

Looted Colonial Savings & Loan key to Virginia State Police corruption

by Anton Chaitkin

Disgraced Secretary of Public Safety Robert L. Suthard resigned in a bribery scandal last December, ending his supervision of Virginia's state police, prisons, and parole boards. It has now been learned that Suthard had previously been forced from his post in a more serious financial scandal. A Richmond savings bank under Suthard's chairmanship collapsed in frenzied speculation and was sold to the New York mob.

Depositors' savings were looted. Financier Michael Milken, a kingpin of the New Yorkers who took control of Colonial Savings and Loan, was subsequently jailed. But the takeover was an instrument in the widespread corruption of Virginia law enforcement. Suthard, uneasily allied in a web of extortion with Attorney General Mary Sue Terry, targeted and prosecuted political associates of Lyndon LaRouche—the leading critics of the New York looters and their Washington and London sponsors.

When trouble began for Richmond's Colonial Savings and Loan Association in the early 1980s, its chairman, Robert L. Suthard, was simultaneously a Virginia State Police executive, and the commandant of the northern Virginia district which included Fairfax and Loudoun counties and the City of Alexandria.

Suthard steered Colonial, squeezed by deregulation and soaring interest rates, into the purchase of speculative "interest futures" contracts. Between April 1982 and the fall of 1983, the S&L, with \$100 million in deposits, increased its holdings of "investment securities" from \$4.4 million to around \$60 million!

Colonial's president, Jack Carroll, resigned in June 1983, as losses increased and net worth plunged. But to keep up an appearance of profitability, the books were "cooked." Around October 1983, federal regulators, who were routinely pushing failed S&Ls into the hands of junk bond mobsters, discovered Suthard's debacle and forced him to resign.

A March 18, 1985, directors' letter to stockholders explained: "In the fall of 1983, the Board of Directors learned [from the federal inspectors] that profits and losses on certain financial futures transactions had not been properly recorded. . . . The Board of Directors ordered a special review of the Association's books, which revealed an overstatement in [assets] and the incorrect deferral of . . . losses of approximately \$3.1 million associated with financial futures transac-

tions. State and federal regulatory authorities questioned whether the Association's investment and financial futures activities during fiscal 1984 were within regulatory requirements."

The federal discoveries implied that Colonial was insolvent, with a negative net worth of minus \$3 million. Under a new board chairman, the "cooked" books from the Suthard era were reorganized, and the speculation halted; but the savings bank was still sinking.

The 13,562 Colonial stock shares owned by Suthard and his wife were now worthless. And if the Suthard crisis ended in Colonial's liquidation, with depositors' and stockholders' losses, Suthard could face legal problems—possibly criminal prosecution.

To the Predators' Ball

In a climate of fear and recriminations, a deal was struck in April 1984 to sell Colonial to New York speculator Arthur G. Cohen. Mr. Cohen's real estate empire had collapsed in 1979. He had been thrown off the board of Citibank with \$100 million in unpaid loans, he was universally snubbed, and no one on Wall Street would lend him more money.

The law firm of Parker, Chapin, Flattau and Klimpl, U.S. general counsel to the Bank Leumi of Israel, stepped in and arranged that well over \$100 million in new money would restore Cohen's operations. But the new Cohen would be a creature of the interests long represented by these lawyer-fixers: the Anti-Defamation League and related political agencies; and the brokerage house Drexel Burnham Lambert, whose junk bond king Michael Milken was now reportedly Arthur Cohen's only friend on Wall Street.

The new Arthur Cohen paid \$4.2 million in November 1984 to buy newly issued Colonial stocks giving him 84% control of the S&L (perhaps with enough tax writeoff to make the "purchase" of \$100 million in savings deposits free to Cohen's organization). Just as this payment, which would pull Robert L. Suthard out of boiling water, was being arranged, Gov. Charles S. Robb appointed Suthard superintendent of the Virginia State Police, with a rank of colonel.

Then, in 1985, instead of being prosecuted, or having to pay restitution, Superintendent Suthard accepted some \$23,000 from Arthur G. Cohen for Suthard's suddenly valuable Colonial shares. After buying all the outstanding stock,

Cohen dutifully put Richard Hollander, Drexel Burnham vice president from Michael Milken's Beverly Hills, California office, on the board of Colonial Savings & Loan. (A Colonial oldtimer recently described Hollander as "late 20s, very well dressed, very articulate—a high-flyer.")

Virginia's State Corporation Commission, in approving the takeover on April 3, 1985, said that "each proposed director . . . seems to possess the moral fitness, financial responsibility, and business ability as required."

The Richmond savings bank was now a segment of the Michael Milken criminal empire. A former Colonial executive told this reporter of being invited to the infamous Predators' Ball: Milken's annual Beverly Hills brokering session matching businessmen with financiers willing to give them piles of high-interest money. There the Richmond banker met Carl Lindner, Ivan Boesky, and others of Milken's cohorts who funneled narcotics and gambling profits into the junk bond money laundry. This was the heyday of Iran-Contra, in which U.S., British, and Israeli covert intelligence operations were being run through U.S. savings and loan institutions.

Over the next few years, the deposits from Colonial, and from a Roanoke savings bank that Cohen had bought soon after he bought Colonial, were looted into New York real estate deals run by the Cohen-Milken circle. A Bank Leumi executive told *Forbes* magazine in 1986 that Arthur Cohen-related operations had "made us a major real estate player."

The raiders . . . and the raided

In October 1985, less than a month before the Virginia election, the law offices of Mary Sue Terry, the Democratic candidate for state Attorney General, were raided by Colonel Suthard's State Police. Terry's law partner Richard Rogers was named an unindicted co-conspirator in the southern Virginia bribery case of financier Didier Primat, a George Bush-

affiliated employer and political sponsor of Miss Terry. Though Terry's records were seized, the official state police investigation was abruptly halted just short of Terry herself.

Mary Sue Terry was elected Attorney General a few weeks after the raid, with a potential blackmail cloud hanging over her.

Associates of Lyndon LaRouche won 1986 Democratic Party primary elections for Illinois state offices, after promising to expose and shut down drug-money-laundering financiers. These financiers' political lobby, the Anti-Defamation League of B'nai B'rith (ADL), meanwhile, was mobilized to stop the LaRouche political movement. The Michael Milken Foundation and Drexel Burnham Lambert contributed millions of dollars to the ADL, paying among other things for ADL political training programs for law enforcement agencies.

Mira Lansky Boland and other ADL operatives stalked Virginia throughout the 1980s, contacting every element of the justice system. Mrs. Boland has admitted to dozens of meetings with law enforcement officials who were being brought into the prosecution of the LaRouche political movement.

In September 1986, Robert Suthard's State Police agent Larry Burchett opened a bank account under a phony name in Cohen-Milken-ADL's Colonial Savings & Loan, for the purpose of running a legal sting against the LaRouche political movement. Suthard's agent wrote a check on Colonial for \$5,000 to a LaRouche-affiliated, non-profit, literature distribution company—whose most famous publication that year was the book *Dope, Inc.*, exposing the drug-money launderers and their corruption of law enforcement.

(Burchett later testified at trials of LaRouche associates that the money was loaned as an "investment," and the note he received was thus a "security"; the anti-dope political organizers were convicted of unlawfully selling securities.)

State Police Superintendent Robert Suthard and Attorney General Mary Sue Terry teamed up to lead 400 state, federal, and Loudoun County law enforcement agents in the Oct. 6, 1986 raid on the Leesburg offices of LaRouche movement publishing companies.

Dope, Inc.'s pawprints

Upon taking office in January 1990, Gov. Douglas Wilder appointed Robert L. Suthard to his cabinet as Secretary of Public Safety, to have charge of all state law enforcement and military affairs. Wilder appointed O. Randolph ("Randy") Rollins as Suthard's deputy secretary. A Richmond corporate attorney and Democratic Party bigwig with no apparent background in law enforcement, Rollins had represented Colonial S&L and coordinated all legal aspects of the Cohen-Milken-ADL buyout.

A month after these appointments, in February 1990, federal authorities seized all banking assets of Arthur G. Cohen in the state of Virginia. Colonial S&L and First Feder-

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al Savings of Roanoke, which the Cohen organization had merged to form the federally chartered Coreast Bank, had been sucked dry. The Feds said that 90% of the New York loans out of Coreast were "non-performing." All records of the twice-looted Colonial Savings & Loan Association are now under seal by the Resolution Trust Corp., in contemplation of prosecution.

In November 1990, financier Michael Milken—whose pumped-up creation Arthur Cohen had saved Robert Suthard from destruction—was sentenced to 10 years in prison. Milken had scammed tens of billions of dollars, and had looted savings banks and pension funds throughout the nation, often with the eager cooperation of state government authorities.

In December 1991, Robert Suthard once again resigned in disgrace.

The *Richmond Times-Dispatch* had revealed that Secretary Suthard and his wife had been given a \$7,200 trip to Japan, where he received a cash gift of \$3,000. It seems that three years earlier, Suthard as State Police Superintendent was on a small committee which guided the state to purchase a \$12 million automated fingerprint system from the NEC computer company of Japan. Suthard's subsequent Japanese gifts came officially from a Buddhist foundation, whose chief executive, William Wells, was a former FBI agent, a pal of Suthard's, and vice president of NEC at the fingerprint division!

On his return home from Japan, Suthard had tried to cover his tracks by writing a \$3,600 check to the Buddhist foundation. But this check was never cashed—and Suthard made sure it couldn't be cashed, by emptying his bank account.

After Governor Wilder accepted Suthard's resignation in December, Attorney General Mary Sue Terry was assigned to decide whether Suthard should be prosecuted.

On Jan. 16, 1992, while Terry was deciding Suthard's fate, the latest Virginia state financial self-disclosures were published, showing that Mary Sue Terry had accepted a \$3,975 trip to Israel from the Jewish Community Federation of Richmond.

Three weeks later, the office of Attorney General Terry announced that while Robert Suthard "may have shown poor judgment" in accepting an apparent bribe that the public found out about, his actions did not violate state conflict of interest laws. Terry, a candidate for governor in 1993, advised that Suthard not be prosecuted.

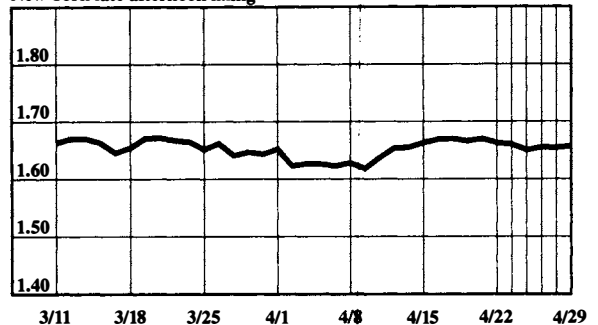
Suthard was saved once again. A few weeks ago, he incorporated Suthard Services, Inc., for private security consulting.

Late last month, Governor Wilder appointed Randy Rollins as the secretary of public safety to replace Suthard. Rollins knows where the bodies are buried: He is the lawyer who crafted the Cohen-Milken-ADL takeover of Colonial S&L. Rollins is now in charge of Virginia's law enforcement apparatus.

Currency Rates

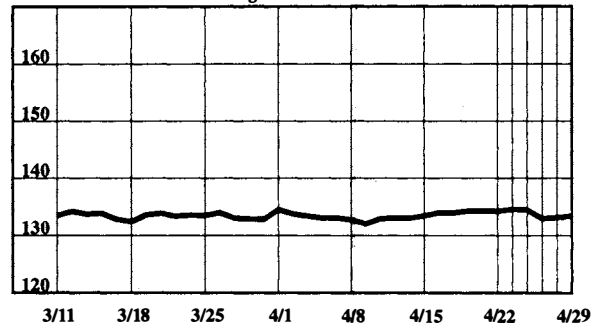
The dollar in deutschemarks

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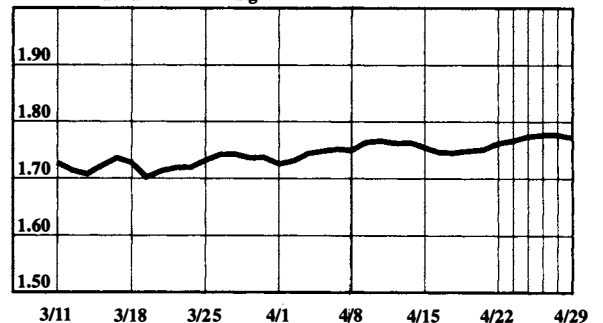
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

