Sir James Goldsmith, Kissinger, and the Hardwicke bankruptcy scam

by David Goldman

British financier Sir James Goldsmith, protégé of Edmund de Rothschild and high-living takeover specialist, used a variety of British and American puppets to create an elaborate cash-laundering network in the United States between 1981 and 1983, an *EIR* staff investigation shows. Despite numerous complaints to the Securities and Exchange Commission, Goldsmith and his associates were never formally charged with suspected crimes which range from violation of currency laws to possible fraudulent bankruptcy in the case of Hardwicke Corporation.

Since Goldsmith is also the long-time employer of Gen. Vernon Walters, Henry Kissinger's chief protégé in the current State Department, the investigation also raises questions concerning the finances of the political network broadly associated with Kissinger Associates, Inc. Walters was the chief executive officer of Goldsmith's firm Basic Resources, Inc.

Hardwicke, a New York-based operator of restaurants, discotheques, and Canadian border duty-free stores, went bankrupt at the end of 1983, a year after Goldsmith operatives staged a successful stockholders' fight to place their own people on the Hardwicke board. According to former Hardwicke board members who watched the fight closely, the bankrupt company, whose assets include New York's trendy Tavern-on-the-Green, went under after its officers looted at least $15 million from Hardwicke.

Although the Hardwicke case was examined by the Securities and Exchange Commission, no charges were brought against its former chairman, Charles Stein, or against Stanley Mann, a Delaware-based oil distributor whose career as a fast-track stock manipulator ended with Hardwicke's demise.

Shady dealings

According to sources close to Stein, the funds obtained from Hardwicke, a classical "skimming" operation, are on deposit at the Union Bank of Switzerland in Zurich. Stein allegedly employed the funds illegally obtained from Hardwicke, a majority of whose revenues were hard cash, to take over an obscure coffee distributor called Portinax. Portinax, whose interests also include stockholdings in Canadian oil and gas companies, is now the subject of an investigation by the Dutch and Belgian financial authorities, who believe that the stock value was artificially manipulated. Portinax, whose shares are registered in London, stopped trading in July after the Dutch newspaper *Het Financiele Dagblad*, on the prompting of the Dutch finance ministry, denounced manipulation of its share price.

Charles Stein's reputation for shady dealings, which began with the New Jersey casino gambling scramble in 1976, was heightened when he was linked to an internal investigation of corruption in the New York section of the Drug Enforcement Administration. But his, and Hardwicke's, downhill slide into bankruptcy came after Sir James Goldsmith's agents bought their way into Hardwicke's board of directors in June 1982.

According to the *New York Times* of Feb. 23, 1981, the Drug Enforcement Administration censured its New York regional office for failing to produce sufficient confiscations and arrests, citing in particular the malfeasance of Regional Supervisor John Fallon.

"The investigators are also examining allegations that Mr. Fallon personally ordered DEA agents stationed at Kennedy International Airport to expedite customs clearance and provide other courtesies—such as confirming connection flights—for numerous private citizens," the *Times* wrote.

"Records indicate that Mr. Fallon arranged this special treatment for more than 40 people, ranging from friends and relatives to Charles H. Stein, chairman of the board of Hardwicke Companies, Inc., a New York-based entertainment conglomerate. Almost 20 times between 1978 and 1980, according to records, drug agents at the airport, acting on orders from Mr. Fallon, arranged the special welcome for Mr. Stein."

Stein's relationship to suspected corruption at the New York DEA regional office occurred at a time when the U.S. Customs Service had already targeted for investigation Hardwicke's huge network of duty-free stores on the U.S.-Canadian border. Customs agents believed at least as early as 1979 that Hardwicke was a major channel for narcotics moving into the United States. The duty-free stores owned by Hardwicke were to figure prominently into takeover games played by operatives for Sir James Goldsmith.

Goldsmith's London solicitor Eric Levine became a virtual exile in New York after the collapse of the London Capital Group and the conviction of its chairman, former Labour Minister John Stonehouse. Stonehouse went to jail in 1976 after Eric Levine, the group's attorney, helped him cover up bum loans made to the group's directors.

Now in New York, Levine played Svengali to a Delaware oil distributor named Stanley Mann, leading Mann through a stock-market steeplechase that brought him onto the board of Hardwicke. *Forbes* magazine of June 22, 1981, wrote that Levine was "a close adviser to Sir James Goldsmith, whose companies control the Grand Union supermarket chain. Recently, Levine has been a frequent visitor to this country on business of his own. That has included persuading businessman Stanley Mann to buy a 16% interest in Howard Machinery, a British farm machinery company that last year lost money on £72.7 million in sales."

Financial support

Goldsmith's financial backing came from Britain's Keyser Uhlmann Bank, 10% owned by Goldsmith's friend Edmond de Rothschild. Keyser Uhlmann was saved from bankruptcy in 1976 by massive financial support from the Bank of England. The bank shifted its most important operations to Switzerland, acting as a shell for corporate takeovers in the United States. In 1981, Keyser Uhlmann was accused in a U.S. lawsuit of illegally concealing stock positions by participants in the takeover of Gulf Resources, Inc.

Financier Guy Naggar and Alan Clore, son of the late Sir Charles Clore, are the principle current figures in Keyser Uhlmann Geneva, and both are close Goldsmith associates. The elder Clore is the subject of exhaustive British intelligence documenting that he helped shift Nazi funds into safe Swiss havens after World War II.

Goldsmith attorney Eric Levine hooked up with Shea and Gould partner Arnold Jacobs, the prominent New York attorney who had represented Goldsmith, for a reported $2 million fee, in his multi-million dollar takeover of Diamond International. According to former associates, Levine and Jacobs persuaded Stanley Mann to buy what finally amounted to 11% of Hardwicke by 1981. After a colorful "dissident shareholders'" fight, Mann joined the board in June 1982.

Ronald Saypol, chairman of now-defunct Lionel Corporation and a Stein intimate, negotiated Mann's position on the Hardwicke board. Lionel, a toy and electronics manufacturer, was the vehicle through which Roy Cohn and Gen. John Bruce Medaris launched Permindex (Permanent Industrial Expositions), the firm investigated by New Orleans District Attorney Jim Garrison in the context of the John F. Kennedy assassination.

Levine's target, insiders report, was Hardwicke's duty-free stores on the Canadian border, the same suspected drug outlet investigated by U.S. Customs starting in 1979. "Shortly after [the Howard Machinery takeover in 1980]," wrote *Forbes* in the cited article, "Levine British investors tried and failed to buy control of Mann's $77 million [assets] Oxford First Corp., a U.S. financial services group traded on the Amex."

According to well-placed sources, Levine persuaded Stanley Mann, a director of Aaron Gould's Oxford First Corporation, to arrange the sale of the border stores for $15 million, with the intention of putting the stores into Oxford First when Levine took it over. Former associates of Mann allege that Levine sweetened the deal for Mann by offering him insider stock in British-listed firms, and proposing a real estate transaction which would have guaranteed Mann a $7.5 million profit.

However, Oxford First was already running into financial trouble. The firm's accountant, Coopers and Lybrand, announced it had qualified its opinion for the 1979 and 1980 annual reports, a qualification not removed until early 1983. Oxford First finally stabilized its position in March 1983 through a $13 million financing from First National of Boston. Possibly because of the firm's financial trouble, Goldsmith's scheme to take over Oxford through Eric Levine, and employ it as a shell to absorb Hardwicke's duty-free stores, fell through.

Instead, the Goldsmith crew employed Stanley Mann to muscle their way onto the board of Hardwicke, to which Charles Stein acceded in mid-1982.

The problem was that by the time Mann won his board seat at Hardwicke, he was bankrupt. His heating-oil business, which earned a few million per year at best estimates, was losing money in the recession, and his efforts to recoup his position by playing the commodities market were disastrous. In late 1981, he told Victor Posner's attorney Martin Rosen that he would have liked to have bought the bloc of Hardwicke shares then sold by the British casino group Coral Leisure, but could not raise the $3 million. In early 1982, Mann broke up Racz International, a small brokerage house he had funded, in order to reclaim $500,000 in capital he had invested.

In an Aug. 1, 1984 letter to George Butler, First Pennsylvania's chairman of the board, stockbroker Andrew Racz wrote that Mann "began to play the heating-oil futures market on a scale that at some stage . . . in the fall of 1981 led to a $4 million loss in a single day and on a particular instance in early 1982 there was a one-shot loss of somewhere between $13 million and $17 million."

Mann had pledged expensive New York and Florida homes as collateral for loans at First Pennsylvania. After the 1981 losses, First Pennsylvania threw him out, and associates of Eric Levine brought him to First National of Boston. Although Mann's losses exceeded both his income and his visible assets, neither bank foreclosed on his homes, suggesting that Mann had a hidden source of income, or a bailout from friends. Some associates of Mann speculate that the funds reportedly looted from Hardwicke and deposited in Switzerland might have accounted for the multi-million-dollar discrepancy.