-Essex County prosecutor Joe Lordi to move against the party. Six Labor Party leaders were arrested by Lordi's operation on a variety of bogus charges, including the Newark City Council affair, when police went on a rampage through the crowd in the chamber.

Lordi lost five of the six cases. In Sawicky's case, although they won a conviction, the New Jersey courts held an appeal in limbo until recently, when troubled Resorts International apparently felt driven to act.

Sawicky's defense, including a writ of certiorari to the New Jersey Court of Appeals, will include reopening of the Byrne machine's involvement in the affair.

"security" for the casino and similar services to business.

This included approving Robert Vesco's Investors Overseas Service \$60-million bid to buy outright the Paradise Island operation. The man who put the deal together was Pellegrino Loia (also known as Jimmy Neal), an associate of Giuseppe Cotroni. Loia received a \$50,000 finder's fee. Vesco made his proposal less than four and a half months before he was indicted for stock fraud by the Securities and Exchange Commission and fled to Costa Rica. Intertel claimed no knowledge of Vesco's shady connections and impending indictment.

The activities of Lansky, Vesco, Resorts International, and the Kennedy Justice Department firmly established the Bahamas as a center for the transshipment of drugs to the U.S., the laundering of organized crime loot, and for rapacious casino operations backed by organized crime collection squads.

2. The move to New Jersey

Its Bahama operation a success, the same machine went to work on the state of New Jersey.

The invasion began on a major scale in 1966 when William Hundley deployed Herbert Stern of the Organized Crime and Racketeering Section of the Justice Department to New Jersey to break up the existing political and organized crime structures. By 1973, Stern, first with the Organized Crime and Racketeering Section, then as assistant U.S. Attorney

under Sen. Clifford Case's protégé Frederick Lacey, and finally as U.S. Attorney himself, indicted or put in jail 79 top state officials.

"Only a handful of those who've gone to trial have escaped conviction, and only a few of those convicted escaped stiff prison sentences," Playboy Press's book *Tiger in the Court* commented on Stern's success. "In addition to Congressman Gallagher (ranking Democrat on the House International Relations Committee), the roster includes two successive secretaries of state, two successive state treasurers, a former speaker of the state assembly, a state senator, two commissioners of the Port of New York Authority, the executive director of the Garden State Parkway, plus the mayors and a significant part of municipal administrations of New Jersey's largest cities, Newark and Jersey City, and a half-dozen lesser communities, a handful of judges, the state's most powerful Democratic boss and its most influential Republican Party leader."

Knowledgeable Jersey sources believe that Stern and Lacey's high conviction rate is not surprising. They were both appointed federal judges and heard argument on some of the cases they were said to have originally investigated!

Other Kennedy cothinkers moved into the state and provided the environment for the current takeover. A team of State Department and Ford Foundation operatives were appointed to high state positions. Paul Ylvisaker, head of the Ford Foundation's Grey Areas urban counterinsurgency program, became head of the Department of Community Affairs. Joel Sterns, formerly with the Agency for International Development in Brazil at the time of the 1964 generals' coup, became Ylvisaker's assistant. Ralph Dungan, U.S. Ambassador to Chile during John F. Kennedy's Administration and CIA "bagman" for dirty operations there, became head of the New Jersey Department of Higher Education. Joel Jacobson, currently New Jersey energy commissioner — whose energy program is based on the burning of garbage, solar and hydroelectric power — was in the middle of the operation through his connections with the Ford Foundation-funded Center for Community Change. And the "New Left" Institute for Policy Studies of Washington, D.C. sent SDS leader Tom Hayden into Newark with a group of "left-wing" radicals to begin organizing riots.

On July 14, 1967 the Newark riots exploded. A panel appointed by then Governor Hughes to examine the causes found "a pervasive feeling of corruption" the single most important cause. This led to grand jury investigations by Essex County Prosecutor Brendan Byrne, which were continued by his successor, former OSS counterintelligence specialist Joseph Lordi. Byrne and Lordi also collaborated with federal prosecutors Herbert Stern and Frederick Lacey in breaking up old-line political machines. They were assisted in this by an unlikely ally — Meyer Lansky.