

EIR Investigation



Carl Lindner

New Ohio bank scandal: The swindle of the century?

by Mark Burdman

Although a Hamilton County, Ohio Court of Common Pleas judge rejected a motion by Ohio bank depositors on June 12, to stop the takeover bid on Home State Savings and Loan by Hunter Savings Association, the circumstances of the Home State-Hunter relationship promise to make the politically charged situation in the state of Ohio even more explosive, and to open up a whole new array of banking scandals in Ohio, Florida, and other states of the United States.

In the Ohio court, *EIR* investigator Joseph Brewda, called as a witness on behalf of the plaintiff depositors, drew gasps from media representatives in attendance when he declared that the Hunter-Home State case was a "criminal conspiracy," in which were implicated Marvin Warner, owner of Home State, and Carl Lindner and Hugh F. Culverhouse, respectively chairman of the board and director of the American Financial Corporation, the holding company for Hunter, its wholly owned subsidiary.

Brewda also declared that any serious investigation of this case would result in Ohio Governor Richard Celeste being indicted on criminal charges. Celeste has been on the receiving end of campaign monies from Marvin Warner for years.

It was at that point that Judge Niehaus closed the trial, and awarded Lindner's and Culverhouse's Hunter Savings Association the right to be paid \$100-million-plus to acquire

Warner's devastated Home State. But Niehaus' action will hardly keep the lid on a case that is becoming one of the classic banking swindles of the 20th century.

Nor will Celeste have much time to breathe. At the moment that Niehaus was rendering his ruling, no less than 11 criminal investigations were under way, in Ohio, and Florida, into the circumstances surrounding the collapse of Home State due to its illicit financial relationship with the Fort Lauderdale, Florida-based ESM Government Securities, Inc. In addition, a leading U.S. political action committee, the National Democratic Policy Committee, issued a statement at a Washington, D.C. press conference June 11, demanding the immediate resignation of Celeste and Ohio State Democratic Party Chairman James Ruvolo, and raising some pointed questions about the involvement of Sen. John Glenn, whose campaigns, like Celeste's, have been financed by Home State's Warner in the past, in the affair that many have come to know as "Warnergate."

The strange case of Mr. Hugh F. Culverhouse

In effect, what happened as a result of the Ohio court decision on June 12, is that Marvin Warner has received over \$100 million from the taxpayers of the state of Ohio, as per legislation passed by the Ohio state legislature last month, to get his own bank back! "Seller" Warner's links to "buyers"

Lindner and Culverhouse are that close.

The key to this swindle is Warner's special relationship to the mystery-man-behind-the-scenes in the Ohio bank scandal, Hugh F. Culverhouse, Sr.

Sometime during the 1983-84 period, Culverhouse was brought onto the board of multimillionaire swindler Carl Lindner's American Financial Corporation, nominally to bring his crack tax-advocacy talents to bear for Lindner's financial empire. It is not everybody who gets the honor of serving Mr. Lindner as a director of his holding company; only six individuals, at present, have earned that dubious distinction.

It just happens to be the case, that Hugh Culverhouse has been, for perhaps as long as four decades, the *closest business associate of Mr. Marvin L. Warner*.

This is hardly a national security secret.

On February 5, 1985, less than a month before the Marvin Warner/Home State scandal broke in Ohio, there was a feature in *American Banker* magazine, entitled, "The Sporting Blood of Hugh Culverhouse Stirs Enduring Appetite for Competition." The article detailed in glowing terms Culverhouse's various ventures, most notably his ownership of the Tampa Bay Buccaneers football team.

Toward the end of the article, *American Banker* reported:

"Hugh knew that he wanted to be a tax attorney even in his college days," recalled Mr. Culverhouse's long-time business associate Marvin Warner, the former U.S. Ambassador to Switzerland who went through grade school, high school, college and the army with Mr. Culverhouse. . . . 'He sacrificed income to learn the better workings of the IRS and the tax system,' said Mr. Warner, one of the country's most successful financiers."

In the files of the Cincinnati-area press, there is a March 1976 boast from Culverhouse: "I'm the second largest stockholder in Warner National." Warner National was then the name for Marvin Warner's holding company.

In 1976, Warner and Culverhouse went into a number of joint ventures together. The best known are their partnership in the Tampa Bay Buccaneers, reportedly terminated in 1978, and their joint-partnership buyup of the Orlando, Florida-based ComBanks, also reportedly terminated in 1978.

It was during the initial years of the Culverhouse-Warner ComBanks partnership that Marvin Warner began, in earnest, to establish the relationship with Fort Lauderdale's ESM Government Securities Corporation, which relationship became, in 1985, the triggering factor in the events surrounding the collapse of Home State Savings and Loan, and the ensuing crisis and temporary shutdown of every savings bank in the state of Ohio.

According to a front-page article in the *Cincinnati Enquirer* on March 19, 1985, "A former executive of ComBanks—which Warner owned from 1976 to 1983—said . . . that once Warner took over, he required 'ComBanks to do all bond trading and securities transactions with ESM.'"

"'We were encouraged to utilize ESM and to enter into these leveraged Treasury bill transactions,' said [former ComBanks official Robert] Klingler."

Drug money

The key to being a "successful financier" in Paul A. Volcker's America is, of course, the illegal drug trade. Marvin Warner's involvement in this, the world's largest business, is a matter of record.

During the latter 1970s, according to U.S. Drug Enforcement Administration officials, ComBanks became the bank-of-deposit for the largest marijuana distributor in the United States, one Robert Govern.

This was not the only instance of successful financial corruption involving Hugh Culverhouse and Marvin Warner.

As early as August 1970, state authorities in Indiana seized the assets of a company called Wabash Consolidated that was jointly owned by Warner and Culverhouse.

In 1981, federal authorities raided the Great American Bank of Dade County in Miami, then owned by Marvin Warner, as part of the U.S. Treasury's "Operation Greenback" crackdown on drug-money-laundering. Warner and Culverhouse got away, but the case nabbed one of the most important of drug-money-launderers, Isaac Kattan-Kassin, based in Colombia, and representative of the centuries-old, now Soviet-linked, Jewish-surnamed drug mafia of Aleppo, Syria, the real key to the Ariel Sharon faction of Israel and to such other "successful financiers" as Edmund Safra of American Express (see *EIR*, April 16, 1985).

The lawyer for Great American Bank of Dade County was Hugh Culverhouse, Jr., son of Warner's good buddy. Culverhouse, Jr. caused to be authored a document called *The Culverhouse Report*, exonerating Great American's top officialdom in the case.

The Culverhouse Report was written in response to U.S. Treasury officials' accusations that it was the bank as a whole that was in question, and not just the practice of this or that bank teller or lower-level employee.

Some familiar dirty faces

The implications of the Lindner-Culverhouse-Warner affair obviously go very far beyond the recent Hunter-Home State case, and provide numerous leads for investigations by federal authorities and private investigators intent on cracking down on the "citizens above suspicion" who actually coordinate international money-laundering activities. Their activities, overall, clearly also constitute a national security threat to the United States, with ample evidence that foreign enemies of this nation, the Soviet Union included, are involved.

The ESM-Warner case and the financial empire of Hugh Culverhouse lead back to the same place: the offices of Merrill Lynch in New York City, which has incorporated the

former White Weld Securities firm, into what is now known as Merrill Lynch Capital Markets Group.

In 1976, a White Weld securities whiz-kid, 36-year-old Allen Nowick, went to Fort Lauderdale, Florida, to set up ESM Government Securities. One of his colleagues at White Weld during that period was a certain Donald Rundlett.

In the 1980s, as White Weld's private capital group became incorporated into Merrill Lynch, Rundlett became its chief director. One of his known and favored clients was Hugh F. Culverhouse, Sr.

White Weld, under whatever name it might be known, is the key to much of the swindling that goes on in international financial markets. It is virtually coextensive with Switzerland's *Crédit Suisse*, favored bank of Hitler's Nazis and the mafia; through an array of complicated deals in the 1978-81 period, White Weld's European and American operations were incorporated into First Boston and Merrill Lynch, respectively. According to a March 1985 feature in the *London Economist*, Merrill Lynch and *Crédit Suisse* are now riding high financially, having captured the Eurobond market. That market is being increasingly financed in ECUs or European Currency Units, a supranational means of exchange nurtured and encouraged by the Soviet Union as a replacement for the dollar in denominating East-West trade deals, and thus, a vehicle for the financial "decoupling" of Europe from the United States, and the continent's incorporation into the Soviet economic sphere.

The scion of the White Weld group, U.S. Attorney William Weld, is the operative who has been covering up for the First National Bank of Boston, a commercial bank distinct from the First Boston investment house, in the case involving federal authorities' claims that the Bank of Boston was involved in \$1.2 billion in drug-money-laundering, in collusion with nine Swiss banks, naturally including the *Crédit Suisse* into which Weld's family interests have merged.

Completing the circle, the Bank of Boston has been the main bankroller, for almost 30 years, of Carl Lindner's financial empire:

- It is the Bank of Boston which provided a substantial part of the seed money for the launching of Lindner's American Financial Corporation in 1959.

- It is the Bank of Boston, historically and presently, which has the inside track in the financial empire of United Brands (United Fruit); Carl Lindner is United Brands' chairman and majority stockholder.

- And, it is the Bank of Boston which provided Lindner with a two-day, \$319 million loan for a late 1976/early 1977 corporate takeover bid, which was described by *Fortune* magazine in January 1977 as a "bizarre transaction." When the takeover was accomplished, said *Fortune*, "AFC also thanked that friendly bank, the First of Boston, one of two major U.S. banks—the other being Continental Illinois—that have been in AFC's corner a lot over the years."

The criminal empire of Ohio's Carl Lindner

by Mark Burdman

In dismissing a case by Ohio citizens against Carl Lindner's takeover bid of Home State Savings Bank of Cincinnati on June 12, Ohio Judge Niehaus exonerated a man whose compulsive swindling practices are now helping bring the U.S. economy into ruin, and handing the U.S. economy over, dirt cheap, to financier interests committed to the destruction of the United States.

The Cincinnati-based Lindner's multimillion-dollar fortune derives not only from revenues accrued from international trafficking in narcotics, but also from "corporate raiding" ventures which are dismantling the fabric of the U.S. industrial sector.

Using a financial base derived from his American Financial Corporation holding company—which has a complex network of approximately 40 subsidiary companies—and from majority-stockholder control over such giants as the drug-linked United Brands Corporation and Penn Central, Lindner has become one of the chief partners in a racket known as the "junk bonds" market.

This market is controlled by New York's Drexel Burnham investment house. Totaling \$16 billion in 1984 (a large increase) the junk bonds market has reached almost that level in the first six months of 1985, and has propelled Drexel to the number-two position in the U.S. corporate-securities market.

"Junk bonds" usually involve the establishment of shell corporations, which are formed for the sole purpose of organizing "takeover raids" on targeted corporations. The "bonds" offer high yields, but, obviously, at very high risk, since the takeover may fail. Only individuals with enormous sums of money at their immediate disposal are capable of playing the swindle-game in style; the money which is used to syndicate the takeovers is usually derived from dope money which has been laundered overseas.

Lindner is one of the select few who sits atop this swindle market. Others involved include:

- **Armand Hammer**, the KGB-linked billionaire owner of Occidental Petroleum. Hammer is the favored financier not only of the Kremlin, but also of Libya's Muammar Qad-