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Family Business at the Watergate

By Margie Burns | February 15, 2005 (page 3/3)

Securacom got the \$8.3 million World Trade Center security contract in October 1996 and received about \$9.2 million from the WTC job from 1996 (a quarter of its revenues that year) to 1998. But in 1998, the company was "excused from the project" because it could not fulfill the work, according to former manager Al Weinstein, and the electronic security work at the WTC was taken over by EJ Electric, a larger contractor.

Aviation General boasted of its international clientele. A 1996 press release announced its sale of airplanes to the National Civil Aviation Training Organization (NCATO) of Giza, Egypt, "the sole civilian pilot training organization in Egypt." The announcement mentioned "Sheik Mishal Yousef Saud Al Sabah" as "Chairman of KuwAm Corporation and board member of Commander Aircraft Company." NCATO also had contractual partnerships with several U.S. flight schools, including Embry-Riddle University in Florida. Embry-Riddle has not responded to questions about the partnership.

Aviation General was de-listed on the Nasdaq exchange in October 2002 after filing for bankruptcy protection.

Although, Stratesec and Aviation General were both troubled companies, with blatant managerial problems including litigation, tax arrears, and trouble paying vendors, both companies received substantial funding throughout the 1990s. On top of the massive capital infusion from the Kuwaitis, millions were generated through its Initial Public Offering statement in 1997, and revenues from large contracts. Stratesec also obtained capital from numerous investors. Why was that, if the companies were so troubled?

Former managers speculate that the Bush connection was helpful. A partial list of companies investing in Stratesec while Marvin Bush was on the board of directors includes several well-known investment management companies, including Morgan Stanley Dean Witter, Munder, Fidelity, Putnam, and John Hancock.

According to Jeff Gallup, a former Stratesec manager who left the company for a position at Landtek, Inc., Stratesec installed the initial security-description plan—the layout of the electronic security system—at the World Trade Center. Gallup knows the WTC site well, since Landtek, like EJ Electric, was a prime contractor at the trade center. He was "intimately involved" with WTC security, he said in a phone interview last year, up to September 12, 2001, when "the F.B.I. left my office with all the contents of the WTC visitors database," by then three-quarters of a million visitors' badges. It is regrettable that the F.B.I. has not been equipped with an adequate computer system to analyze this information.

ENLARGING MARVIN—Among his other business interests, Marvin Bush also served on the board of directors of HCC Insurance (formerly Houston Casualty Company), one of the main insurance carriers for the World Trade Center. Thus Bush, paradoxically, was connected to two companies with a significant interest in security at the trade center. In spring 1999, Bush was simultaneously a nominee for the boards of both Stratesec and HCC Insurance.

Bush's directorship at Stratesec was not included on the proxy statement for HCC that year, and his connections with HCC were not included on the proxy statement for Stratesec. SEC regulations require directors and officers of public companies to list their other directorships and business connections. In addition to Bush's violations of the SEC regulations in these instances, his directorship at Fresh Del Monte, where he and a longtime friend who brought him into HCC were also on the Audit and Compensation committees, was also omitted in the Stratesec proxy filing.

Bush's HCC proxy information did disclose his positions at his own firm, Andrews-Bush, and at Fresh Del Monte, but in addition to not disclosing his Stratesec connection, he omitted yet another association, with Kerrco, an oil company in Houston.

Bush left Stratesec after 1999 but currently remains an adviser to HCC Insurance. HCC lost \$29 million at 9/11, largely from World Trade Center property losses, medical payouts in New York City, and workers' compensation reinsurance losses.

The chairman and CEO of HCC Insurance, Stephen Way, brought Bush onto the boards of both HCC and Del Monte. L. Byron Way, HCC vice president, explained in a telephone interview that

HCC "handled easily maybe a dozen or so coverages for the World Trade Center," mainly property and workers' compensation, going back through the 1990s. Way could not say when HCC became a carrier for the center or how much its WTC exposure totaled. "With stakes that big, premiums can vary," he said, adding that property coverage was handled through the London office. The company has not responded to questions about Bush's proxy statements.

The security industry is an extraordinary combination of hush-hush secrecy and wild openness. When you hire a security contractor, one specialist said, "What's on your computer is on their computer." This is particularly a concern when the contractor services both government and private clients, or both domestic and foreign customers, as Marvin Bush's companies did. Why has the White House been so silent on this concern, particularly when enormous federal contracts have been involved?

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