

**TOP SECRET**

18

Phone (Area 202) 544-6000

WARD &amp; PAUL

410 First Street, S.E., Washington, D.C. 20003

1 Niarchos' ship captains named Katopodes brought a libel action  
2 I believe it was, against Onassis for some letter he had written  
3 about some activities of Katapodes, I can't remember the  
4 details now.

5 We didn't know where this was leading. So this was in  
6 the Supreme Court of New York State, and so I went to a fellow  
7 I knew in the U.S. Attorney's office and asked him if he  
8 could keep track of how this suite was developing to see if  
9 it was leading into some of the connections we had, par-  
10 ticularly with Niarchos.

11 And he got some of the pleadings and some of the pre-  
12 trial evidence --

13 Mr. Wides. But you don't recall any contacts between  
14 the Agency and the Justice Department resulting in Mr. Yeagley  
15 going up to try and halt some aspects of the grand jury  
16 proceedings in New York growing out --

17 Mr. Houston. It strikes no valve.

18 Mr. Wides. Let me ask just one more question in this  
19 area and then we will move on to the document I asked you to  
20 look at before we started.

21 Mr. Maxwell. I have just one other question.

22 Mr. Wides. Do you recall the infamous Kilham case involv-  
23 ing the alleged wrongful death of a former CIA airline agency  
24 employee in Thailand in which it was alleged that two other  
25 agency employees -- Mr. Kilham, I believe, had been a CIA

**TOP SECRET**

**TOP SECRET**

19

1 employee. And at the time Mr. Joost and the other fellows  
2 were CIA employees of the station at Thailand in 1951 they were  
3 alleged to have been involved in disposing of Mr. Wilham's  
4 body, and there was a serious question as to whether one or  
5 both of them had been involved in his death. And then I believe  
6 in 1955 this was brought to the attention of the Agency through  
7 the efforts, among others, of Mr. O'Donnell, who was then the  
8 station chief, Justin O'Donnell, who came back and raised it  
9 with Mr. Wiesner, and then I believe it was raised with  
10 Mr. Kirkpatrick and with yourself.

11 Do you recall that incident and the eventual denouement  
12 of the affair?

13 Mr. Houston. I cannot remember the exact chronology.  
14 I had thought they had gotten the report on the problem a  
15 little earlier than you suggested. But I can't argue it.

16 Mr. Wides. Do you know if any action was taken earlier  
17 than the time in 1955 when Mr. O'Donnell first raised it with  
18 Mr. Wiesner?

19 Mr. Houston. I didn't know that Justin O'Donnell was  
20 the one -- at least I don't recall it, so I don't know exactly  
21 how it first came to my attention. But when it did, to the  
22 best of my recollection, Lyman Kirkpatrick and I, and I think  
23 Frank Wiesner was probably involved, tried to assemble all  
24 the facts to find out insofar as possible what had gone on.  
25 It was a confused picture. All sorts of interpersonal feelings

**TOP SECRET**

**TOP SECRET**

20

1 that I recall were going on out there. And I think one of the  
2 Thai police might have been involved.

3 Mr. Wides. I don't know if it refreshes your recol-  
4 lection, but I believe a Colonel Rack was a local official  
5 who had some knowledge of it.

6 Mr. Houston. To the best of my recollection I put  
7 this together and talked to Allen Dulles who was much concerned  
8 about it. He said, I think we ought to report that to  
9 Justice.

10 And I said, there is no particular problem, because  
11 there is nothing we can do about it because there is no crime  
12 against the U.S. that I can find in this situation, it is a  
13 crime against the Thai sovereignty.

14 And Allen said, that well may be. But I still think  
15 that I want to report this to Justice.

16 And he asked me to prepare a detailed report on a  
17 classified basis. I have forgotten the nature of the classi-  
18 fication. I suppose the relations with CAT at that time were  
19 still basically top secret.

20 So, I did prepare a report and delivered it to -- I  
21 can't remember-- probably to the Assistant Attorney General,  
22 Criminal Division, who ever it was.

23 They said to the effect, thank you, that is it. There  
24 is nothing we can do.

25 Mr. Wides. Was there any discussion of the possibility

**TOP SECRET**

Phone (Area 202) 544-6000

WARD &amp; PAUL

410 First Street, S.E., Washington, D.C. 20003

**TOP SECRET**

21

1 of giving information to the Thai authorities so that they  
2 could decide whether to exert jurisdiction?

3 Mr. Houston. My recollection is that the indications  
4 were that the Thai authorities had as much information as we  
5 did. I don't remember to the contrary, but a lot of the  
6 information we got came from the Thais.

7 Mr. Wides. Did Mr. Kirkpatrick go over to Thailand  
8 to talk to some of the people there to find out what they  
9 knew about the situation?

10 Mr. Houston. I don't recall.

11 Mr. Maxwell. Was any action taken against either  
12 of the CAT employees?

13 Mr. Wides. Dennis Fleming was the other one. And  
14 he was recalled.

15 Mr. Houston. And Kilham?

16 Mr. Wides. Joost and Fleming were the two persons  
17 against whom the charges or allegations were raised.  
18 Kilham was the victim.

19 Mr. Houston. I remember Joost being a problem, but I  
20 can't remember what the outcome was. And Dennis Fleming  
21 just strikes a very faint bell. I can't remember at this  
22 time.

23 Mr. Wides. Did you have another question in this area?

24 Mr. Maxwell. I just wanted to say, if you wanted to  
25 continue, you said there were three cases that eliminated the

Phone (Area 202) 544-6000

WARD &amp; PAUL

410 First St., S.E., Washington, D.C. 20003

**TOP SECRET**



**TOP SECRET**

22

1 kind of cases which CIA had with Justice, and the referrals,  
2 and you had gone through one. And I wondered if you wanted  
3 to go through the other two.

4 Mr. Houston. All right.

5 The second one was quite an interesting one. If I give  
6 it in too much detail, excuse me.

7 Mr. Maxwell. Off the record.

8 (Discussion off the record.)

9 Mr. Maxwell. Back on therecord.

10 Mr. Houston. **The staff officer in Italy** all of a  
11 sudden disappeared from his post, and there was indication  
12 that he had with him a considerable sum of money, something  
13 in the nature of \$30,000, I can't remember the exact amount.  
14 This was promptly reported, and he disappeared into the blue.

15 The **station** started looking into it. And I believe we  
16 sent people over to try and look into it, and found that  
17 there had been a serious family problem between himself and his  
18 wife.

19 Finally, **through some sort of source** in Mexico we got  
20 word that this fellow was near Mexico City, and he passed word  
21 to the **station** through a lawyer that he had written all the  
22 operational details of what he had been engaged in **in Italy,**  
23 which again were very sensitive, sealed them, and put them  
24 in a vault which only the lawyers could get at, with instruc-  
25 tions to his lawyers that if anything happened to him, no

Phone (Area 202) 544-6000

WARD &amp; PAUL

410 First St., S.E., Washington, D.C. 20003

**TOP SECRET**

**TOP SECRET**

55

1 Mr. Houston. It was a memo of DITEL's that I saw.  
2 I think it was dated after I left. I saw it in draft after-  
3 ward. It had to do, I recall, with operations in the Trust  
4 Territories.

5 Mr. Wides. In other words, the first category of issue  
6 that I mentioned?

7 Mr. Houston. Yes.

8 Mr. Wides. With regard to MH MUTUAL, which is a topic  
9 that we obviously don't have time to discuss fully today, and  
10 we have not yet seen the files, I wonder -- and Mr. Maxwell  
11 was going to pursue this, and I may be back -- if you could  
12 give me a rough idea during the period when it was under your  
13 stewardship of the organizational chart, as it were, for the  
14 policy committee, the investment committee, and so forth, how  
15 were the questions of what investments could be made with the  
16 pension fund and the insurance fund and the like, how was that  
17 policy developed, and who was involved, and so forth?

18 Mr. Houston. The lawyer running the actual operation  
19 reported directly to me.

20 Mr. Wides. Was he in the OGC office? Or part of  
21 ANVIL?

22 Mr. Houston. He was ANVIL, a staff official but under  
23 unofficial cover.

24 Mr. Wides. Meaning that he was in a law firm that  
25 was essentially a proprietary.

**TOP SECRET**

**TOP SECRET**

56

1 Mr. Houston. Not entirely a proprietary. We supported  
2 part of it, and part of it was a legitimate law firm, they  
3 worked together and shared the firm.

4 Mr. Wides. Is it possible for you to indicate  
5 who that is, or is that someone whom you would not like to  
6 disclose.

7 Mr. Houston. I can't do that.

8 Mr. Wides. How would we refer to him in terms of his  
9 position if we were trying to ascertain his identity, or  
10 if we were negotiating with the Agency, as it were? What  
11 was his title vis-a-vis the mutual management? Was he the  
12 project officer?

13 Mr. Houston. He was certainly -- let's call him the  
14 project officer for MM ANVIL.

15 Mr. Wides. And that was for a good many years, one  
16 particular person?

17 Mr. Houston. Yes. He was there from pretty near the  
18 start until he retired by, about two years ago, three years  
19 ago. So, he was there all through the sixties, I would say,  
20 or the seventies.

21 Mr. Wides. This is not John Keaney, is it?

22 Mr. Houston. No.

23 Mr. Wides. Was John Keaney's role more in terms of  
24 setting up proprietaries and incorporating them?

25 Mr. Houston. John Keaney?

Phone (Area 202) 544-6000

WARD & PAUL

410 First S.E., Washington, D.C. 20003

**TOP SECRET**

**TOP SECRET**

57

1 Mr. Wides. Yes, a Washington attorney -- or Kenney.

2 Mr. Houston. Kenney. He must have been one of the cen-  
3 tral cover projects. He was not an OGC project that I recalled.

4 Mr. Wides. He was not prominently involved in establish-  
5 ing proprietaries or their incorporation?

6 Mr. Houston. He might have worked in some of the central  
7 cover situations, but I don't recall him being involved in any  
8 of the proprietaries I worked on.

9 Mr. Wides. With regard to MH MUTUAL, as you can read-  
10 ily understand, we are interested in exploring its dimensions  
11 in nature, and are really beginning to get access to materials  
12 on it. Without taking you through all of its multi-faceted  
13 aspects, which would take some time, let me ask you one  
14 or two questions with regard to concerns that have been raised  
15 by the committee.

16 Do you recall at any time questions arising about the  
17 conflict of interest or any questionable aspects of the invest-  
18 ment decisions of the MH MUTUAL program or any part of it?  
19 And by that I do not mean an individual who obtained intelligence  
20 information and was trading on his own, or an investment club  
21 within the agency, or that kind of thing, but questions in-  
22 volving either the Agency using insider information, if you  
23 will, obtained through its intelligence activities or  
24 otherwise in making investment decisions or buying stock or  
25 debentures, or making other investments to assist the person

Phone (Area 202) 544-6000

WARD &amp; PAUL

410 First St., S.E., Washington, D.C. 20003

**TOP SECRET**



**TOP SECRET**

58

1 or the corporation or country whose securities were being  
2 invested in?

3 Mr. Houston. There were about two or maybe three recom-  
4 mendations from the Investment Counsel we had at the time we  
5 were turned down --

6 Mr. Wides. Excuse me. Was the Investment Counsel the  
7 person you were referring to?

8 Mr. Houston. No, this was an outside investment  
9 counsel we retained for advice for a period of time.

10 Mr. Wides. Was it a firm or an individual?

11 Mr. Houston. It is a well-known firm. And they made at  
12 least two or three recommendations to invest in stock of  
13 companies which we questioned rather extensive contractual  
14 arrangements, and in view of those contractual arrangements,  
15 I recommended that we reject the recommendations.

16 And we did.

17 Mr. Wides. Do you recall any instances where invest-  
18 ments were made and it was then learned or there was  
19 adversion to the fact that there were contractual relation-  
20 ships, or whether they were known in advance and it was weighed  
21 and the decision was made to go ahead with the investment?

22 Mr. Houston. No. The only ones I recall were turned  
23 down. Since there was ample room to investigate, there was  
24 no need to get in a position of possible implication of  
25 conflict of interest. So, we erred on the side of turning down

Phone (Area 202) 544-6000

WARD & PAUL

410 First S.E., Washington, D.C. 20003

**TOP SECRET**

**TOP SECRET**

59

1 rather than going ahead.

2 And incidentally, the outside investment counsel would  
3 not know why we turned it down.

4 Mr. Wides. Were all of the investment decisions for  
5 the assets of MH MUTUAL -- and you use that in the broad  
6 sense, I don't fully understand the relationships among all  
7 the aspects of the complex -- but were all of the investment  
8 decisions, the Eurodollars and the small amount of stock and  
9 the like made by outside counsel or were there some invest-  
10 ment initiatives which originated within the Agency?

11 Mr. Houston. For a while almost all of them were made  
12 by this outside counsel. It was not too happy a relationship,  
13 not because of his fault. I think he was doing his honest  
14 best. But we took too long processing his recommendations and  
15 often lost a market by taking too long through our own in-  
16 ternal controls.

17 So, finally, we decided that while we had gone to him  
18 for a good reason, that is, so we could show that we had  
19 relied on outside counsel of known stature, that it was  
20 not fair either to him or to us to be in circumstances where  
21 we were really secondguessing him through our own internal  
22 procedures and our own investment sort of Board of Directors.  
23 So we left, I hope, on friendly terms.

24 Mr. Wides. About when was that?

25 Mr. Houston. Let me guess at around 1969, something

Phone (Area 202) 544-6000

WARD &amp; PAUL

410 First Street, S.E., Washington, D.C. 20003

**TOP SECRET**

**TOP SECRET**

60

1 like that.

2 Mr. Wides. Up until then as far as you know there  
3 was no investment of Agency funds that were made as a result  
4 of any decisions or implications within the CIA which might  
5 then have been run by him for his independent advice but might  
6 have originated or prompted within the Agency?

7 Mr. Houston. There may have been those. You see,  
8 on our Board of Directors to which we referred all basic in-  
9 vestment decisions we had three of our top economists, and  
10 at least one of them was a member of a couple of college  
11 investment boards, so that they had the benefit of the advice  
12 to those university investment counsel.

13 Mr. Wides. Was he a consulting economist or a member--

14 Mr. Houston. A member of the staff.

15 Mr. Maxwell. **Mrs. Thunberg?**

16 Mr. Houston. Yes.

17 Mr. Wides. And her relationship with the university  
18 board was what, as an alumni?

19 Mr. Houston. As an alumni. She was called as a  
20 consultant on their investment program.

21 We also had the advice of a couple of friendly banks,  
22 and at least a couple of insurance companies would freely  
23 give us the benefit of their investment policies.

24 **Mr. Wides. What was the relationship between yourself**  
25 **and the banks and the insurance companies, the CIA?**

**TOP SECRET**

**TOP SECRET**

62

1       In others they would ostensibly take the risk and we  
2       would stand behind them.

3       Mr. Wikes.     So that was indemnification?

4       Mr. Houston.   Complete indemnification. And by and  
5       large this arrangement worked extremely well.

6       Mr. Wikes.     So those were the kinds of insurance companies  
7       were were talking about that would give us the benefit of  
8       their investment?

9       Mr. Houston.   Both of them had large investment portfolios  
10      of their own, and feel I gave us access to their investment  
11      manager, who were most cooperative in what they were invest-  
12      ing.

13      Mr. Wikes.     And what was the point of contact in the  
14      Agency during that period for the insurance companies?

15      Mr. Houston.   I went in both cases to set up the ori-  
16      ginal contact, and then this project officer was the  
17      primary.

18      Mr. Wikes.     And he would have been the point of contact  
19      for receiving their investment views?

20      Mr. Houston.   He or his office.

21      Mr. Wikes.     And you mentioned also a bank as an out-  
22      side source.

23      Mr. Houston.   There were a couple of banks, but one  
24      particularly. We kept some of the money on deposit with this  
25      bank.     And we had some offshore assets that were ostensibly

**TOP SECRET**



**TOP SECRET**

63

held by an offshore subsidiary of the bank.

The bank at our request gave us a flat guarantee of repayment no matter what on these assets. So, we felt well protected on this. And also, when we deposited with them the certificates of deposit we got the normal prime rate on our deposits. And here again they particularly in the field of Eurobonds had some good advice, and we also went to another brokerage house in New York who had investment advisory staff that specialized in Eurobonds. So far as I know, they did not know the Agency was involved, but they gave advice on the best interest rates in Eurobonds and certificates. It was a highly specialized field.

Mr. Maxwell. Who was going to the investment house, the project officer?

Mr. Houston. The project officer.

Mr. Wides. Do you recall any dealings with Suydam and Company?

Mr. Houston. No. I have been asked time and time again about Suydam Company, and the only thing I knew was from personal knowledge going back to a trust my sister has an interest in in the Guaranty Trust. They had one of these holding companies which I think was called Suydam and Company. But you never heard -- who was it? I know. One of our directors of Southern Air Transport told me that he was continually being asked by contact with Suydam and Company. And he said

**TOP SECRET**

**TOP SECRET**

64

1 that is the only one he knows, was the Guaranty Trust. There  
2 was someone else, I don't know about it.

3 Mr. Wides. GETting back to the question I alluded  
4 to while we were off the record, did any questions arise about  
5 whether the people on the board, the investment board, or manag-  
6 ing board of Mutual, who were from within the Agency, would  
7 have access to economic intelligence or political intelli-  
8 gence relevant to their own thinking on investments, and  
9 where there was any question of a proprietary involved?

10 Mr. Houston. The members of the board were always free  
11 to bring up their ideas for investments, particularly in the  
12 stock field, until more recent years. But mainly we were  
13 consulting the economic experts for their general economic knowl-  
14 edge on trends and any input they could give on basic invest-  
15 ment policies.

16 Mr. Wides. That would include, I assume, economic in-  
17 telligence regarding, for example, the trend of whether there  
18 was likely to be a copper shortage, or the trend of  
19 whether there was likely to be more nationalization of rubber  
20 plantations or oil?

21 How would you differentiate that from economic intelli-  
22 gence except that it would be --

23 Mr. Houston. Because our investments, except for the  
24 Eurobonds, were almost entirely in U.S. investments. And  
25 while these were trained economists, their main professional

**TOP SECRET**

**TOP SECRET**

65

1 interest was in the foreign field. And I don't remember them  
2 staying, for instance, let's get into copper, it is going to  
3 be in very short supply in Peru or whatever. I don't remember  
4 any discussion of that sort.

5 Mr. Wides. Do you recall any policy papers or reviews  
6 generally as to the use of Agency knowledge in the broadest  
7 sense of its intelligence fund in regard to the investment  
8 decisions as distinct from decisions that were generated wholly  
9 by outside?

10 Mr. Houston. There were various basic general policy  
11 papers -- usually I would prepare them and put them before  
12 the board -- in which this may have been touched on. I don't  
13 recall it specifically.

14 Mr. Maxwell. The source of funds invested under the  
15 auspices of the board were what?

16 Mr. Houston. The initial source of funds was usually  
17 reprogrammed at the year's end available for operational use.  
18 And this was regarded as an operational use necessary to  
19 support operations because of the need for the basic insurance  
20 function.

21 In other words, all these companies that we had in  
22 this insurance complex appeared to have the substance an  
23 insurance company would be expected to have. Actually, the  
24 whole fund for all of them was managed as a central fund under  
25 this one project officer. On the design and organizational

**TOP SECRET**



**TOP SECRET**

66

1 chart. It looked very complicated. In operation it was quite  
2 simple. It was handled really as one entity with various faces  
3 appearing. And the complications of those whereby maintaining  
4 your directors, who took no part in the operation, your companies  
5 directors, and things, and keeping your letterhead straight  
6 for your writing for the different companies.

7 Mr. Maxwell. Were there other sources of funds,  
8 profits **made by proprietaries** in stock or bond transactions that  
9 went back into the investment fund?

10 Mr. Houston. They would all go into the central in-  
11 vestment fund, and in the initial stages, particularly where  
12 there was income from funds and dividends -- until the stock  
13 market broke there were some capital gains registered. Then  
14 the investment policy went more and more, particularly as  
15 the interest rate went up, in the Eurobonds and certificates  
16 of deposit, where for a while you were getting -- I think we  
17 got a weighted average of over 11 percent. And then those  
18 would go back into the fund against the insurance loss account-  
19 ability. The most difficult thing we had was trying to  
20 decide what was enough, because there was no actuarial exper-  
21 ience such as in a nominal insurance company.

22 Mr. Wides. You mean the capitalization of particular  
23 companies against insurance?

24 Mr. Houston. Exactly.

25 Mr. Wides. **What about proprietary profit, was that**

Phone (Area 202) 544-6000

WARD &amp; PAUL

410 First Street, S.E., Washington, D.C. 20003

**TOP SECRET**



**TOP SECRET**

67

1 one source of funds that went into the total capital fund?

2 Mrs. Houston. No. If you reorganized a proprietary or  
3 disposed of it, the proceeds identified as the proceeds of  
4 that might go into this fund until their eventual disposi-  
5 tion back into the Treasury, or whatever was decided.

6 Mr. Wides. What about prior to dissolution, just the  
7 annual operating profit, were any not left in the proprietary  
8 but taken out in part and put into the fund?

9 Mr. Houston. In the first place, this wasn't a frequent  
10 occurrence in proprietaries. In fact, MH MUTUAL and Air America  
11 were the only substantially profitable operations. There were  
12 minor profits in others, but by and large as far as I know  
13 they were left in the companies until they were dissolved.  
14 And toward the end of Air America I believe we let off some  
15 of the profits before the final dissolution and then took the  
16 rest of them over, and they eventually turned them into the  
17 Treasury.

18 Mr. Wides. With regard to the investment, in the case  
19 of certificates of deposit abroad I take it that is what you  
20 are referring to as the weighted average, when you weighted  
21 Eurodollars, Eurobonds and certificates of deposit. Whatever  
22 the form, were some of the investments in foreign countries made  
23 in any way in consultation with the operating divisions in  
24 regard to the non-investment aspects of the loan, if you will,  
25 the possible use of them for covert assistance in the broadest

Phone (Area 202) 544-6000

WARD &amp; PAUL

410 First St., S.E., Washington, D.C. 20003

**TOP SECRET**

**TOP SECRET**

sense of that term?

Mr. Houston. No.

Let us get one thing straight. The certificate of deposit were domestic.

Mr. Wides. Were there any foreign loans?

Mr. Houston. There were no foreign loans that I recall. The Eurodollar bonds were in the case those which were guaranteed by a U.S. company.

Mr. Wides. You don't recall any investment in obligations of a foreign country?

Mr. Houston. Not of a foreign country as such. I believe there were a couple in foreign companies.

I can't even be sure of that but my recollection is by and large of subsidiaries of U.S. companies which do not guarantee their subsidiary bonds.

Mr. Wides. Thank you.

Mr. Maxwell. I would like to go through some of the material in the Olsen case. And I have marked as Houston Exhibit 5 the excerpts from the IG's diary which I showed you before.

(The document referred to was marked Houston Exhibit No. 5 for identification.)

**TOP SECRET**