

ment, it's *justice*. It doesn't say the punishment system, it says the justice system. And justice involves an evaluation of all factors, including compassion and mercy. We forget that. We think that the justice system is all pure punishment and vengeance, an eye for an eye. That is not what our justice system is about.

Our Founding Fathers specifically set up a commutation process, giving to the President and to the governors, as part of their supreme executive power, the power to commute, the power to dispense mercy. It seems to me that the system has failed to exercise the mercy part, the compassionate part, that is such an integral part of it. It has ignored it.

**EIR:** What you've said is very, very important.

**Preate:** Why?

**EIR:** Because there are very few people in this country who have done what you've done and then thought through the consequences of it and publicly made clear that you were wrong and now what you are doing is right.

**Preate:** I don't profess to be a leader. Like Mr. LaRouche, I went to prison.

**EIR:** Yes, I know. So did my husband.

**Preate:** So, you know the pain that we've all felt about our justice system. And we've seen it from the inside, and it is not a pretty picture. I saw that first-hand. So did my family.

**EIR:** Where were you in prison?

**Preate:** I was up in Federal prison camp in Duluth, Minnesota. They took me as far away from my family as they could possibly get me. I didn't mind going to jail, I had to do the time. I violated the law, I admitted it, I accepted personal responsibility for it. I filed an incorrect campaign expense report, under \$20,000. I did a year in prison for that. When I got to prison, the guys laughed at me. They said, you did what? These are all guys doing time for robbery and drug-pushing and drug-smuggling. And they were reading at the same time about Clinton and Gore violating the election laws to the tune of tens of millions [of dollars].

**EIR:** Well, you can imagine what happened to LaRouche and his associates, who were innocent.

**Preate:** Sure, I'm not trying to maximize my situation. But, when they put me out at Duluth, 1,500 miles from my family, they punish my family then.

**EIR:** A lot of people in your situation just shut their mouths and stop doing anything, because of fear. You didn't, so that's why I think it's important.

**Preate:** I think it's incumbent upon us that when we see the republic being threatened, that we have to speak up. Because the course on which we are now going has grave social consequences.

## Al's pal Tony Coelho, and 'honest graft'

by Scott Thompson

Former Rep. Tony Coelho (D-Calif.), now the general chairman of Vice President Al Gore's bid for the Democratic Presidential nomination, may soon face prosecution. According to an article by Bill Hogan in the March 23 *National Journal*, a team of "criminal investigators-special agents" (the official designation of the investigative team under Brian Hess) from the U.S. State Department Office of the Inspector General (OIG) is conducting an investigation of Coelho that may lead, in the near future, to a referral to the Department of Justice for criminal prosecution.

Before examining the current charges that are being investigated by the OIG team, having to do with Coelho's role as General Commissioner (with the rank of Ambassador) overseeing U.S. participation in the 1998 World Exposition in Lisbon, Portugal, it is important to situate Coelho's amorality as a politician. It is this guttersnipe quality that has made him "thick as thieves" with Gore.

Joining the House of Representatives in 1979, Coelho has played a key role in destroying the FDR-JFK constituency base of the Democratic Party. Before he "skipped town" in 1989 in the face of serious ethics charges, Coelho had built a money-making juggernaut that turned politics into a business of selling "access" to the wealthiest corporate and individual "special interests," rather than mobilizing the traditional Democratic constituencies among the disenfranchised lower 80% of the family-income brackets in the United States. Coelho unabashedly stated that he viewed politics as "a business," according to *Wall Street Journal* writer Brooks Johnson, in his book *Honest Graft*. Such an outlook has made Coelho a perfect partner for Gore, one of the leading promoters within the Clinton administration of the 1996 Welfare Reform Act, which has thrown the poorest of the poor on the human scrap heap.

Ironically, Coelho is not being brought to justice for such political crimes. But he may be on the verge of being tripped up by the investigation into his role in the Lisbon Expo '98.<sup>1</sup>

### Coelho's kleptomania

According to Hogan, the OIG criminal investigation of Coelho followed within a month after the OIG's Audit Division report was released in September 1999. The report "had

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1. For more on Coelho's amoral political history, see "Campaign Manager Tony Coelho: Al Gore's Kindred Spirit in Avarice," *EIR*, Aug. 13, 1999.

detailed numerous financial irregularities, as well as potential violations of law, under Coelho's watch as the U.S. Commissioner General of Expo '98." Coelho's operation had maintained five separate U.S. accounts, according to the OIG Audit Division, and a sixth in Portugal, making the audit difficult. Therefore, the second phase of the investigation began with court-ordered subpoenas to Coelho and to some of his cronies whom he placed in top posts during Expo '98, and the seizure of computers, computer discs, and documents by OIG officials.

In a discussion with this author, Coelho's attorney, William Brand, of the Washington, D.C.-based law firm Brand & Frulla, stated that to the best of his knowledge, the investigation is still in the second phase, with no grand jury having been convened, even though there is a Justice Department attorney assigned to the case.

The following are some of the charges that were levelled in the September 1999 OIG Audit Division report, by the Center for Public Integrity, and in the *National Journal* article:

1. After being assigned to the Expo '98 post, on his own initiative, Coelho founded the Luso-American Wave Foundation, which built a sculpture of a wave 8.5 feet high and 64 feet long on which the names of prominent Portuguese-Americans were to be inscribed—for contributions of \$100 to \$5,000. To build the wave, Coelho took out a \$300,000 personal loan from a Portuguese bank, Banco Espírito Santo, whose records have also been subpoenaed. In his financial disclosure form, not only did Coelho fail to report the \$300,000 personal liability, which is a possible ethics violation, but he also failed to report that the Luso-American Wave Foundation had its certificate and articles of incorporation revoked on Sept. 7, 1999, by the government of the District of Columbia, "for having failed and/or refused to file" any of the reports required by law. And, not a single name had been inscribed on the wave.

According to the OIG's audit, it seems that Coelho was prepared to renege on this personal loan, and let the U.S. government pay. "A Portuguese bank made a 'personal' loan, of \$300,000, to the Commissioner General to support a project of a private organization. This amount was recorded on the U.S. pavillion's 'cuff records' as a liability. The U.S. Information Agency may be responsible for the repay of this loan if the organization does not raise sufficient funds to pay it back. We did not include other expenses (salaries, operations, etc.) of the organization that were shown on the U.S. pavillion's forecast summary," the report read.

However, after the OIG report was made public, and the Center for Public Integrity raised it as a campaign issue, Coelho's attorney stated that Coelho had paid back the balance of the loan out of his own pocket. Brand suggested that the OIG Audit Division had jumped the gun in claiming that this liability might fall on the U.S. government—despite every indication that, until the loan was made a public issue,

it would.

2. It is generally acknowledged that, after significant cost overruns in the U.S. exhibition at the 1992 Seville, Spain Expo, Coelho had been selected to head the '98 Expo because it was thought that his "Midas Touch" would raise corporate and individual donations to pay for U.S. participation. Instead, according to the OIG Audit Division report, Coelho subcontracted fundraising for the event at a return of at least 15% of the profit; the subcontractor raised only \$1.2 million of the exhibition's \$8 million budget. According to the Center for Public Integrity, Coelho lobbied his friends in Congress for emergency contributions from the U.S. Navy and the National Institute of Environmental Health Services (NIEHS), which, combined, provided some \$6.5 million, or, according to the OIG's report, "82% of the total funding." Under the agreements that Coelho had made with his cronies on Capitol Hill, bills from his Expo '98 shenanigans went directly to the U.S. Navy and NIEHS. Also, Coelho had staff destroy weekly reports on their expenditures, so the OIG audit is really a very incomplete document.

### **Private business operations**

3. According to both Hogan and Brand, Coelho pursued numerous private business interests while representing the U.S. government in Lisbon. While his subcontractor raised only \$1.2 million for the U.S. exhibition, one business enterprise that Coelho personally launched while serving as a U.S. Ambassador, raised at least \$6 million to found an Internet firm called LoanNet. Coelho asked two Washington, D.C. lobbyists, who shortly thereafter invested \$200,000 each in LoanNet, to be his guests at Expo '98. One was Charles Manatt, who had been chairman of the Democratic National Committee at the time that Coelho headed fundraising for the Democratic Congressional Campaign Committee (DCCC). The other was another old friend of Coelho's, businessman William Cable, for whom Coelho provided round-trip plane tickets and other services which had been donated to Expo '98. Coelho was apparently very bipartisan in starting LoanNet: He also brought in Fred Malek, who had worked in the Nixon White House and managed President George Bush's failed 1992 re-election campaign.

Like several other Coelho "get-rich-quick" schemes, LoanNet went belly-up at almost the precise moment that he became campaign chairman for Gore, who has praised Coelho for being "a successful businessman." In a conversation with this author, Brand seemed keen to defend Manatt from allegations that he was given a lavish junket, as Hogan suggests, before investing in LoanNet. Brand also denied that Coelho used his position as a U.S. Ambassador to raise funds for the firm. Nonetheless, Hogan reports that the OIG's office "has issued at least one subpoena to collect LoanNet investor lists, financial records, and other documents, and its investigators have extensively questioned a former employee of the firm, Tracy Botelho, who also worked for Coelho at Expo '98."

4. No sooner had Coelho arrived in Lisbon, than he rented an \$18,000-per-month luxury apartment on the waterfront for himself, complete with a private swimming pool. (Brand defended this, claiming that the apartment had been paid for by corporate donations for the U.S. exhibition as a whole, not by the component of taxpayers' dollars.) Coelho handed out like lollipops free air travel upgrades and tickets that had been donated by corporations for the exhibition. He at least once flew his wife to Lisbon first class, and, despite there being a donated fleet of six vans, had her picked up at the airport in a chauffeured Mercedes Benz at a cost of \$865, charged to U.S. taxpayers.

5. Toward the end of Expo '98, Coelho renegotiated the contract with his Executive Director, Mark Johnson, who had been an aide to Coelho since the time that they had both worked at the DCCC, and Johnson became an "independent contractor," earning \$20,000 a month. (Johnson told this author that it was in recompense for certain unspecified, extra work that he had done.) Coelho rented a \$5,000-a-month apartment for Johnson.

After Expo '98, Coelho, who was then appointed Democratic co-chairman of the Census Monitoring Bureau, had Johnson appointed as one of two executive directors, and gave a major job at the Census Bureau to Hank Hardesty, who had been Coelho's personal bookkeeping assistant in Lisbon.

After the OIG began the criminal phase of its investigation, it interviewed both Johnson and Hardesty, while subpoenaing their computer records and documents to fill in the gaps of the U.S. exhibition's peculiar bookkeeping.

6. Coelho hired the two stepsons of the U.S. Ambassador to Lisbon at sums higher than the office manager on staff, even though they were little more than tour guides. And, as the OIG Audit Division points out, Coelho hired his niece, Debra Coelho, "in violation of U.S. Information Agency regulations," as a "special assistant"; again, she was paid more than the office manager. All Coelho's buddies, including his niece, received a lavish *per diem*, reimbursement for private transportation (despite the vans), and first-class air tickets and upgrades, thereby abusing a gift from Continental Airlines.

### A known commodity

When Vice President Gore hired Coelho to be his campaign chairman on May 11, 1999, Hogan mistakenly claims that Gore was so desperate to tap Coelho's vaunted "Midas Touch" at fundraising, that he did not conduct an adequate background check. In fact, every politician knew something about the corruption scandals surrounding Coelho that caused him to leave the number-three position of House Democratic Whip in 1989, only one step ahead of the law.

Among the charges that had been levelled against Coelho before the Congressional Ethics Committee were: 1) kiting some 393 bad checks and overdrawing his account at the House Bank for \$319,000, which was more than three times his salary; 2) the purchase, in part with a \$50,000 loan at below market rates from Thomas Spiegel—a buddy in a savings and loan bank who had gotten into trouble—of a \$100,000 junk bond issued by another of Coelho's buddies, Michael Milken, later convicted of insider trading; and, 3) Coelho's failure to report the loan from Spiegel on his SF278 Financial Disclosure Form, and presenting false dates for purchase of the junk bond on his IRS report that would have reduced the capital gains component of his income tax.

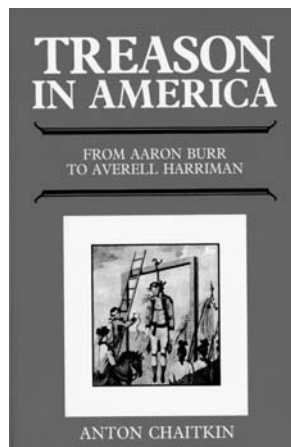
Rather than face these charges, Coelho skipped town. However, his name continued to appear in the news. Several major publications reported that Coelho had been, and may still be, the subject of a Securities and Exchange Commission investigation into his role in a racetrack firm called International Thoroughbred Breeders, Inc. As *EIR* has reported, this is but one of Coelho's many gambling interests, which include his participation in a Las Vegas casino once associated with Benjamin "Bugsy" Siegel of "Murder, Inc." fame.<sup>2</sup>

There is no question that Gore knew that he was hiring a partner in avarice when he brought Coelho onto his campaign staff. The question now is, will Coelho be prosecuted for events in Lisbon before the Presidential election?

2. On Coelho's other financial scandals, see "Al's Pal: Kleptomaniac Tony Coelho," *EIR*, Oct. 29, 1999.

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