

LOS ANGELES TIMES
7 October 1986

APPEARED
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Five LaRouche Groups, Aides Charged in Fraud

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WASHINGTON—Ten associates of Lyndon H. LaRouche and five of his organizations were indicted on credit card fraud and conspiracy charges Monday, hours after 300 federal and state agents raided the national headquarters of the extremist presidential hopeful in Leesburg, Va.

The 117-count indictment, returned in Boston after a two-year investigation by a federal grand jury, charges that LaRouche's political network plotted nationwide to defraud more than 1,000 people out of \$1 million during his 1984 presidential campaign.

Members of LaRouche's inner circle of advisers in Leesburg were also accused of conspiring to use contacts in the CIA and other means to interfere with the Boston grand jury's inquiry.

'Counterintelligence' Head

Five of those indicted were arrested Monday. They include Jeffrey Steinberg, 39, the "director of counterintelligence" for LaRouche, and reputed white supremacist Roy Frankhauser, 47, the former Grand Dragon of the Ku Klux Klan in Pennsylvania. Frankhauser was charged with advising suspects to burn their records and send anyone who might be called before the grand jury to Europe to work temporarily in LaRouche's offices there. Some of the five men who were not arrested are believed to be out of the country, a Justice Department official said.

LaRouche himself made no statement or appearances Monday. Although LaRouche was not charged, acting U.S. Atty. Robert S. Mueller III said in Boston that the grand jury is still looking into possible crimes not covered by the indictment. In addition, a separate investigation of LaRouche's operations is being conducted by the U.S. attorney's office in Virginia.

The indictment returned Monday is the most serious legal attack yet on the empire of the 64-year-old LaRouche, a former Marxist who now says that the Soviets want to assassinate him to prevent his election as President in 1988 or 1992. Critics in the United States

say he heads an anti-Semitic hate group that resembles a cult.

A LaRouche spokesman called the raids politically motivated because of LaRouche's sponsorship of Proposition 64 in California, the initiative on the Nov. 4 ballot that would order a quarantine against AIDS patients.

"The raids . . . coincide with White House Chief of Staff Don Regan's desperate attempts to maintain a cover-up on the extent of the spread of the deadly AIDS epidemic," Warren Hamerman, chairman of LaRouche's National Democratic Policy Committee, said in a written statement.

Provided Funds

One of the LaRouche corporations named in the indictment, Caucus Distributors Inc., provided the money to gather signatures and place Proposition 64 on the ballot. The other entities named are the National Caucus of Labor Committees, two other committees that raised money for LaRouche's 1984 campaign and Campaigner Publications Inc., which publishes his literature.

The indictment alleges that LaRouche "dominates and controls" the National Caucus of Labor Committees—the umbrella group for all of LaRouche's political activities since the 1970s—which, in turn, sends out orders to employees of his several affiliated corporations, foundations and political committees.

In March, 1985, the indictment says, LaRouche discussed with a key associate how to frustrate the grand jury's investigation. "We are going to stall, tie them up in the courts . . . just keep stalling, stall and appeal, stall and appeal," LaRouche was quoted as saying.

Prosecutors in the U.S. attorney's office in Boston have said in court that LaRouche's supporters did indeed use unusual legal tactics to frustrate the grand jury. Four groups tied to LaRouche have been fined more than \$21 million so far for refusing to provide subpoenaed records to the grand jury.

The morning raid to serve search warrants on the offices in downtown Leesburg, about 40 miles northwest of Washington, involved agents from the FBI, Secret Service, Internal Revenue Service and Bureau of Alcohol, Tobacco and Firearms, as well as state and local authorities.

No officials entered the lavish 175-acre estate where LaRouche lives outside Leesburg, although about a dozen agents were stationed at the gate during the day, according to reports. Agents also served search warrants on an office in Quincy, Mass., and seized records there.

LaRouche or his affiliated organizations have been under investigation in several states for their fund-raising tactics. Virginia Atty. Gen. Mary Sue Terry announced during the raid on LaRouche's offices that her agents also are investigating the groups for violations of state securities laws. LaRouche recently was ordered to pay the NBC television network \$256,000 for interfering with a news interview, and the Supreme Court on Monday refused to hear his final appeal.

The indictment says that some victims of the credit card fraud were unaware that they had any contact with LaRouche's organizers in seven cities, including Los Angeles. Others found large charges on their credit card bills after they made small contributions or purchased LaRouche literature, some at airports but others after being hounded by incessant and late-night phone calls, the indictment charges.

Special bank accounts were established so the fraud could be easily carried out by simply phoning the data centers of the major credit card companies and claiming authorization for telephonic charges, the indictment alleges. In other cases, "loans" were solicited from victims without any intention of repayment. "The policy of all defendants . . . was not to repay loans," the indictment reads.

CIA 'Fix' Alleged

Frankhauser, Steinberg, his wife, Michelle Steinberg, 36, and a LaRouche security employee, Paul Goldstein, 37, were accused of plotting ways to "fix or quash" the grand jury investigation. In addition, Jeffrey Steinberg is accused of directing Frankhauser to contact a former deputy director of the CIA about a "fix."

Michelle Steinberg was arrested with her husband. Michael Billington, 31, was arrested later in Virginia and Richard Black, 37, was arrested in Massachusetts. All are still in custody, a Justice Department official said.

Goldstein and four others have not been located. The others are Elliot Greenspan, 37, a long-time LaRouche supporter who spent two days in jail last year on contempt of court charges, plus Boston-area organizers Michael Gelber, 35, Richard Sanders, 44, and Charles Park, 36.

Times staff writer Ronald J. Ostrow contributed to this story.