
A Case Study of Espionage and Murder

Cabazon: How 'Indian gaming' began

by Philip Valenti

"That's why they want to ramrod this gambling thing through our reservation, because if it passes here, then all of his connections, his boys in Yakima, Hoopa, Florida, every one of those places will pop up with a casino. And people who'll kill you are backing him; all around here, they're waiting to swoop in."

The statement is that of Fred Alvarez, former Tribal vice chairman of the Cabazon Band of Mission Indians, tape-recorded by a reporter for the Indio, California *Daily News* in June 1981.

The first gambling casino on an Indian reservation in the United States had been set up the year before on the 1,700-acre Cabazon Reservation in Riverside County, California. The casino was the brainchild of the Tribe's outside manager, John Philip Nichols, who is the individual referred to in the Alvarez statement. Nichols's first-year salary was paid by a \$10,000 grant from the Bureau of Indian Affairs.

Nichols calculated that "tribal sovereignty" would make his scheme immune from state and federal law or regulation. He believed he could easily control the tiny 30-member tribe, by buying off a few leaders.

Alvarez witnessed Nichols's operation from the inside. He went to the Indio *Daily News* charging "mismanagement of Cabazon monies," and a conspiracy by Nichols and "his boys" to use Cabazon as a test case for a planned organized-crime takeover of Indian reservations nationally. He also insisted, "There are people out there who want to kill me."

On the morning of July 1, 1981, two Cabazon Indians arrived at Alvarez's house to drive him to a meeting with an attorney. They found his body slumped in a chair, shot once in the head with a .38-caliber bullet. The corpses of two of his friends were also discovered there—all three had been murdered execution-style.

Pressure from Washington

Three years later, with the murders still unsolved, Jimmy Hughes, security director for the tribe's bingo and casino operations, went to the Indio police. He confessed to being Nichols's bagman for the Alvarez murder! Hughes refused to cooperate with the FBI, but was later granted immunity by the Riverside County district attorney. He testified on videotape, and then held a press conference.

Hughes told the press:

"Nichols admitted to me the ordering of the Alvarez murder. He stated there was a U.S. government covert action. . . . Pressures from unknown Washington, D.C., government agencies have caused a possible shutdown of this case."

Hughes went on to expose Nichols's plan to manufacture weapons on the reservation, which would be shipped to Central America, part of what later would be known as the Iran-Contra scandal. In fact, the Cabazons had been granted clearance to manufacture weapons by the Defense Department in 1983.

Hughes said that Nichols was brokering an arms deal for Contra leader Raúl Arana, who was supposed to lead an invasion of Nicaragua. He said that Alvarez was interfering with covert operations, and that the investigation of his murder had been blocked by "an agency out of Washington, D.C.," i.e., the CIA.

As of this writing, the Alvarez murder remains unsolved. Hughes reportedly is living in hiding in South America.

In January 1985, Nichols was arrested and charged with soliciting the murder of five people, whom he believed were supplying drugs to his girlfriend. Nichols was caught on a police tape offering \$500 for each murder, and adding, "I need some work done in Latin America. I do a lot of business down there."

Nichols's case never came to trial—he was allowed a generous plea bargain, and served only 18 months in jail.

During this period, the Cabazons built a new bingo parlor on the reservation, paid for in part by a \$90,000 grant from the Department of Housing and Urban Development. (The grant was supposed to go toward the construction of a museum.) A new, 30,000-square-foot casino was added later. In 1990, the Cabazons received an unprecedented \$404,000 grant from HUD to build an off-track simulcast betting facility.

Other projects arranged by Nichols and his sons include a 45-megawatt power plant built by the Canadian-backed Colmac Energy, Inc. The plant burns wood chips and agricultural waste, and is exempt from state and local pollution controls and other taxes and regulations. Future plans, including toxic waste incinerators, are also premised on exploiting "tribal sovereignty."

Backing from the Supreme Court

The criminal conspiracy which Alvarez hoped to expose received crucial support from the Supreme Court of the United States in 1987. In *California v. Cabazon Band of Mission Indians*, the court endorsed Nichols's theory of "tribal sovereignty," ruling, "To the extent that the state seeks to prevent all bingo games on tribal lands while permitting regulated off-reservation games, the asserted state interest in preventing the infiltration of the tribal games by organized crime is irrelevant."

Ironically, the organized crime financing and control of

the first Indian casino is so well-documented that it was exposed in 1985 on national television. The ABC News "20/20" program showed that organized crime figures Irving "Slick" Shapiro and Rocco Zangari ran the casino for Nichols, and that one Tommy Marson, previously convicted of bankruptcy fraud in an organized crime skimming case, lent Nichols \$50,000 in startup money.

How has Nichols been able to get away with his crimes? According to the testimony of his former bodyguard Hughes: "Nichols has made a deal with the FBI through the Wackenhut Corp. Possibly . . . he himself has been protected by the FBI."

Indeed, the Cabazons, through Nichols, had entered into a partnership with the \$600 million-a-year Wackenhut Corp., which included proposals to manufacture air-fuel explosives, advanced firearms, night-vision goggles, and biological weapons on the reservation. Participants later acknowledged that some of these weapons were supposed to be shipped to the Nicaraguan Contras. Other schemes included a joint venture to provide a security system for the palace of Crown Prince Fahd in Taif, Saudi Arabia.

In 1980, as part of these arrangements, Wackenhut deployed computer expert Michael Riconosciuto to the Cabazon Reservation. Riconosciuto is also a convicted drug trafficker, who claims to have been involved in several covert operations under the Reagan-Bush administration. (One of

Riconosciuto's partners in the Cabazon weapons deals, suspected drug money-launderer Paul Morasca, was murdered in San Francisco in January 1982.)

Wackenhut itself is an important branch of the U.S. "intelligence community." Former CIA head William Casey was its outside counsel before 1981. Wackenhut's corporate directors include former FBI director Clarence Kelley; Frank Carlucci, former secretary of defense and CIA deputy director; Gen. Joseph Carol, former director of the Defense Intelligence Agency; and James J. Rowley, former director of the U.S. Secret Service.

'The Octopus'

In August 1991, freelance journalist Danny Casolaro planned to visit the Cabazon reservation, as part of an investigation of what he called "the Octopus." Casolaro was digging into an alleged conspiracy against the Inslaw computer company, which has a lawsuit against the Department of Justice, involving the DOJ, the Bank of Credit and Commerce International, and the Iran-Contra principals, among other possible connections. In a book proposal, Casolaro listed Nichols as a "former CIA agent."

A few days before his visit to Cabazon, Casolaro's body was found in a West Virginia motel room. His death was ruled a "suicide."

Former N.D. governor backs casino opponents

Former North Dakota Gov. Arthur A. Link, along with other members of the North Dakota Council on Gambling Problems, addressed the following letter to Standing Rock Indian Reservation casino opponents Dorla Sadler and Phyllis Wilcox on Dec. 2, 1992:

Dear Friends,

We are pleased to respond to the request for moral support made by you, and other members of the Standing Rock Indian Reservation, who are opposed to casino gambling on the reservation.

We are in complete agreement with your stand against casino gambling, and sincerely hope that government officials will respond to your request for public hearings and a congressional investigation.

Promoters of casino gambling promise jobs and easy money for economic development and social programs but say nothing about the social costs. The following are some examples of gambling problems:

- Twelve of DE Counseling Service in Bismarck have filed bankruptcy in last 2 months;
- A lady, 36, twice divorced—dual addiction—borrowed \$1,200 from her employer—lost it all in one day at pull tabs and blackjack;
- A male, married, two children. In three years lost 2 real estate businesses. Lost \$50 to \$30,000 at roulette in Las Vegas. Three-year losses = \$108,000.
- A male, 44, married, 2 children—one high school, one college. Last Christmas no gifts. Lost 2 homes. Lost 8 jobs; 3 involved embezzlement of funds.

The expansion of gambling sweeping the whole country, including North Dakota, is a troubling sign and we are only seeing the tip of the iceberg. We see much pain and disruption of families and neglect of children as a result of gambling.

There must be a better way to develop the economic and social lifestyle than by gambling. The Indian Trust Funds, for example, could be used in conjunction with other available resources to develop manufacturing, processing, agriculture, science and education on the reservation. Every legitimate means should be pursued to help create good productive jobs for reservation people.

We truly appreciate your bringing this important issue to our attention, since the outcome will affect all of us.