



# The Banker, the Guns, and the CIA

Baltimore banker Robert Maxwell found himself caught in a covert gunrunning operation involving a local CIA front that funneled millions of dollars into wars around the globe. But Maxwell blew the whistle and brought the whole scheme crashing down.

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BY PATRICK J. KIGER

**I**t was October 1983, and Bob Maxwell was about to become an unwitting part of a Central Intelligence Agency arms-running and money-laundering network that very possibly may have dwarfed the Iran-Contra scandal in scope. But as he recalls, things began rather innocently at First National Bank of Maryland's Light Street annex when his boss, Ronald Teather, stopped by for a brief chat.

It was after regular working hours, and most of the staff in the international group had gone home. Maxwell, though, was working late. He'd just been hired by First National as an international banking executive to run the bank's letters-of-credit operation, which was in need of an overhaul. Maxwell certainly had the background to do that; at age 37, he had ten years of international experience under his belt at banks in Philadelphia and Boston.



*Robert Maxwell, a former First National Bank executive, claims his involvement in covert CIA activity left his life and career in shambles.*



**FRONT OFFICE**  
*Seldom was anyone around the Park Avenue office of Associated Traders. To telephone the firm, one dialed a Virginia exchange.*

He hadn't understood why First National had gone to the trouble of recruiting him through a headhunter for a job the bank could have filled from within. After all, he only had to supervise ten employees, and the problems were mostly a matter of tightening up their document processing and sharpening their expertise. Still, he'd jumped at the opportunity. First National was willing to pay him \$37,000 a year and pick up the tab for relocating his wife and their three children, and it was a chance to move closer to relatives in Philadelphia. Beyond that, he was eager to get away from the Bank of Boston, where federal investigators were sniffing out a major money-laundering scandal that eventually led to a \$500,000 fine for the bank. Maxwell hadn't been involved, but that kind of thing made him nervous. He was a straight-arrow, by-the-books banker, meticulous to a fault. In Philadelphia his coworkers had dubbed him the "Memo Guy" because of his fixation with putting everything in writing.

Later, in a sworn deposition, Maxwell's boss would not recall having the conversation, but Maxwell remembers it clearly. He and Teather, who'd worked together before at a Philadelphia bank, shot the breeze for a while. Then, according to Maxwell, Teather asked if he would be willing to personally handle a special client for the bank, a firm called Associated Traders Corporation. Maxwell recalls that Teather proceeded, nonchalantly, to drop the bombshell: "By the way, they're actually the CIA."

"Okay, so long as everything is in or-

der and they're in my area of responsibility," Maxwell recalls saying. He was surprised, but at the time he didn't give the matter too much thought. His personal politics were vaguely conservative—he'd voted for Ronald Reagan—but in truth, he was apathetic about world events, usually skipping over the headlines about Afghanistan or Nicaragua to get to the sports pages. He'd never been interested in James Bond movies or John le Carre novels; deep down, he harbored a distaste for guns and violence.

But the CIA, he figured, had a job to do, and they probably needed to use banks, like everybody else. Besides, it wouldn't be good form to turn down an assignment in his first week on the job.

**T**he graying, chain-smoking Maxwell was in most respects an utterly ordinary citizen. He dressed conservatively and shook hands with a businessman's measured firmness. He drove his station wagon home each night from downtown Baltimore to a small Pennsylvania town forty-five minutes away, where he and his wife, Renee, had purchased a modest frame house overlooking a farmer's field. He liked baseball and enjoyed restoring old furniture.

His life, though, was about to change. Bob Maxwell was about to become a pawn in a lethal game being played out across five continents, involving altered documents, caches of Soviet-bloc and Third World armaments, and millions of dollars secreted in offshore accounts and Swiss banks. The major players were an assortment of shadowy international weapons merchants and First National's mysterious client, Associated Traders, a now-defunct Baltimore company that functioned as a front for the CIA's clandestine support of wars around the globe.

## To wage war secretly, the CIA relied on a sprawling network of bogus companies. Associated Traders was such a proprietary.

It was a game that Maxwell claims cost him his career, his life savings, and his mental health, and subjected him and his family to threats and surveillance. Maxwell, who resigned from First National in 1985, has since filed a \$4 million federal lawsuit against the bank, Associated Traders' trustees, and unnamed officials of the CIA, Federal Bureau of Investigation, and the U.S. Justice Department. He charges that he was pressured and harassed out of his job at First National and subsequently threatened after he balked at handling Associated Traders' transactions, fearing they might be illegal, without written authorization from the bank. In responding to the lawsuit, First National has denied mistreating Maxwell and said he has failed to show that the bank has broken any laws.

Both the CIA and First National—whose Irish-owned parent corporation, First Maryland Bancorp, is the state's second-largest banking company, with \$4.9 billion in deposits and more than four thousand employees—have declined to comment on Maxwell's charges. However, the bank has been careful to avoid answering questions about its relationship with the CIA. When Maxwell's former boss Teather was subpoenaed to give a sworn deposition last year, the bank's attorney, Joseph G. Finnerty Jr. of Piper and Marbury, instructed him not to answer any questions about whether he or the bank had dealings with the agency. Since then, in court papers, the bank's attorneys have argued that "a relationship between First National Bank and the CIA could be classified information which can neither be confirmed nor denied," and that answers to questions regarding the CIA and the bank "may be subject to a government secrets privilege."

Not surprisingly, the CIA won't comment on whether it had a relationship

Associated Traders, a federally licensed arms dealer that ostensibly operated out of a tiny one-room office suite at 611 Park Avenue. The firm abruptly closed its Baltimore office in November 1986—four days after revelations of the Reagan administration's arms sales to Iran became public, and three weeks after syndicated columnist Jack Anderson, following information from Robert Maxwell, first pointed to Associated Traders' CIA links.

Possible coincidences aside, a range of sources—including some connected with the House and Senate intelligence committees and the Congressional Iran-Contra investigation, in addition to ex-CIA personnel—confirm that Associated Traders was a CIA "proprietary," or front company.

The saga of Bob Maxwell and Associated Traders provides a glimpse into the murky, bizarre realm in which the CIA operates. In theory, the agency's primary task is to gather information outside U.S. borders, but in actuality that takes a backseat to the CIA's other, less well-defined function of carrying out covert operations to support U.S. foreign policy. Sometimes that has meant arming and supplying (and at times organizing) proxy armies to wage so-called "low-intensity" wars in places where the U.S. government might raise international tensions or risk public outcry at home by openly intervening.

The latter option in particular captured the fancy of the Reagan administration; thus, as former Baltimore *Sun* correspondent Nathan Miller details in his book *Spying for America*, by the mid-1980s the U.S. government was spending \$600 million a year on covert action, much of it to back rebel armies in Afghanistan, Angola, Nicaragua, and other global hot spots.

To wage war secretly, the CIA, as it had done in the past, relied on a

sprawling network of predominantly bogus companies that it has set up to hide U.S. involvement. Associated Traders was such a proprietary. Its apparent task was to procure weapons and military equipment manufactured outside the United States and, therefore, not traceable to the agency. The full extent of Associated Traders' activities is a secret tucked away somewhere in the bowels of CIA headquarters in Langley, Virginia, but documents Maxwell copied when he left First National indicate that the firm purchased nearly \$20 million in weapons and equipment overseas just between 1981 and 1985. (By comparison, the Reagan administration's heavily publicized diversion of the profit on arms sales to Iran in 1985 and 1986 amounted to \$16.1 million, of which only \$3.8 million ultimately made its way to the Contras.)

To hide the true source of the money used to buy the weapons, Associated Traders routed its funding and expenditures through an intricate string of U.S. and overseas banks. A large sum of money might be broken down into smaller amounts, transferred through different accounts, and put back together again. Associated Traders "was just a giant filter," explains Richard Brenneke, who has testified in federal court about his activities as a CIA contract pilot and money-launderer. "Money goes through it, and where it comes out, nobody knows."

To accomplish that, the agency has established long-term relationships with a small group of U.S. banks that can be counted upon to handle the proprietaries' sometimes unorthodox transactions discreetly. Maxwell says he was told by a bank superior that there were only twenty-seven such institutions. First National Bank of Maryland was one of them.

Despite its devotion to secrecy, the

CIA overlooked one small, but ultimately devastating, flaw in Associated Traders' seemingly foolproof shell game. At the bank, there had to be a man who would shuffle the papers, do the agency's bidding, and keep his mouth shut about it. Unfortunately for Bob Maxwell and the CIA, he was the wrong man for the job.

It didn't take Maxwell long to notice that his special client was different from the lumber companies and machine tool manufacturers whose international transactions were handled by the letters-of-credit department. "There weren't too many customers who carried a million dollars in the Caymans," he says, referring to the money market account that Associated Traders maintained at First National's office in the Cayman Islands, a British colony in the Caribbean where banks operate with little official scrutiny.

And Maxwell wasn't aware of any other customers who insisted on doing a background check on a bank officer before allowing him to handle their accounts. After a couple of months on the job, he got a strange phone call from a friend in the Boston area. A woman had shown up claiming that she was doing a credit check on Maxwell, the friend explained, but her questions were oddly personal. What were the banker's sexual preferences? she wanted to know. Was he gay? Maxwell's friend afterward called the company listed on the woman's business card; they had never heard of her.

#### PAPER TRAIL

*From 1981 to 1985, Associated Traders did \$26 million in arms deals and funds transfers through First National Bank.*

**Maxwell realized what he was doing. He was helping the CIA to "launder" its money, to create a paper trail impossible to follow.**





#### FREEDOM FIGHTER

*A cash transfer Maxwell effected in Baltimore resulted in a shipment of Enfield rifles being smuggled to rebel armies in Afghanistan.*

While he was waiting for approval, Maxwell recalls having a few coffee breaks with Teather, who himself had handled Associated Traders' account at times since becoming head of the international group in 1979. (As with other officials with First National Bank and Associated Traders, Teather was contacted but declined a request for an interview. However, he answered some questions about his work on behalf of Associated Traders when subpoenaed to give a sworn deposition in Maxwell's lawsuit.) As Maxwell tells it, although Teather was delegating the job to a subordinate, he seemed to enjoy the notion of working on the fringe of the James Bondish world; he hinted about the secret missions in which Associated Traders was involved, and he boasted of having set up the connection at a bank in Panama through which Associated Traders filtered its funds. Maxwell, not particularly one for idle chitchat anyway, says he sat and listened out of courtesy. "It was like he was intrigued with the whole thing," Maxwell says. "It was like another aspect of his job that he loved to get involved in."

Maxwell busied himself with tightening up procedures and retraining staff in his operation. International banking is far more complicated than ordinary domestic transactions; it takes a clerk nearly a year to master the arcane details of processing an international letter of credit, a document that enables businesses to buy, sell, and deliver goods thousands of miles across international borders.

In December 1983, he says, Teather

asked him to process and pay a \$2.2 million letter of credit that First National had issued on behalf of Associated Traders. Teather told Maxwell to go through the thick sheaf of paperwork personally, rather than assign the task to a clerk as he normally would. Also, he was not to make copies—just put the originals in a file, which Associated Traders' representatives would pick up when they visited the bank.

For Maxwell, that went against the grain; he was an inveterate record-keeper, the kind of executive who chastised clerks for not getting his signature on a document for good measure after he verbally okayed it. As he looked over the papers, he could see the reason why this was all so hush-hush; the shipping invoice revealed that the "goods as per contract 83119-524" for which the bank's letter allowed payment actually was a shipment of sixty thousand rifles from the Indian Ministry of Defense.

"I thought, 'Well, it's the CIA, you know, so I'll do it.' But I didn't like paying out over \$2 million and not having any evidence of the transaction." So, without telling Teather, he quietly Xeroxed a few key papers and stuck them in the bottom of his desk drawer.

Meanwhile, thirty-eight hundred miles away in the Portuguese port of Setubal, a shipment of sixty thousand rifles was about to disappear. Although Maxwell knew nothing of it, the shipment was part of the deal he was putting the finishing touches on back in Baltimore.

Of course, Associated Traders had not bought the rifles directly. It had acquired them through middlemen, brokers who scoured the international weapons market—a vast, volatile, sleazy multibillion-dollar underground bazaar, where making a deal sometimes means compromising the neutrality of

a Third World government or enriching the coffers of a particularly despotic Communist dictator.

Frank Turner was one in a chain of such middlemen. Back in 1983, he was doing well as a small British arms merchant carrying out secret business for his government—supplying sniper scopes for use against the IRA in Northern Ireland, for example. That year, however, he gained an opportunity to make a fortune in the international arms bazaar. He cultivated a relationship with corrupt members of the Indian government, who had large quantities of military equipment they were willing to unload at bargain prices. Turner then could turn around and resell the weapons at a handsome profit on the spot market, where there are plenty of rebel armies and developing nations willing to buy bigger nations' lethal surplus.

Turner cut one such deal with the Indian Ministry of Defense in spring or summer of 1983, contracting to purchase seventy-two-thousand Colonial-vintage Lee Enfield No. 4 rifles, which he would buy for \$18 apiece, export to Great Britain, fix, and resell for \$48. There were two conditions. Turner could export the rifles only to a United Kingdom port; corrupt or not corrupt, his Indian suppliers didn't want their arms to fall into unfriendly hands. And they wanted their money up front. Turner didn't have the cash, so he searched for a resale customer as he arranged financing. He found one in Sherwood International Export Corporation—a California-based company that was part of the private network the U.S. government uses to buy weapons clandestinely.

Turner would claim later he didn't know Sherwood planned to resell the rifles to a CIA front. But in August, shortly after he struck a deal with Sherwood, Associated Traders official Ken-

Fitzgerald instructed First National to prepare a \$3.7 million letter of credit to Sherwood. The letter, later reduced to \$2.2 million, was transferable, which meant Sherwood could use it to pay for the weapons without revealing the true purchaser.

That autumn rifts began to develop between Turner's firm and Sherwood. The head of the California firm wanted to inspect the weapons, but Turner didn't want to disclose his source in India, fearing that Sherwood would steal the government connection from him. Instead, Turner brought samples to London, where they were examined by the head of Sherwood and a representative for his client. Later, in a sworn affidavit, Turner would identify the latter as retired U.S. Army Lt. Col. James Atwood, a Georgia, arms merchant who procured Soviet bloc weapons for the secret supply network to the Nicaraguan Contras run by White House aide Lt. Col. Oliver North.

Meanwhile, Turner's financing fell through, putting his agreement with the Indians in jeopardy. Sherwood then offered to put up the money directly to buy the rifles. That saved the deal. Backed into a corner, Turner decided to turn over only sixty thousand of the rifles, but reduced the price to \$36 each and threw in five thousand rifles for free. A month later the shipment of rifles, which filled twenty-three twenty-foot-long cargo containers, was transported by train across the Indian subcontinent and loaded on a Danish-flag freighter chartered by Associated Traders.

But the ship never sailed to Great Britain as Turner had intended. Instead, it showed up in Setubal, Portugal, where another Danish freighter docked nine days later. This second ship, the *Nicotto*, sailed east, arriving in Karachi, Pakistan, on January 28, 1984.

Later, in court papers, attorneys for

Turner would theorize that the rifles were switched from one ship to another and sent on a 9,400-mile round-trip, back to within a few hundred miles of their source in India. Sources formerly involved in covert operations say such a scenario, odd as it might seem, is not so implausible. The port of Karachi was one of the key links in the \$2 billion CIA-managed supply line of U.S. aid to the Afghan rebels. Weapons shipments in Karachi were handed over to the Pakistani equivalent of the CIA, which doled them out to the rebels, who then smuggled them across the border to Afghanistan. As a former British military officer notes, the ancient bolt-action Enfields are more accurate over long distances than modern assault rifles; Afghan marksmen could have put them to good use attacking Soviet convoys in remote mountain passes. With a large supply of Enfields at its disposal, the CIA apparently tried to make use of them in the war against the Sandinista government in Nicaragua as well. Edgar Chamorro, a former Contra official, describes a meeting in Honduras in late 1983. In attendance was a U.S. military adviser working for the CIA who tried to sell the Contras on accepting Enfields. Central American jungles and the Khyber Pass, however, are a bit different, and the Contras laughed at the notion of facing off in close-range jungle battles with forty-year-old bolt-action rifles against Sandinista soldiers armed with AK-47 assault rifles.

As for Frank Turner, his firm began to unravel because of disagreements stemming from the Enfield deal. He continued to entertain notions of making a fortune from his Indian connection until a Jack Anderson column in October 1986 exposed the apparent diversion of rifles to Afghanistan. At that point, India cut him out of the picture. In 1989 he filed a lawsuit in U.S. district court in Baltimore against

Sherwood, Associated Traders, and First National, whom he claimed conspired together to divert the shipment. In May, a judge dismissed his suit.

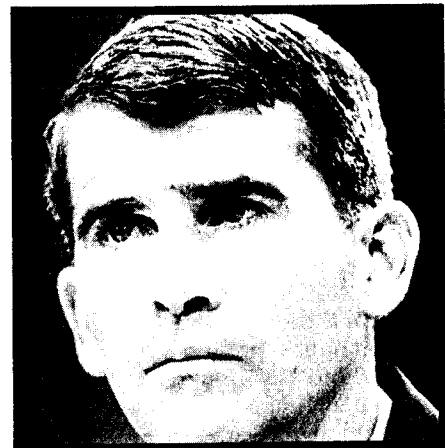
Meanwhile, back in Baltimore, Bob Maxwell was receiving accolades from higher-ups at First National for improving the letters-of-credit operation. Teather was still handling Associated Traders' money; during January and February 1984, he transferred \$1.07 million to accounts at various banks in Switzerland and the National Bank of Washington. But about that time, Maxwell was told that he'd been cleared by the CIA and that Associated Traders' officials wanted to meet him.

Thus, Maxwell recalls, one afternoon he was ushered into an office at the bank where Teather and John Bond, then vice president for international operations, were waiting with three men. Two of the men, the ones who did the talking, were typical bland, somber-suited executive types. Maxwell recalls, "Teather or Bond would say, 'How's it going this year, are you getting good funding?' and all that. And they'd say, 'Yeah, under Reagan, it's great.'" Just small talk. Maxwell was puzzled. He waited vainly for someone to speak to him. He almost tried to break the ice himself, but thought better of it when he looked over at the third representative from Associated Traders, a beefy-necked bulk of a man

#### END GAME

*Days after the Reagan administration's Iranian arms sales became public, exposing Oliver North's supply operation, Associated Traders hurriedly closed up shop.*

**On January 13, 1983, a Brazilian freighter pulled into the Dundalk Marine Terminal carrying a \$1.9 million shipment of rifles.**



with enormous hands who looked more like a bodyguard than a businessman—particularly because of the prominent bulge under one side of his suit jacket.

The meeting was only one of the peculiar things about Associated Traders. A representative always came around to pick up their account statements in person, rather than having the bank mail them. Maxwell was given a phone number to call whenever he needed to reach one of the company's officers. Oddly, it wasn't a Baltimore number but a northern Virginia exchange. Seldom was anyone around the 611 Park Avenue office, Maxwell was told.

Maxwell wasn't called upon to do anything for his special client for nearly a year, but his stock continued to rise at First National. In April, he received a \$3,000 raise. In October, he received another raise, making his salary \$43,000, and was promoted to senior international operations executive. He and Renee were settled in their new home in Shrewsbury and looking forward to the future. Apathetic as he was about current events, he didn't pay much attention to the storm erupting at that very moment in Washington.

Revelations in the press that the CIA had helped lay mines in Nicaraguan harbors led Congress in October 1984 to ban all military aid to the Contras. By year's end, the secret supply operation supervised by Oliver North was underway, using private arms dealers and \$1 million a month from Saudi Arabia to make up for the money Congress had cut off.

At about that time, even though the CIA was by law out of the Contra picture, Associated Traders had something big in the works. The day after Christmas 1984, its treasurer, Michael Linden, wrote to Maxwell instructing him to transfer \$5,381,600. The money wasn't there yet; Maxwell was to keep an eye on First National's wire-room until he got word that funds from five different domestic banks had been deposited in Associated Traders' account. Then, as had been done in the past, he was to wire the requested amount of money to Banco Sudameris in Panama, with instructions to that institution to transfer it in turn to a numbered account at Bank Cantrade, an obscure Zurich bank.

Maxwell thought the arrangement was a bit odd. Why send U.S. dollars to Switzerland through a Panamanian bank when First National had a correspondent bank right in Switzerland which could handle the transaction? In

**“One day I went to work and I was sweating like a pig. I went down and had my blood pressure taken, and it was sky high.”**

addition, he'd been instructed to mark the transfer documents “by order of a client” and leave out Associated Traders' name. “Damn right, it's weird,” he says. “If you're sending \$5 million to pay someone, you're sure as hell going to put your name on it, Associated Traders Corporation, so they know where it's coming from.” Wire transfers were outside his normal area, he says, so he called Bond and got verbal approval. Sure enough, on January 3, 1985, the money from five different banks arrived, and Maxwell effected the wire transfer. The task took him about ten minutes.

It dawned on Maxwell at this point what he was really doing. He was helping the CIA to “launder” its money, to create a paper trail that would be impossible for anyone to follow.

As Bob Woodward details in his book *Veil*, the Saudi contributions solicited for Lt. Col. North's private network were filtered through Swiss and Caymans accounts in a manner similar to the process in which Maxwell played a part. Richard Brenneke, who helped launder funds for the North operation, recalls seeing and hearing indications that some of the money he handled may have passed through Associated Traders' account at First National. If he is correct, that would raise the question of whether the CIA played a heretofore undisclosed role in North's operation, despite the second Boland amendment's explicit ban on agency support for the Contras.

(CIA spokesman Mark Mansfield, although declining comment on all aspects of the Maxwell case, states emphatically, “The CIA does not break U.S. law.”)

Maxwell, in any case, was starting to get uneasy. He wondered, what Associated Traders was doing—was it legal? But he didn't become truly alarmed until one day when a statement for Asso-

ciated Traders' Cayman account arrived on his desk by accident. Maxwell noticed that where Associated Traders' address should have appeared, his own name had been typed in its place.

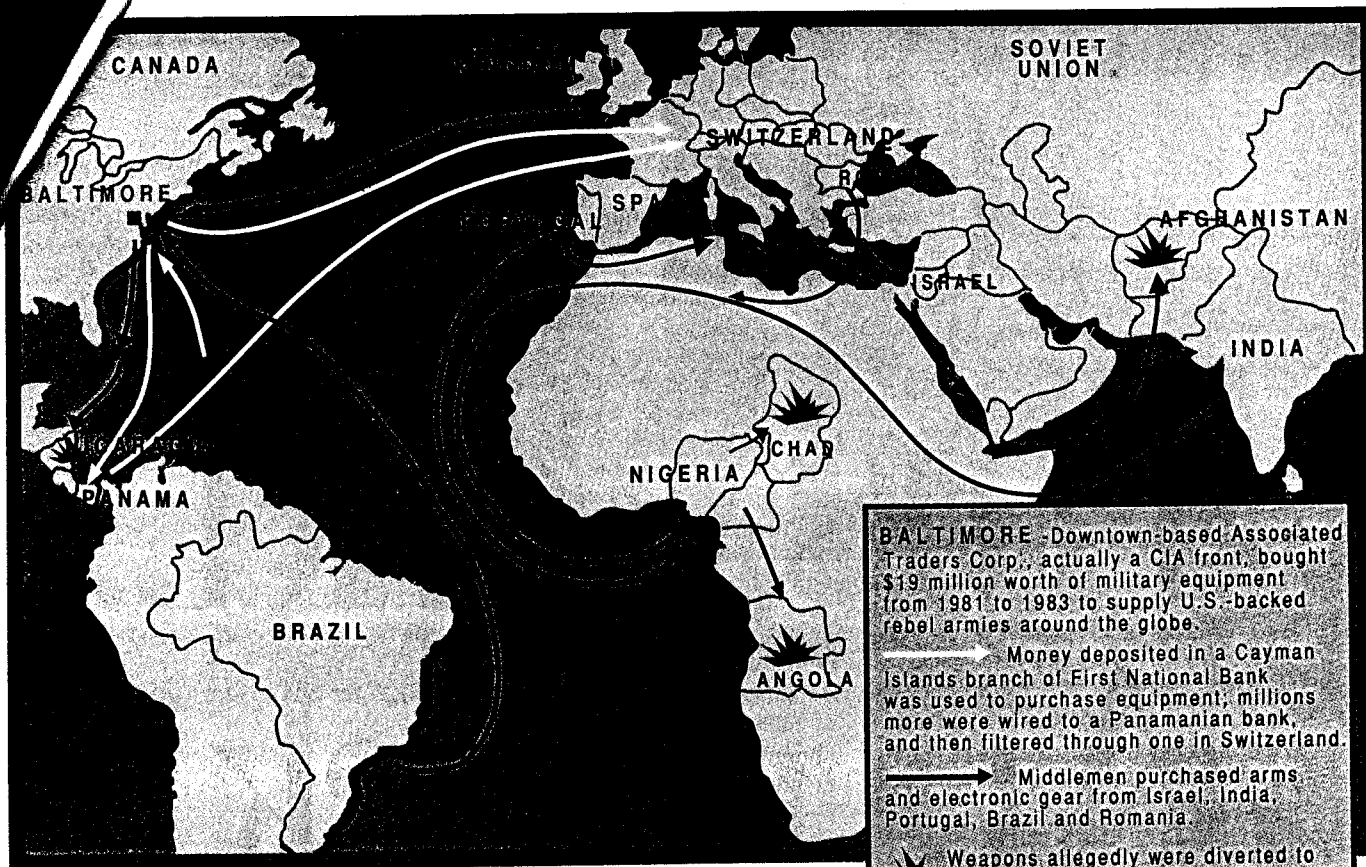
Unlike Maxwell, others had not been so concerned about having their names linked to Associated Traders. When the company was founded in 1969, its board of directors included Nicholas Penniman III, an Owings Mills attorney, outdoorsman, and scion of a prominent Baltimore family. Penniman died in 1981; neither a surviving partner in his firm nor his son, the publisher of the *St. Louis Post-Dispatch*, can recall him ever mentioning having a role in a company that made arms deals around the globe.

The founding directors also included Thomas Hardie, a foreign correspondent for the *Washington Post* in the late 1940s who later returned home to Baltimore to run the family textile business and settle at Thornhill Farm—the Glyndon estate whose bucolic charms have been the subject of two books by his wife, *House Beautiful* columnist Dee Hardie.

Thomas Hardie had a long connection with Associated Traders; he was president of the company when it formally dissolved in 1988 and is now a trustee. Hardie said in a brief phone interview recently that the firm “did a lot of things,” but he declined to describe its activities in more detail. He claimed no knowledge of Associated Traders' involvement in weapons deals.

In any case, the corporate structure of Associated Traders was a front, part of the complex system of “legends,” or cover identities, and “disconnects” that lend plausible deniability to CIA operations. The names that actually appear in the records of Associated





## GUNS & MONEY

**Baltimore-based Associated Traders Corp., actually a CIA front, bought \$19 million of military equipment from 1981 to 1983 to supply U.S.-backed rebel armies around the globe.**

Traders' transactions most likely belonged to either CIA contract agents or staff officers assigned to the CIA's Directorate of Management and Services, which handles the agency's banking.

Associated Traders was founded in 1969, about the time the agency was shutting down Vietnam-era proprietaries whose cover had been worn out and launching new ones to take their places. A proprietary's true nature, a Congressional intelligence committee source notes, is supposed to be tightly guarded classified information. But as the Iran-Contra affair demonstrated, the U.S. intelligence community, despite its obsession with secrecy, is sometimes quite careless. In Maxwell's case, the CIA let a civilian with a somewhat nervous nature and no security clearance have access to details of a very sensitive operation.

The bank documents entrusted to Maxwell's file reveal a gunrunning network whose tentacles reached virtually around the globe. The earliest entries date back to 1981, about the time that then newly elected President Reagan's

CIA director, William Casey, was reviving covert operations that had been used sparingly under Jimmy Carter.

That July, Associated Traders—through a Caymans-based middleman, Shimon, Ltd.—purchased \$2.7 million worth of what is identified in bank documents as “technical goods” and shipped them out of Romania to Lagos, Nigeria. Most likely these were weapons; as the *Washington Post* recently reported, family members of corrupt Romanian despot Nicolae Ceausescu had developed a lucrative sideline, secretly selling Soviet military hardware to the CIA through a chain of intermediaries. While ordinary Romanians struggled to put food on their tables due to their government's forced austerity, the CIA's money was flowing into Swiss bank accounts that the Ceausescu family maintained as insurance in case it had to flee.

The following April, another Danish freighter departed from Romania with another \$2.6 million cargo brokered by Shimon. It sailed to Israel, where it took on an additional \$4.2 million worth of

“technical goods” and set sail for Nigeria. A few weeks later, a second Danish freighter, the *Nicotto*, embarked from Portugal, with a \$2.2 million cargo for Douala, Cameroon. Although Lagos and Douala are 460 miles apart, bank records show the shipments were part of a single contract.

The destination? Cameroon's tiny army doesn't use Soviet-style armaments. Nigeria does to a certain extent, but it is phasing out its plentiful stocks of Soviet weapons. Possibly, the multi-million-dollar shipment was to be routed to Afghanistan. However, Chad—where Casey's CIA reportedly spent \$20 million backing a successful rebel war to unseat a Libyan-backed regime in 1982—and Angola were closer international hot spots. If Angola were the destination, there would have been another reason for Associated Traders to keep its business secret: Congress had barred the CIA from militarily aiding the Angolan rebels by passing the Clark Amendment.

By keeping its Romanian purchases outside U.S. borders, Associated Traders did not have to worry about technically running afoul of the Arms Export Control Act, which bars U.S. import-

*Continued on page 99*



## CIA BANKER

*Continued from page 49*

export companies from doing business with the State Department's list of enemy nations.

Less risky merchandise was sometimes routed right through the Port of

**Associated Traders "was  
just a giant filter,"  
Brenneke explains.  
"Money goes through it,  
and where it comes out,  
nobody knows."**

Baltimore. The sun had not yet risen on January 13, 1983, when the Brazilian freighter *Netuno* lurched into berth six at the Dundalk Marine Terminal. On board was a \$1.9 million shipment of rifles obtained for Associated Traders by Sherwood International.

A second \$1 million shipment from Brazil arrived in Baltimore that May. From U.S. Customs records and other sources, it can be deduced that the forty-two-hundred rifles were most likely Brazilian-made versions of the German G-3 assault rifle. The importation of such weapons into the United States is now barred by the federal Bureau of Alcohol, Tobacco, and Firearms, but back then it was permitted.

BATF spokesman Jack Killorin, however, notes that few Brazilian G-3s seem ever to have showed up on the domestic market. Ex-CIA operative Brenneke believes Associated Traders' deadly hoard may have been shipped via the agency's then-legal Contra supply pipeline down through Miami to Honduras, where arms stockpiles were accumulated for the Contras. Ex-Contra Chamorro confirms the Contras were offered G-3s—some of South American manufacture. But like other ingenious CIA schemes, the Baltimore connection had spotty results. Some Contra soldiers complained that the ammunition magazines the CIA was providing did not fit the rifles.

Bob Benson had Maxwell more than a little worried. It was the afternoon of February 22, 1985, and the Associated Traders official had come to see Maxwell regarding a \$47,600 transfer to the numbered account in Zurich via Panama, which Associated Traders had requested the day before. According to Maxwell's account, Benson told Maxwell that the Panamanian bank had been used too many times, and another foreign conduit was needed. The First National checking account and the money-market account in the Caymans were too vulnerable as well; Benson was afraid that federal bank regulators might discover them in the course of an audit. Benson wanted the bank to close them out and set up a new, hidden account for Associated Traders that would escape detection.

Maxwell was taken aback. Why was one branch of the federal government concerned with hiding something from another branch? Not that it would be too difficult to hide things from inexperienced federal bank regulators. But Maxwell was a strong believer that everything in banking should be aboveboard. Maxwell said he would check on how it might be set up and call Benson the following week. Benson told him not to give the information by phone; in person would be better.

After the meeting, it dawned on Maxwell that this must be something really big. Too big for his liking. He'd already written Bond a memo on February 19, asking for written authorization for processing Associated Traders' "out-of-the-ordinary transactions," both past and future. "I feel strongly this is necessary for my own personal protection," he implored. After all, if federal regulators did become curious about Associated Traders' Cayman accounts, Maxwell's name was prominently on the statements.

When Maxwell didn't receive an answer, he sent a second memo to Bond. "My conversation with Benson has compounded my concerns and fears regarding this corporation," he wrote. "I question if our bank should be involved." Maxwell asked that his name be removed from Associated Traders' statements, and he said new requests would be directed to Teather or to Bond himself for processing. (In all, he would send five memos on the subject to First National executives.)

Late that afternoon, Robert Dael—Maxwell's supervisor after Teather was transferred to the bank's York, Pennsylvania, branch—stopped by to talk to

## Thank You

"I never pictured myself or my family homeless—until it happened. But now, I have hope and my children have a future."

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Thank you.



Source: Central Maryland Megatrends 1989.



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him. What did he mean by "out of the ordinary?" Maxwell recalls being asked. Had he told anybody? For his own protection, Maxwell recalls, "I said, a number of people, even though I hadn't." Did Maxwell have an attorney? He didn't, but he dodged the question.

In a sworn deposition he gave in 1989, Dael portrays the conversation in a less menacing light. Maxwell, he said, "was apparently upset at having to deal with transactions from that particular customer ... he didn't agree with things they were doing."

That night, Maxwell stayed late at the office. He went through the Associated Traders file, hastily copying what he

**Maxwell feels that going  
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considered to be key documents. That way in case he was ever questioned by investigators, the documents with Teather's name on them would provide proof that Maxwell hadn't just been helping the CIA on his own.

The next morning, Bond called Maxwell to his office for a meeting. "Bond wanted to know if I'd spoken with anyone in the bank or the news media," Maxwell recalls. "I mean, that is all he wanted to know." Maxwell says he was told that what seemed out-of-the-ordinary to him might not be so. What was prompting all this? he was asked. Maxwell responded that it was common sense and said even the CIA wasn't above investigation. He was insistent about getting written authorization. Finally, Maxwell recalls, an irritated Bond said he'd do what he could.

That afternoon, Maxwell says Dael pulled him out of a computer training session and asked that Maxwell immediately turn over the Associated Traders files. He complied. At the end of the day, he had a second meeting with Bond, who said if he would just stick it out a little longer, Bond could get him what he wanted.

Maxwell went home that night feeling exhausted. "I guess the stress start-

ed hitting me then," he recalls. "I just got pissed off. I thought, let them play all the games they want. They put my name on that account, they instructed me ... I want that memo."

Even though he tried not to talk about it, his wife sensed something was going very wrong. He'd told Renee in the past about his having the CIA as a customer. "I wasn't really alarmed at first, as long as the bank was saying it was okay. We had just arrived here, and you want to settle in and have it that everything is going to be wonderful," she says in retrospect. Gradually, though, as the situation grew more tense, Maxwell began to open up; eventually, he would reach a point where his family would seem to be his only support.

Maxwell had yet another meeting with Bond on March 1. According to Maxwell, Bond told him the CIA wouldn't allow the bank to give Maxwell written authorization. He'd acted voluntarily, and he hadn't been forced into this. Total trust was necessary. There was no need for a memo. If he carried this thing further, a lot of people that he didn't even know could be hurt.

The CIA had assured him that it was all completely legal, Bond supposedly said. If it was all legal, Maxwell came back, then he should get the memo. No, Bond said, he couldn't.

At one point, Maxwell claims, Bond did something startling: He looked Maxwell in the eye and said that Maxwell shouldn't worry because the CIA wasn't displeased with his actions, and he and his family weren't in any danger. Maxwell perceived that as a threat. At the time, it only made him angry.

But a few days later, Maxwell took a sick day and went to visit an attorney in Pennsylvania who was a friend of his brother's. Maxwell told his strange tale of CIA gunrunners. The attorney didn't react in disbelief. Instead, he confided to Maxwell that in Vietnam, he himself had worked for the agency. He explained that Maxwell could probably get some hush money out of the affair, but that he would be wise not to push that too far. "He said, 'You could have a car accident tomorrow,'" Maxwell recalls.

That is when he first started feeling genuinely frightened.

A week later, Maxwell decided quietly to close out his First National savings account and open a checking account at another local bank. That way, he figured, he could hire a lawyer without First National

about it right away. Maxwell kept complaining until his no longer was included on Associated Traders' statements, but he wasn't satisfied. He wanted the written authorization to cover what he'd already done on behalf of the CIA. He had another angry meeting with Bond on March 14 that failed to resolve matters. Thus, five days later Maxwell was summoned to the twenty-second floor of First National's headquarters on South Charles Street and was ushered into the office of executive vice president Frederick Meier Jr.

## Maxwell's case may raise the question of whether the CIA played a heretofore undisclosed role in Oliver North's operation.

According to Maxwell, the meeting went as follows. He reiterated his desire for written authorization. Meier said he didn't see the need for it, but then added that an attorney for the bank already was drawing up a release for Maxwell, which would be given to him provided the CIA approved it. Meier, Maxwell recalls, couldn't understand what all the fuss was about. He and another bank executive had brought the CIA front's account to the bank in 1975, though not everybody in management was aware of it. No one else who'd ever worked on the account had asked for a written release. Weren't the raises and promotion enough evidence of the bank's support?

Meier's March 22 memo to Maxwell, however, failed to satisfy his worries. It stated that "to the knowledge of the bank, from the time of your employment, to date, you have been conducting business in an authorized manner and in compliance with instructions." There was no reference to Associated Traders. About this time, Maxwell began searching for an attorney; he was already spending long lunch breaks at the library, pouring over business law texts. "I thought, there must be some law against a corporation doing this to

an employee," Maxwell says.

Meanwhile, his career at First National began to unravel. His relationship with his supervisor grew strained. In April, he received what he says was a lukewarm rating in his job review and a below-average raise. Maxwell claims he also began to get frequent calls and visits from Teather, asking him about the Associated Traders account and pressuring him to sign documents.

In July 1985, as the Reagan administration was delivering its first secret shipment of arms to Iran, Maxwell was still pushing his superiors for the memo. One day he got a call from a corporate headhunter, recruiting him for a position at Maryland National Bank. He suspects First National may have arranged the new job (though a spokesman for Maryland National denies it). But, eager to get away from his current situation, he decided to accept.

Even after starting his new job, Maxwell could not put the CIA behind him. He was haunted by worries. What if the Associated Traders transactions had been illegal, and it caught up with him? "I'd sit down and think: Why the hell didn't they give me the memo? This thing must be very involved. If they are going to be investigated, they're not standing behind me, obviously, and here's my name on the account for these months."

Thus, on September 5, he sent a letter to First National president Charles Cole Jr., saying he had been left no choice but to resign, and hinting that he might pursue legal action if he didn't get written authorization for his actions on behalf of Associated Traders. Twelve days later, he received a call from Dael, who Maxwell says told him Associated Traders and its "parent company" would like to meet with him. Maxwell refused. He wanted nothing more to do with Associated Traders. All he wanted was his memo.

By now, the tension was pushing Maxwell to the brink. It was increasingly difficult to concentrate at work. The image of the beefy man with the bulge in his jacket stuck in his memory. He found himself incessantly looking over his shoulder. Cars passing by on the road outside his house at night caused him to bolt out of bed. If his children were ten minutes late coming home from a date, he'd be out looking for them. "It was hitting me then," he recalls. "One day I went to work and I was just sweating like a pig. I went down and had my blood pressure taken, and it was sky high. I felt like my legs were crumbling." He went back to his office,

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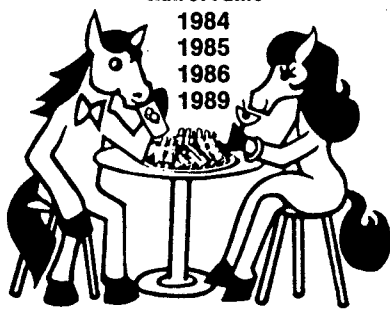
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called his wife, and asked her to come pick him up. The next day his family doctor suggested he see a psychiatrist.

**F**irst National continued handling Associated Traders transactions for at least another year, according to sworn depositions. Meanwhile, after his acute anxiety attack, Bob Maxwell was struggling. His psychiatrist, Dr. Milton Buschman, initially wasn't sure whether to believe Maxwell's story—after all, the CIA is a popular subject for those with delusions. Buschman, though, talked with Renee Maxwell, who vouched that her husband wasn't making up the events he described; beyond that, the patient displayed none of the usual signs of paranoia. Instead, Buschman decided, the banker simply was a forthright, direct man with clear ideas of right and wrong and an aversion to being pushed around. "He was a very capable person who had been functioning quite well and found himself in a system where he was being betrayed," he says.

For Maxwell, it was a relief finally to get what had happened off his chest. Still, he couldn't bring himself to go back to banking. At age 40, he was forced to scrounge for a new, less stressful line of work. He tried selling real estate, working in construction, and repairing furniture. Finally, he settled for tending bar. He and his wife, faced with a mortgage and two kids in college, used up their savings paying debts, and they cut back drastically on what had been an upper-middle-class life-style. "I'm thankful that we have a strong marriage," Maxwell says.

Maxwell finally took his bank documents to syndicated columnist Jack Anderson, whose associate Corky Johnson was already on the trail of arms merchant Michael Kokin, head of Sherwood International. In October 1986, Anderson published the first of several columns laying out the links between Sherwood, Associated Traders, and the CIA's covert wars.

Maxwell feels that going public has ensured his safety and that of his family: "I've been told since, by ex-CIA agents and reporters, that it was the smartest thing I ever did."

Anderson's scoop, says one source formerly connected with the government, caused consternation in the depths of Langley. "It was a subject of concern to the agency," the source says. "Given their sensitivity to public scrutiny, Maxwell created quite a hoopla."

A few weeks later, on November 3, a Lebanese magazine broke the story

that the Reagan administration secretly had been selling arms to Iran to win release of American hostages, and in the intelligence community, alarms began sounding.

On November 7, Associated Traders representative John Palma showed up

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**The full extent of  
Associated Traders'  
activities is a secret tucked  
away in the bowels of CIA  
headquarters in Virginia.**

---

at the 611 Park Avenue building and offered to pay whatever it would cost to get out of the lease. He told the manager she could keep the office's furniture, since Associated Traders didn't want to bother packing it up.

Apparently, the firm beat it just in the nick of time. Several weeks later an agent from the FBI's Baltimore office showed up at 611 Park Avenue and asked a lot of questions about Associated Traders. Later, there was a visit from a group of men in a rented car with Washington, D.C., plates who took pictures and asked questions as well. They vaguely identified themselves as U.S. marshals. A source connected with the Congressional Iran-Contra investigation notes: "It wouldn't be at all surprising to find the FBI feeling around in the dark before they realized what was going on. One call, though, would have let [the FBI agent] know it was a government operation."

**F**ascinated, Maxwell read the headlines about the Iran-Contra scandal and saw parallels to his own tale. "It was a shock," he recalls. "I thought, boy, this stuff is right up my alley." He no longer worried that people might think he was crazy.

On August 11, 1988, he filed his lawsuit in U.S. district court in Baltimore against First National. The complaint was later amended to add Associated Traders and unnamed officials of the CIA, FBI, and the Justice Department, whom it accuses of threatening Maxwell with prosecution and his former attorney, Thomas Dolina, with disbarment if they did not "go easy" in the

The threats allegedly were conveyed to Dolina during a January 1989 telephone conversation with the bank's counsel, Joseph Finnerty. Finnerty has denied the threats.

The Maxwell suit ultimately may shed some light on the now murky area of the U.S. intelligence community's relationships with domestic banks. Recently, some disturbing accusations have surfaced about how the CIA handles its secret money and where it gets it. In February, the *Houston Post* published a series revealing that key figures in twenty-two failed savings and loans in Texas and elsewhere have apparent links to the agency; the articles raised the question of whether funds were siphoned from the thrifts to help finance covert operations that Congress was unwilling to support.

Associated Traders is gone, but the weapons it spread around the globe are still in circulation, a lethal legacy that may come to haunt the United States. In Afghanistan, the *Washington Post* recently reported, U.S.-armed rebel factions are now battling over control of drug traffic. "Central America is awash in modern weaponry of all descriptions," says David MacMichael, a former CIA officer. "That, believe me, is one of the inheritances of U.S. Central American policy. It will destabilize the region for years to come."

First National's parent, First Maryland Bancorp, continues to prosper. The firm now is engaged in a hostile takeover bid for Baltimore Bancorp, the parent of the Bank of Baltimore.

Meanwhile, Bob Maxwell claims he and his wife have been subject to subtle harassment. One day they noticed a man in a parking lot who appeared to be photographing them. After that, a man came into the bar where Maxwell works, ordered a couple of draft beers, and left a \$5 tip, wrapped around a pen with a U.S. government emblem. Recently, he says he was followed by men in a car. "They [the CIA] are just trying to make sure we know that they're out there," he theorizes.

But even though he is tired and virtually broke, Maxwell is determined not to give up. "I feel I have a right to get some answers from the government and some compensation for what has taken place," he said on a recent afternoon as he sat at the kitchen table in his home, amid unwieldy piles of documents, legal papers, and notes, nervously smoking a True cigarette. "I mean, hey—I'm a U.S. citizen."•

Patrick J. Kiger is senior writer of BALTIMORE Magazine.

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