

SECRET SENSITIVE 131600Z OCT 76 STAFF

CITE

TO: HEADQUARTERS.

ATTN: DEPUTY, FIELD OPERATIONS [ ]

FROM: [ ]

WNINTEL

SUBJECT: DR LAJOS SCHMIDT, BAKER & MC KENZIE, CHICAGO, ILLINOIS;  
GENERAL AIRCRAFT CORPORATION SUIT AGAINST CIA

REF: [ ] TELECON OF 12 OCTOBER 1976, SAME SUBJECT.

1. ON 12 OCTOBER 1976, DR LAJOS SCHMIDT, A SENIOR PARTNER AND STOCKHOLDER IN THE INTERNATIONAL LAW FIRM OF BAKER & MC KENZIE (B&MCK), CHICAGO, ILLINOIS, STATED THAT HE WISHED TO DISCUSS AN URGENT MATTER WITH A REPRESENTATIVE OF [ ] THE SUBJECT MATTER CONCERNED B&MCK'S RELATIONSHIP WITH HELIO AIRCRAFT, A GENERAL AIRCRAFT CORPORATION (GAC) SUBSIDIARY. SCHMIDT PROVIDED COPIES OF NEWS ITEMS OF GAC'S US\$75 MILLION DAMAGE SUIT AGAINST CIA THAT APPEARED IN THE 9 OCT 76 ISSUE OF THE BOSTON HERALD AND IN THE 7 OCT 76 EDITION OF THE WASHINGTON POST. SCHMIDT WAS CONCERNED PRIMARILY WITH THE POST'S ARTICLE THAT ALLEGED B&MCK WAS CLEARED BY CIA "TO WORK OUT THE LEGAL ASPECTS OF HELIO AIRCRAFT SALES TO CIA;" AND THAT "AT ALL TIMES WHILE ADVISING HELIO, SUCH CONSUL WAS EITHER EMPLOYED BY OR IN DIRECT COMMUNICATION WITH THE CIA AND AT SUCH TIME OWED PRIMARY ALLEGIANCE TO CIA."

2. DURING A RECENT B&MCK STOCKHOLDER'S MEETING, WALTER SLOWINSKI, A B&MCK STOCKHOLDER AND GENERAL COUNSEL TO HELIO AIRCRAFT, MADE A BLANKET DENIAL OF ANY CIA ASSOCIATION. DONALD BAKER, CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER OF B&MCK, WAS APPALLED AT THE POST ARTICLE'S ALLEGATIONS THAT B&MCK HAD CIA CONNECTIONS. MANY OF B&MCK'S FOREIGN PARTNERS ARE ALSO UPSET ABOUT ALLEGATIONS OF B&MCK'S CIA ASSOCIATION.

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3. THOMAS BRIDGEMAN, A B&MCK ATTORNEY, PLANS TO REVIEW THE PLAINTIFF'S FILES (GAC VS CIA). SCHMIDT BELIEVES THAT THE PLAINTIFF DOES NOT HAVE ANY DIRECT EVIDENCE OF B&MCK'S INVOLVEMENT WITH CIA, BUT THAT THERE IS SUFFICIENT CIRCUMSTANTIAL EVIDENCE TO BRING DISCIPLINARY PROCEEDINGS AGAINST THE LAW FIRM. SCHMIDT PLANS TO MEET WITH BRIDGEMAN IN CHICAGO, 14 OCT 76, FOLLOWING THE LATTER'S MEETING WITH THE PLAINTIFF'S COUNSEL.

4. SCHMIDT IS TENTATIVELY SCHEDULED TO TRAVEL TO WEST GERMANY, POLAND AND HUNGARY. HE ALSO MUST APPLY TO THE HUNGARIAN EMBASSY FOR A NEW VISA. SCHMIDT SAID THAT HE WOULD LIKE TO FORMULATE A LETTER TO THE POLISH AND HUNGARIAN AMBASSADORS TO THE US IN WHICH HE WOULD DENY HIS FIRM'S INVOLVEMENT AND HIS OWN PERSONAL INVOLVEMENT WITH CIA. SCHMIDT ALSO ASKED WHETHER THE LETTERS SHOULD BE SCREENED BEFORE HE FORWARDED SAME TO THE POLISH AND HUNGARIAN AMBASSADORS. (DCD/CHICAGO COMMENT: WE DO NOT AGREE WITH SCHMIDT'S IDEA TO SEND LETTERS TO THE POLISH AND HUNGARIAN AMBASSADORS. THE LETTERS WOULD PROBABLY TEND TO INCREASE THEIR SUSPICIONS OF SCHMIDT'S AND B&MCK'S CONNECTIONS WITH CIA. IT IS ALSO PROBABLE THAT THE AMBASSADORS MIGHT NOT BRING UP THE SUBJECT WITH SCHMIDT. IF THE ALLEGATIONS ARE MENTIONED HE CAN ALWAYS DENY ANY INVOLVEMENT WITH THE AGENCY. MAY WE ADVISE SCHMIDT ON OUR VIEWS REGARDING THE LETTERS HE PLANS TO SEND TO THE POLISH AND HUNGARIAN AMBASSADORS?)

5. SCHMIDT SERVED AS A COUNSEL FOR HELIO AIRCRAFT FOR A BRIEF PERIOD IN 1964 AND PARTICIPATED IN A US AID FINANCED PROMOTION TO SELL US AIRCRAFT TO OTHER COUNTRIES. HELIO WAS ONE OF SEVERAL US AIRCRAFT MANUFACTURERS THAT RECEIVED AID ASSISTANCE TO PROMOTE FOREIGN AIRCRAFT SALES.

6. SCHMIDT, A HUNGARIAN EXPATRIATE AND A NATURALIZED US CITIZEN, HAS MADE FREQUENT BUSINESS TRIPS ON BEHALF OF B&MCK TO POLAND AND HUNGARY. HE HAS DEVELOPED EXCELLENT RAPPORT AND PERSONAL RELATIONSHIPS WITH MANY SENIOR POLISH AND HUNGARIAN GOVERNMENT OFFICIALS, BOTH ABROAD AND IN THE US. HE IS CONCERNED THAT THE GAC SUIT AGAINST THE CIA WILL JEOPARDIZE THOSE RELATIONSHIPS. HE EXPECTS TO BE CONFRONTED BY POLISH AND HUNGARIAN OFFICIALS ON THE FOREMENTIONED ALLEGATIONS AGAINST HIS FIRM AND POSSIBLY ABOUT HIS OWN RELATIONSHIP WITH THE AGENCY.

7. SCHMIDT WILL DENY ALLEGATIONS THAT HE OR HIS FIRM HAD CIA CONNECTIONS AND HE HOPES THE AGENCY WILL NOT CONTRADICT THE DENIAL.

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