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The Invisible Man:

Undercover in San Diego,

He Breaks a Smuggling

Link to Libya



THE INVISIBLE MAN

An undercover "ghost" for Customs, he infiltrated a suspected international smuggling ring targeting a San Diego company. What did they want to smuggle to Libya? Something more valuable to that Mideastern terrorist country than guns, drugs or bombs—oil drilling equipment.

By Martin Hill

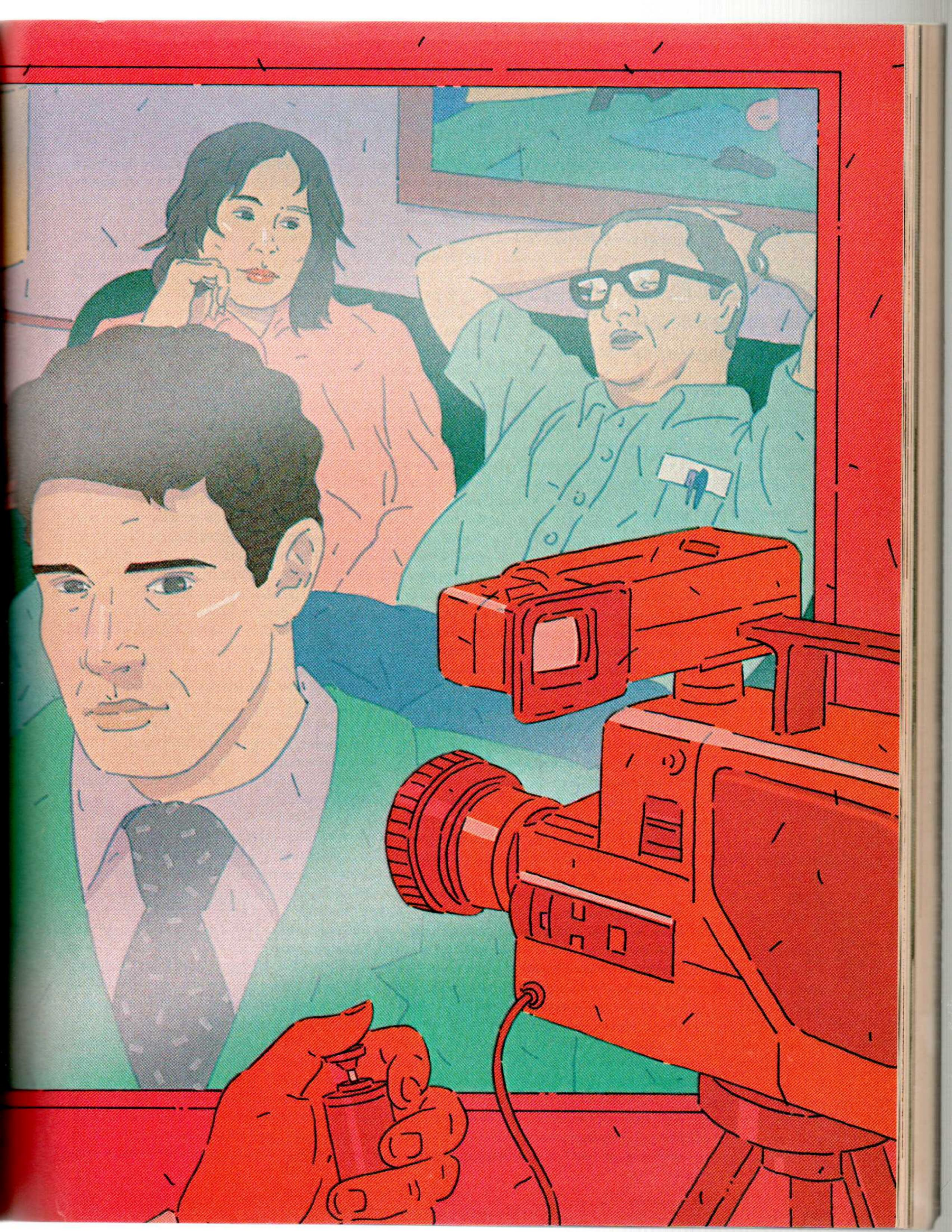
ROY BISHOP's curiosity was piqued. Office manager for the San Diego-based Solar Turbines Inc.'s Harahan, Louisiana, branch office, Bishop had just received a request for price quotes on various oil drilling components from Oil Patch Production Services, a small oil field service and support company. That in itself was not remarkable. Solar, after all, built the gas turbine systems largely used throughout the petroleum industry to pump oil and gas from deep beneath the earth's surface. And Oil Patch, though only a small, two-person operation run out of a house in Gretna, Louisiana, had been a Solar customer in the past.

What prompted Bishop's curiosity was Oil Patch's additional request for a 3 percent discount on any order resulting from the price quotes. According to Oil Patch's secretary and treasurer, Cheryl Smith, the eventual "end user" they were purchasing the equipment for had received such a discount on past transactions with Solar. Smith, however, would not say who her customer was.

Bishop's curiosity eventually led to a review of Solar's records. That search revealed that Solar had extended a 3 percent discount on equipment sales to only one company, Um-Al-Jawabi, one of two official purchasing agents for the government of Libya. Indeed, some of the equipment on which Oil Patch requested a quote was identical to machinery Solar had previously sold to the socialist

Illustration by Tracy Sabin





Millions of dollars in drilling equipment may have been funneled by American companies to Qaddafi's regime, supporting Libya's economy and its terrorist activities.

Middle Eastern country. Solar's past dealings with Colonel Muammar al-Qaddafi's regime were strictly legal, but since a U.S.-declared embargo on Libya had gone into effect three months earlier, in February 1986, the American company had ceased all business with the oil-rich nation.

Bishop had no certain knowledge of what Oil Patch planned to do with the equipment it requested. But he knew one thing: Whatever decision was made on Oil Patch's request was not to be made by him. The office manager, instead, sent the request to Solar's corporate offices in San Diego. That was in May of 1986.

Seven months later, United States Customs agents in New Orleans arrested Cheryl Smith, her husband and partner, George Smith, and Francis George Christie, a Scots businessman, on charges they secretly diverted hundreds of thousands of dollars in oil drilling equipment to Libya in violation of the federal embargo. Federal authorities say the January 8 arrests were the first made since the sanctions went into effect. Ironically, they took place exactly one year and one day after President Ronald Reagan declared the embargo on January 7, 1986.

Christie and the Smiths are accused of diverting more than \$260,000 in U.S.-made oil drilling equipment to Libya through a convoluted series of phony "end-user" destinations. Officials now believe the alleged diversions unearthed by Customs' seven-month undercover investigation may only be a fraction of the equipment Oil Patch and Christie Noble Services Ltd., Frank Christie's Aberdeen, Scotland-based company, may have smuggled to Libya.

Millions of dollars more in oil drilling equipment may have been unwittingly and, in some cases, wittingly funneled to Qaddafi's regime by U.S. businesses through the conduit allegedly established by Christie, the Smiths and others, according to government officials. In effect, they say, such actions support the Libyan economy and finance Qaddafi's terrorist activities.

"Libya's lifeline is oil," explains Assistant U.S. Attorney Phillip L. B. Halpern, who will prosecute the case. "It's a one-commodity country. Oil is its only major money-producer. And U.S. companies are keeping the Libyan economy going using foreign companies in Europe to channel spare parts and drilling equipment to Libya."

Frank Christie's business card identifies Christie Noble Services as "Electrical Engineers and Gas Turbine Specialists." His passport photo shows a handsome, middle-aged man in his fifties, with a pure-white shock of thick, neatly groomed hair and smartly dressed in an English-cut pin-striped suit. A similar photo of 36-year-old Cheryl Smith shows a nice-looking woman with dark, tousled hair. Her husband's photo shows a stocky-faced man in his forties, with closely cropped dark hair turning gray and wearing large, heavy frame glasses.

Cheryl Smith is described as the administrative brains behind their small company; George, the technical talent. Ironically, according to a government source, the Smiths and Christie first came together through the U.S. Department of Commerce, which often helps establish links between American businesses and overseas firms.

Christie and the Smiths were arrested on warrants issued by a Louisiana federal judge in response to an undercover agent's affidavit alleging their smuggling activities. A federal Grand Jury in San Diego issued a formal indictment January 23, charging the three defendants with 15 counts of conspiracy, illegal exportation, evasion of embargo sanctions, making false statements and aiding and abetting in connection with the alleged smuggling operation. The indictment also names as co-conspirators Christie's partners in Christie Noble Services, Robert A. Noble and Neal W. Williamson. Neither of Christie's partners are in custody. Both remain in the United Kingdom where, because Britain has not joined the U.S. embargo, they are not subject to extradition.

None of the charges leveled against the five suspects have yet been proven in court. Phone calls to the defendants' lawyer, Louisiana attorney Pat Fanning, were not returned. Cheryl Smith, however, denied the allegations in a telephone interview with a Los Angeles Times reporter shortly after she and her husband were released on bail. Christie entered a not guilty plea when he was arraigned on the charges in San Diego January 26, and the Smiths were expected to enter similar pleas when they are arraigned. As of this writing, that hearing had not been firmly set.

Nevertheless, the story of Customs' seven-month undercover investigation into the purported activities of Oil Patch Production Services and Christie Noble Services provides an intriguing glimpse into the covert world of international technology smuggling and Operation Exodus, the 4-year-old Customs program targeted at stopping the

illegal export of this country's commercial and military technology. The events related in this article are based on court documents and interviews with U.S. law enforcement officials involved with the case.

OPERATION EXODUS was started in 1982 with Defense Department funding. It originally targeted illicit businessmen acting as "middlemen" for Soviet intelligence agents attempting to acquire U.S. high-tech hardware. Since then, the program has expanded its aim to include attempts by embargoed nations, such as Iran, Libya and Nicaragua, to illegally acquire industrial and military hardware they can get from no other country.

San Diego, with its high-tech industry, heavy military concentration and its proximity to the U.S.-Mexico border, is no stranger to such activities. In 1982, for instance, San Diego Customs agents thwarted an attempt to smuggle to the Soviet Union an infrared airborne scanner that could be used militarily for scouting terrain.

Over the last four years, local Customs investigators have broken up at least three smuggling rings that were shipping military hardware and munitions to Iran, whose U.S.-equipped armed forces have been in desperate need of spare parts since President Jimmy Carter embargoed that country in 1979 following the Iranian seizure of U.S. hostages. One of those groups involved several Korean businessmen linked to South Korea's intelligence

service. The best known case, however, involved a nationwide group of civilians and U.S. Navy sailors caught shipping spare parts for F-14 fighters to Iran. The spare parts were stolen from Navy stockpiles, including the shipboard inventory of the aircraft carrier *Kitty Hawk* when she was homeported here.

Law enforcement efforts like Operation Exodus have two major aims, explains Halpern, who also was prosecutor on the stolen F-14 parts case. The first, of course, is to stop those people who are actively engaged in smuggling operations. The second is

what the federal prosecutor calls a "general deterrence"—that is, making people think twice about getting involved in such activities. "Both are equally important."

President Reagan announced full economic sanctions against the Qaddafi regime in the wake of the deadly December 27, 1985 terrorist attacks at

the Rome and Vienna airports that killed 19 international tourists, including five Americans. U.S. officials maintain those attacks were planned and executed by Abu Midal, a Palestinian terrorist leader financed by Qaddafi.

At the time, the potential impact of the embargo was sharply debated. American exports made up less than 3 percent of the products imported by Libya at that time, and the amount of Libyan oil imported by the United States was negligible. On top of that, the European countries that accounted for most of Libya's foreign trade failed to join the President's embargo.

There is no official information on how effective the President's embargo has been in crippling Libya's economy, says Roger Dankert, the State Department's Libya expert. There is speculation, however, that the sanctions' effects have been magnified beyond what one might expect if judged only from the small amount of exports that had been going to that country. That's because most of the American exports to Libya had been in the form of aircraft and sophisticated oil drilling equipment not readily available from other countries. Oil and petroleum products make up more than 90 percent of Libya's exports, and most of the country's major oil fields were built by American companies and need U.S. replacement parts to continue operation.

A State Department "special report" presented to Congress last July suggests the sanctions "magnified by the steep decline in oil prices [are] contributing to the deterioration of the Libyan economy."

"Libya traditionally has sought out U.S. contractors because of their reputation and reliability," the report continues. "Although the impact on services is not easily quantified, the departure of U.S. firms providing consulting, management, construction and contracting services to Libya's oil industry and major development projects could be costly to the Libyan economy in terms of temporary disruptions and recontracting time."

Furthermore, while the European Economic Community has still not joined in the full sanctions, they have taken some actions that bolster the American boycott, Dankert says: "What they have done is agreed not to export military equipment to Libya, and also to do what they can to prevent European firms from filling in behind U.S. firms that have departed Libya."

The government's case against Cheryl and George Smith and Frank Christie also indicates sanctions against Libya are having a greater effect

CONTINUED ON PAGE 231

"The only way to hurt Libya is by withholding oil equipment," says Prosecutor Halpern. "If this involved shipping bananas there, this case would have been insignificant."

If we succeed here, Golding says, it can be a harbinger of what can occur elsewhere." ■

LIBYA

continued from page 109

than expected—especially if it is true, as the government asserts, that the Libyans began seeking covert shipments of American-made oil equipment so soon after the embargo was imposed. Christie allegedly cabled his first Libyan order for spare parts to Oil Patch as early as March 1986, and possibly sooner than that, according to the Grand Jury indictment.

Christie also purportedly told the undercover Customs agent that Libya's oil

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industry was badly hurt by the embargo. The Scotsman allegedly said Libyan officials had invited his company to tour their oil fields, inspect their drilling machinery and draw up a list of equipment needs.

Libya's desperate need of American oil drilling parts to maintain its economy and, as the government believes, its support for international terrorism is what makes the case against the Smiths and Christie significant. "Libya has hundreds of millions of dollars in American drilling equipment sitting out there in the desert, all of it needing American parts," Halpern says. "They can get AK-47 rifles anywhere. They can only get American parts from the United States. The only way to hurt Libya is by withholding oil equipment. If this involved someone shipping bananas there, this case would have been insignificant."

Exodus cases differ from other investigations in several ways, says Halpern: "It takes imagination to apprehend these persons. It's very difficult because many of the illegal acts occur outside of the United States." In the Libyan case, he says,

"attempting to prove the shipment eventually went to Libya when there are several destination points in between—that's when it gets very difficult."

According to court documents, the equipment purchased from Solar was shipped from Louisiana to Houston, and from there to Christie's business in the United Kingdom, which the shipment's Shipping Export Declaration identified as the final destination and end-user. Up to this point, there was nothing illegal about the shipments. Only when the machinery was shipped on to Libya was the U.S. embargo actually violated.

Just how the equipment reached Libya isn't known, Halpern says, but telexes and statements made to Customs' undercover agents confirmed its arrival in the embargoed nation.

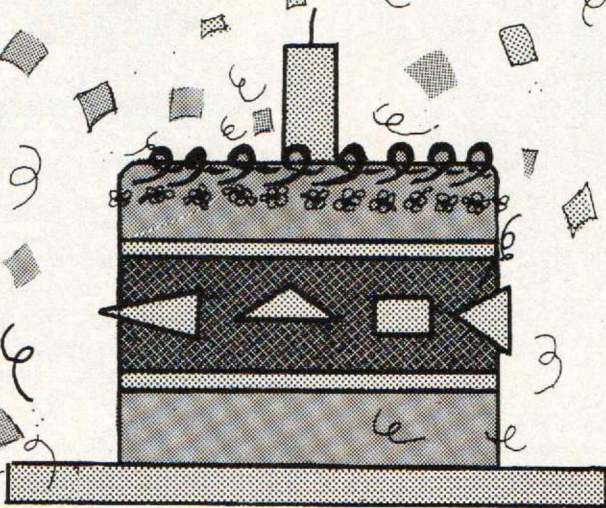
Detecting illegal shipments of drilling equipment to Libya is difficult because, unlike munitions or high-tech hardware that require special State Department export licenses, there is little oversight of overseas deliveries of oil industry machinery, no red flag to grab a Customs inspector's attention. "There was no rea-

son to notice anything," Halpern says of Oil Patch's shipments to Christie Noble Services. If Solar officials had not notified Customs of their suspicions raised by Cheryl Smith's discount request, "these people would have gotten away with this for a long time," the prosecutor adds.

Exodus investigations are further complicated by the fact diversions of overseas shipments rarely leave a strong "paper trail" of evidence. Obtaining a warrant to search a suspicious company's records would not likely turn up a sales order from the Kremlin, or a voucher from Iran's Ayatollah Khomeini. More often than not, an Exodus case requires gathering evidence by infiltrating a suspected smuggling operation with an undercover agent.

EARLY ON THE MORNING of June 16, just shy of one month after Solar received its first request for price quotes from Cheryl Smith, Dan Saunders picked up the telephone and dialed Oil Patch's phone number in Louisiana. Over the phone, Saunders introduced himself to Cheryl Smith as a marketing representa-

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tive for Solar Turbines. Roy Bishop, Saunders explained, had referred Oil Patch's inquiry to him.

That conversation was just the first of more than four dozen phone calls between George and Cheryl Smith and the man they knew as Dan Saunders. In those conversations, and in three face-to-face meetings in San Diego and New Orleans, Saunders, the Smiths and later Frank Christie discussed, planned and eventually executed the illegal shipment of drilling equipment to Libya, according to court papers. The Smiths and Christie were not aware that each phone call was being tape recorded, the meetings were videotaped and the man called Dan Saunders was, in fact, a U.S. Customs agent.

At 35, Saunders has been a federal agent for eight years and has specialized in Operation Exodus cases and undercover work for the last three of them. He is a man of self-asserted high ethical standards, and understanding why American business people would engage in illegal trade with the Soviet Union or terrorist nations does not come easy for him. He admits to being somewhat jaded from his work, and often quotes a single Marxist truism of Lenin's: "A true capitalist will run to sell rope to his own hanging."

Gray flecks in Saunders' dark, curly hair appear premature compared to his boyish good looks. He has the kind of face one can imagine on either an angel or a devil. Those looks have served him well in his undercover work, allowing him to pose credibly as a munitions dealer, a Mafia money-man, and—for the Libyan case—as a marketing rep for Solar Turbines. Saunders is not his real name, but a *nom-de-guerre* he borrowed from a boyhood TV hero, Sergeant Chip Saunders of *Combat!*, to use during the Libyan investigation. He requested his undercover name, which has already been exposed in the press, be used to protect his true identity.

Working undercover isn't exactly what *Miami Vice* makes it out to be. In fact, Saunders has never even watched the prime-time television show; the promos for the series, he says, look silly enough. "It's anything but that kind of romantic image," he says. "That stuff sells books and movies, but it rarely makes cases."

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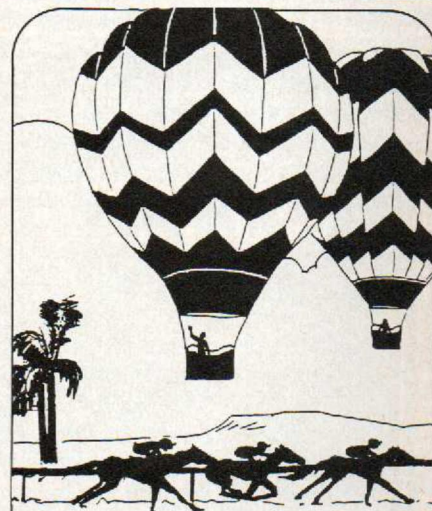
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legal line. "Working undercover means working within very close parameters," Saunders explains. "One small mistake will come back to haunt you and it'll be thrown in the jury's face. One snide remark, one racial slur or lewd remark made to make people think you're as bad as they are will come back to haunt you."

The job of an undercover agent, Saunders says, isn't to compel anyone to do anything, say anything, or refrain from saying anything. It's merely to observe and listen, and, when necessary, to go with the flow of events. "You're there and you're almost not there. It's almost like being a ghost sitting in on a conversation, like being the invisible man."

Federal attorneys like Phillip Halpern help keep undercover agents within the boundaries prescribed by law by acting not only as prosecutors following an arrest but also as legal pathfinders during the investigation. They caution the covert agents on what they can and cannot legally do during an investigation, and advise them on what evidence is needed for prosecution. "I may be the musician, but he's the conductor," Saunders explains.

Halpern himself is no stranger to Operation Exodus, having prosecuted 16 defendants in cases resulting from such investigations. His desk at the U.S. Attorney's office in the downtown federal courthouse sports two toy replicas of F-14 jet fighters, mementos from his prosecution of the smuggling ring accused of shipping Iran F-14 parts stolen from the Navy.

Despite the restrictions, some amount of secret levity is enjoyed. During one of the meets with George and Cheryl Smith, the undercover agent handed them a memorandum typed on Solar letterhead. The memo warned employees that sales to Libya or its agents were in violation of the U.S. embargo. The note was written by Customs as a means of ensuring that the Smiths were aware they were breaking the law. It was signed by a fictitious corporate lawyer named Harold Callahan. Neither of the Smiths seemed to catch on that Harold Callahan is the full name of actor Clint Eastwood's infamous gunslinging detective, *Dirty Harry*.

Before the Customs agent could assume his cover role as Dan Saunders, some obstacles had to be overcome. Government attorneys had to negotiate with Solar's legal staff before the manufacturing company would agree to pro-

vide Saunders a cover as a marketing representative. Few companies want to become involved in undercover operations. They fear the involvement can hurt their business reputation and mire them in legal entanglements. "And we're a pain in the ass to them," admits Saunders. "We interrupt their business day and we interrupt their sales."

Even after a company agrees to provide an agent a cover, the agent has to learn how to make that cover credible. "It's not enough just to get an agent who's an undercover agent," Halpern explains, using the Libyan case as an example. "The agent needs to know the oil field business and the oil company business." For Saunders that meant meeting with Solar representatives, discussing their jobs with them and reading as much as he could about the oil industry before even picking up the phone to call Oil Patch. Even then, much of his cover depended not on how much he knew about the industry, but how much he pretended to know. "One time I told George and Cheryl I had to put in a PRI," he recalls. "I don't even know what a PRI is."

Nevertheless, Saunders appears to have been convincing enough. Two weeks after his initial phone call to Oil Patch, the Customs agent held a face-to-face meeting with George and Cheryl Smith in a second-floor conference room in Solar's corporate offices located on Pacific Highway.

As usual, Saunders was unarmed when he met the Smiths. The errant business people he investigates are rarely dangerous and, besides, guns are simply too damn difficult to hide under clothing. Instead, he wears a concealed radio microphone and he has a hand-picked crew of backup agents nearby at all times. He has never had a meet go sour. If he ever does, he feels his best weapon will be his ability to think fast and talk even faster. "If anything like that ever happens," he says, "I have a good enough rapport with people that I could talk my way out of it."

During earlier phone conversations, Saunders questioned Cheryl Smith about the final destination of the drilling parts she wanted to order, suggesting that the end-user was Libya—which, he added, was fine with him. According to the agent's sworn affidavit, Smith denied the suggestion.

That changed at the June 30 meeting in San Diego. According to the affidavit,

Cheryl Smith conceded that the equipment Oil Patch wanted to order was destined for Libya, but only after the agent showed the couple printouts of Solar computer files showing the similarities between their order and prior orders from Jawabi, the Libyan purchasing agent. It was an important first admission that the Smiths knew who the end-user really was, and that they were intending to ship the equipment in violation of the President's embargo. How, she asked, could they circumvent the company's computer records?

To avoid later charges of entrapment, the undercover agent must provide suspects the opportunity to pull out of a pending criminal enterprise. In this case, Saunders suggested the Smiths forget the whole thing and "simply tear up the orders," according to his affidavit. George Smith "insisted that they did not want to tear them up," the statement says. His wife added that "although she felt unpatriotic, she did not believe in the United States trade sanction, but believed in making a lot of money."

"It was clear they wanted to continue," Halpern says of that conversation.

According to the agent's deposition, Cheryl Smith said she wanted to be able to, in her words, "play dumb" if their plan were uncovered. "The deal should be set up, she stated, so that she could tell people that she did not know where the parts were really going," Saunders testified in writing. As the meeting concluded, Saunders offered to shred the Smiths' original incriminating price quotes request, the one that raised Roy Bishop's suspicion in the first place. "Outstanding!" replied George Smith.

Such undercover meetings seem simple enough, but according to Saunders they are a physical and emotional drain. "After completing an undercover meet, I'm drained. You have to be on-line 150 percent to pick up the little clues," he explains. The law requires suspects to discuss their criminal intent to exhibit knowledge that what they are doing is illegal. "A lot of people don't want to talk about the legal aspects," the agent says. "I have to be convincing enough so they drop their cover and say something. When they do, then you can get your foot in the door and start an investigation."

WITH HIS FOOT in the door, Saunders' investigation continued over the tele-

phone for several weeks. He and George Smith allegedly discussed how to "purge" the equipment of any identifying marks, labels and serial numbers that could later reveal their origins to law enforcement officials or to American intelligence informants in Libya.

All labels identifying the equipment as made by Solar or in the U.S.A. were removed by the Smiths before it was sent on the first leg of its journey, Saunders says. Any markings that were not removable were painted over. Each piece of equipment was given a second going-over by Christie before its final shipment to Libya. According to Saunders, Christie mentioned he had once found a label on a piece of equipment that the Smiths had overlooked.

The Smiths still had not confided to Saunders to whom in the United Kingdom they were sending the equipment for trans-shipment to Libya. Customs agents obtained Oil Patch's long-distance telephone records and found several calls to an overseas phone number. With the help of Interpol, the international police assistance organization, the phone number was traced to Christie Noble Services Ltd. in Aberdeen, Scotland. At the request of U.S. Customs, detectives from New Scotland Yard in London identified the company's "keyholders" or officers as Frank Christie, Robert Noble and Neal Williamson.

In a telephone call shortly afterward, George Smith identified Oil Patch's customer to Saunders as "Frank," now believed to be Frank Christie. In subsequent conversations, the Smiths identified "Frank's" partners as "Robbie" and "Neal," according to Saunders' affidavit.

On the afternoon of July 9, George Smith arrived at the Smiths' home in Gretna with a handsome, well-dressed man with wavy white hair. The dapper gentleman stayed in the New Orleans area for two days before catching a Continental Airlines flight to Houston, Texas. The Customs agents who watched his arrival and departure identified the visitor as Frank Christie. Customs agents also were watching two months later as George and Cheryl Smith drove to the New Orleans airport in their silver Mercedes to meet another visitor from Scotland. This time, the agents identified the guest as Christie's partner, Robert Noble.

In September, Cheryl Smith confided to Saunders over the phone that Oil

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LIBYA

Patch's "customer"—that is, Christie Noble Services—had opened a bank account in the United States to "facilitate payments to his U.S. customers," according to Saunders' affidavit. Government investigators believe Christie planned to use the account to camouflage his payments to Oil Patch and other companies that may have been working with him. By doing so, Saunders says, the revenues generated by the illegal overseas shipments would appear to have been generated by domestic sales.

The government investigators still needed to confirm that Oil Patch and Christie Noble Services were dealing directly with Libya. To do so, Saunders mentioned to the Smiths that he was a coin collector and asked if Christie or his partners could get him some Libyan coins. Saunders knew Libya forbids any of its currency from being taken out of the country, and the only way the suspects could get the promised coins was by personally entering the embargoed country and smuggling them out.

On November 11, Saunders received an envelope allegedly mailed by Cheryl Smith. The envelope contained \$1,093.35 in cash for Saunders' "commission" on the illegal sales, and the promised coins, two Libyan Dirhams allegedly smuggled out of Libya in the shoe of one of Christie's associates.

BETWEEN AUGUST 28 and December 12 of last year, Cheryl and George Smith allegedly shipped Christie Noble Services more than \$269,000 in petroleum drilling equipment, according to the Grand Jury indictment. At least \$164,390 of that was ordered from Solar Turbines through Dan Saunders. The rest was ordered through other companies with which Oil Patch and Christie Noble Services were also believed to be dealing.

The shipments were allowed to go through to Libya to reinforce Saunders' credibility, explains Phillip Halpern. "We figured that was a small price to pay to shut down Christie Noble Services." Nevertheless, neither Customs nor the U.S. Attorney's office wanted too much drilling equipment to slip through to Libya. When the Smiths allegedly tried to order as much as \$1 million in equipment, Saunders told them Solar would not extend their line of credit beyond \$50,000. That, Saunders and Halpern figured, would at least keep the flow of goods to Qaddafi to a mere trickle.

After six months of undercover work, Saunders still had not met Oil Patch's "customer"—Christie—in person. So far, Customs only had legally admissible evidence against the Smiths, and "taking them down" alone, investigators feared, would not put a stop to the illegal shipments to Libya. "If we just cut off one tentacle, George and Cheryl, Christie would have simply done his business elsewhere," Saunders explains. "He was the hub."

Before an arrest could be made, an undercover meet with Christie was necessary to determine whether the Scottish businessman's alleged shipments to Libya were being made with criminal intent. Legally, Saunders needed to hear—and tape record—Christie saying, yes, the equipment was going to Qaddafi and, yes, he knew he was in violation of an American embargo. And the Customs agent could only do that by talking to Christie personally.

The problem was, Saunders says, the Smiths did not want Saunders and Christie to meet for fear the two men would then cut the Smiths out of the operation. Further, Christie probably would not be eager to reveal his identity to the Solar rep. "These people set up layers of people, like the layers of an onion, as protection," the agent explains. "Even though it costs them profits, it provides them better covers."

Customs had developed intelligence indicating the Libyans were in desperate need of an entire gas turbine system for their Bu Attifel oil fields. Saunders passed the word through Oil Patch that Solar had come into a "buy back" situation for a turbine system with Saudi Arabia. Saunders told the Smiths that, if Libya were interested, he could set up the purchase of that equipment for between \$4 million and \$6 million.

But, Saunders added, the deal was so big he would only get involved with it if he could meet face-to-face with the operation's leader—that is, Frank Christie.

The Libyans definitely were interested in the offer. So interested, in fact, that after hearing of it—allegedly through Christie or his associates—they decided to bypass the Scotsman, the Smiths and even Saunders, and deal directly with the source. They sent their own agent, a Swiss-based businessman identified by court papers as Legidio Saki, of Technoil, to establish his own contacts with the San Diego-based company. When

Saunders learned through the Smiths of Saki's arrival in the U.S., he sent him a message. "I said, 'I'm the channel. You want it, come to me'."

Saki went home empty-handed.

Christie, too, appears to have been interested. He agreed to meet Saunders in New Orleans during a two-day stopover en route to Houston where, according to statements prosecutor Halpern later made in a Louisiana federal court, Christie said he was making a deal for \$200,000 in electronics destined for Libya. The meet was set for January 7.

Saunders flew to New Orleans on January 6. In a telephone conversation the night before, he had agreed to meet with the Smiths early on the morning of the 7th to set the conditions for the meet with Christie. The Smiths were still worried that the Scot and Saunders might try to cut them out of the deal, the agent says. At the morning meeting they made him agree not to divulge his last name to Christie, thus making it impossible for the Scotsman to contact Saunders individually.

The Smiths also did not want Saunders to discuss commissions or profits with Christie. If there is no honor among thieves, as the saying suggests, then the same might be said about smugglers. Saunders was receiving a 1 percent "commission" on his "sales" to Oil Patch, but the Smiths told Christie the agent's commission was 2 percent and passed that cost on to Christie Noble Services. The Smiths also marked up the cost of the Solar-purchased equipment by as much as 15 percent before sending it off to Scotland, Saunders says.

Later that day, Saunders, the Smiths and Christie met in the agent's hotel room. As concealed Customs agents videotaped the meet, Christie allegedly told Saunders that the equipment sent him by Oil Patch was indeed being diverted to Libya. Furthermore, he allegedly said Saunders was supplying only a small amount of the equipment he was sending to Libya. Other U.S. companies were also involved, he told Saunders, and they were aware of where the machinery was ultimately heading. Throughout the meet, Saunders says, Christie repeatedly referred to Tripoli and Libya.

The meeting finally ended with a promise to meet at the hotel next morning for breakfast. As the threesome left the hotel, Customs surveillance crews fol-

lowed behind. Christie and the Smiths were kept under surveillance all night long; additional agents guarded the airport in case the Scotsman decided to leave New Orleans ahead of schedule. In the morning, however, George and Cheryl Smith and Frank Christie returned to the hotel for their breakfast meeting with Dan Saunders.

While the suspects were kept under surveillance, Saunders and Halpern replayed the videotapes of the meeting with Christie. After careful review, Halpern decided there was enough evidence from that first meeting for a successful prosecution. He gave the go-ahead to execute the arrest warrants.

Saunders never made the breakfast meeting. As he watched from his hotel room window, fellow Customs agents greeted Christie and the Smiths as they walked through the hotel parking lot and placed them under arrest.

Following the arrests, Customs agents seized Oil Patch's financial and business records, as well as documents Christie had in his possession at the time of his arrest. At this writing, government investigators were still sifting through those papers, but it already appeared the Louisiana company and the Aberdeen-based Christie Noble Services had been doing business with many other American firms.

There are indications that at least some of those other companies knew the hardware they sold Oil Patch or Christie Noble Services was destined for delivery to Muammar al-Qaddafi's Libya, government sources say. According to the Grand Jury indictment, Christie and his partners provided "certified letters to their United States customers for the purpose of concealing the true end-user from law enforcement officials."

Customs plans to pursue leads found among the seized papers, but it is unlikely another undercover investigation will take place. Those companies dealing with Christie and the Smiths will be alerted to pending investigations; approaching them with an undercover agent will be impossible. Instead, Customs agents will probably simply knock on a few doors and flash their badges. The shock from those visits may be all that's necessary to deter any future illegal shipments of supplies to terrorist Libya. And that, as Phil Halpern says, is the ultimate aim of Operation Exodus. ■



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