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From Public Life to Private Business

Former Pentagon Chief Cohen's Firm Serves Defense Contractors

By David S. Hilzenrath Washington Post Staff Writer Sunday, May 28, 2006; A01

After more than 30 years in politics, Defense Secretary William S. Cohen was saddled with credit card debt.

The baker's son from Bangor, Maine, was never wealthy, and his government salary went only so far. When the motorcades and military escorts ended in January 2001, his final financial disclosure form listed tens of thousands of dollars of charge-account debts at interest rates as high as about 25 percent.

Within weeks of leaving office, he was living in a \$3.5 million McLean mansion with a swimming pool, a cabana and a carriage house.

Cohen's career had entered a classic final phase: the monetizing of the public man.

Instead of returning to Maine, which he had represented in the House and Senate for more than two decades, Cohen followed legions of government officials into the business of consulting and lobbying. Trading on an insider's knowledge, contacts and personal cachet, the former defense secretary created his own Washington firm, [the Cohen Group](#), which works for some of the biggest companies in the defense industry.

During his legislative career, Cohen stood for "purity of the political process," according to the Almanac of American Politics. He made his name as a young Republican voting to impeach President Richard Nixon over Watergate, and, he said in an interview, passed up lucrative options to stay in public life. He sponsored lobbying reforms.

Now, his firm promotes itself by touting its connections.

"We Specialize in Access, Insight and Intelligence into the Defense Industry, DoD and Government programs," the Web site for a Cohen investment advisory service said until recently. The Web site said the Cohen Group's "Competitive Advantage" included "Senior level relationships throughout industry and government."

One day Cohen is appearing at a Lockheed Martin Corp. event in India, smoothing the way for a fighter-jet sale; another, he's attending a charity ball at the request of a company that wants him at its table because, an executive at the company says, "You are judged by the friends you keep."

When Cohen's firm isn't making a case for the Air Force to buy a particular type of plane, or helping a biotech company make connections in China, it might be lobbying the Department of Homeland Security on behalf of a software company, or helping local governments save military jobs from the federal ax.

In an e-mailed statement this month, Cohen said he carried out his government duties "with great respect for the public trust I was given and without any consideration of future gain."

"Since I left public office, I have worked very hard to build a firm of highly professional and ethical individuals who work together to help businesses compete and succeed in the global economy," Cohen said.

Robert S. Tyrer, Cohen Group president and longtime Cohen aide, said that less than 10 percent of the firm's work involves lobbying, and that most of the company's work is unrelated to defense. Tyrer said the firm's expertise is providing "strategic planning services" for companies around the world.

Don Ariel, chief executive of defense contractor Raydon Corp., said he was looking for help marketing training simulators to the U.S. military when he saw Cohen on CNN and called him. The Cohen Group was instrumental in arranging demonstrations of Raydon technology on Capitol Hill, which helped secure millions of dollars for the equipment in 2005 defense appropriations, Ariel said.

"There is a reason that they hire Hollywood stars to shill various pieces of equipment or products," Ariel said. "And certainly somebody with the name recognition of a Bill Cohen . . . there is instant brand recognition and credibility that comes along with that."

Over the past three years, Florida-based Raydon has paid the Cohen Group about \$625,000 in lobbying fees, according to the Cohen Group's lobbying disclosures.

"We're doing well," Cohen said of the firm's fortunes. "We've been pleased, we've been surprised, I'd say surprised by our success."

The Cohen Group "is the realization of a dream that I've had for some time," Cohen said.

In one form or another, it's a Washington paradigm. Military officers go to work for military contractors, and lawmakers join the lobbies that lobbied them. Though federal law contains some limits on lobbying by former officials, they are for the most part temporary, and there are few restrictions on giving advice.

Former secretary of state Henry A. Kissinger created Kissinger Associates. Former defense secretary Frank C. Carlucci headed the Carlyle Group, a major investor in defense-related businesses. Former secretary of state Madeleine K. Albright's Albright Group says it helps clients broker agreements with governments.

And former national security adviser Samuel R. Berger's consulting and lobbying firm describes itself as

"leveraging" its relationships with government leaders.

However, there is no Brzezinski Associates.

Former national security adviser Zbigniew Brzezinski, a professor and think-tank scholar, said he thought he would have difficulty going that route without "in some fashion exploiting my previous White House position."

Paul C. Light, a professor of public service at New York University, said Cohen's business raises the question: "Were any of his decisions predicated on the hopes that he would be able to convert his humble public service into significant private gain?"

A Plan Deferred

Cohen, 65, made plans to go into the consulting business in 1996, when he decided not to seek a fourth term in the Senate.

"We were going to form a partnership to do exactly what we're doing now," he said in an interview.

Then President Bill Clinton nominated him to be secretary of defense.

During his four-year tour at the Defense Department, Cohen presided over the Pentagon's huge procurement budget. He traveled the world developing new and deeper relationships with foreign officials, and he [discussed the export of sophisticated U.S. weaponry](#) . He became the rare Republican to have served at the top of a Democratic administration.

When the Clinton administration ended, there was ample demand for his services. "We started out having a number of clients and fortunately did not have to borrow anything," Cohen said.

The business plans Cohen deferred while in government could have given him "the incentive to want to be friends with everybody," including prospective clients in the defense industry, said Danielle Brian, executive director of the Project on Government Oversight. In the realm of international relations, Brian said, career paths like Cohen's could give foreign governments the impression that U.S. officials are "paving the way for their future business dealings."

Cohen Group President Tyrer said in a written statement early this month that those views are "totally untrue . . . very naive and deeply offensive."

In an e-mail on Friday, Tyrer said Cohen cast thousands of votes in Congress and was involved in hundreds of "consequential decisions" at the Defense Department, "and at no time were any of those votes or decisions influenced by anything other than the merits of the matter."

As defense secretary, Cohen took positions both favorable and unfavorable toward companies that later became clients. For example, he [defended the F-22 fighter-jet program](#) , a collaboration of Lockheed Martin and Pratt & Whitney, when lawmakers tried to stop production. He [opposed a merger of Lockheed and Northrop Grumman Corp](#) . Cohen's firm has since worked for each of those companies.

"The question of whether a decision was made in order to secure a future client is simplistic at best," Tyrer said. "Secretary Cohen has been deeply involved in nearly every policy issue including procurement issues for many years in the Congress and at the Pentagon and his involvement has always been based on a rigorous look at the merits as he saw them."

Tyrer, who was Cohen's chief of staff at the Pentagon, added: "It does not strike us as illogical that Secretary Cohen and others at The Cohen Group would continue to be involved in their business careers in issues that they have worked hard on and felt strongly about during their public careers." Tyrer said the firm has been willing "to turn away work that might raise even the faintest ethical or reputational concern."

Tyrer and other members of the firm generally declined to discuss their activities in detail because, they said, clients wanted confidentiality.

When Cohen paused for an interview in November, he had just returned from the opening of a Lockheed office in India. The defense contractor was gearing up to compete with U.S. rival Boeing Co. and foreign suppliers for a fighter-jet sale to the Indian government, and public remarks by Cohen framed the event in the spirit of closer U.S.-India relations.

After the interview at his Washington office, Cohen flew to Florida for a periodic gathering he hosts for business and government figures from around the world, called "The Leaders Project." This month, he was traveling with clients in Saudi Arabia, the United Arab Emirates and Qatar, where he met with senior government officials.

"There is a competitive spirit in my soul," the former college basketball player said. "And I've been competing, it seems, almost from time immemorial.

"There are times I say, why am I doing this, at this pace, and yet, that's just who I am."

Cohen Inc.

Nowadays, most of Cohen's mornings begin with an 8:30 staff meeting in the "Pentagon."

That's the Cohen Group's name for the conference room where the daily meeting is held.

On any given day, the gathering may include Joseph W. Ralston, a retired Air Force general and former

vice chairman of the Joint Chiefs of Staff; James M. Loy, who finished a long public career as deputy secretary of homeland security; and Marc Grossman, a former undersecretary of state. Another prominent member of the firm, former NATO secretary general and British minister of defense George Robertson, is based overseas.

They form an elaborate network.

Ralston and Loy are on the board of Lockheed Martin, which paid the Cohen Group about \$550,000 in 2005, according to a Lockheed filing with the Securities and Exchange Commission. That did not compromise their independence as directors, Lockheed said in the filing. "Their illustrious careers speak volumes about their integrity and ability to be impartial in all their decisions," Lockheed spokesman Thomas Jurkowsky said by e-mail.

Cohen Group senior counselor and retired general Paul J. Kern, a former head of the Army Materiel Command, recently served on a panel convened by the Defense Department to recommend improvements in how it acquires weapons systems -- a topic of interest to Cohen clients. Activities such as Kern's "do not generate any revenue for our firm but do help keep our folks active in various public policy and issue areas and allow them to 'give back,' " Tyrer said by e-mail.

The panel on which Kern served made recommendations that could allow new weapons systems to be put in the field based on looser performance standards, a potential boon for Cohen Group clients in the defense industry. The panel criticized Pentagon oversight of defense procurement as "based on lack of trust."

At the hub of the Cohen network, the former secretary makes frequent appearances on CNN, where he is a commentator on world affairs. He has served as a director of several corporations, some of which made arrangements to pay the Cohen Group for bringing in business, according to documents filed with the SEC.

For example, during his first year out of office, Cohen joined the board of Minneapolis-based United Shipping & Technology Inc., which agreed to pay the Cohen Group a "success fee" for any revenue the group generated, according to an SEC filing. The filing didn't say whether the Cohen Group earned any such fee.

"Obviously, his name brought us a lot of respect," former United Shipping & Technology chief executive Jeffrey J. Parell said. "We were a company that was a turnaround, you know, struggling for credibility, and lending his name to our board gave us that," Parell said.

Parell recalled that Cohen accompanied him to a sales meeting with the chief executive of a major bank. "I wouldn't have got in there without him," Parell said.

Following Pentagon predecessors such as Carlucci and William Perry into the investment arena, Cohen

in 2004 established TCG Financial Partners to work on defense industry mergers and acquisitions. He talked about [raising a \\$300 million fund](#) . But TCG Financial Partners recently vanished from the Cohen Group's Web site, and Tyrer said it is "kind of in a reconstituting mode."

The Cohen Group maintains an alliance with an international law firm, and it is preparing to open an office in Beijing.

In the world of gambling, the Cohen Group has teamed with a developer seeking to convert a former U.S. Navy facility overlooking San Francisco Bay into an Indian casino and resort. The project would need support from the Bureau of Indian Affairs, and Cohen knows the terrain. He headed a Senate panel on Indian affairs.

Overlap

Cohen said he does not personally call U.S. government officials to lobby for clients.

"My advantage is understanding how things work, and how one thinks, how one, a congressman or a senator, thinks about issues," Cohen said. "I am conscious of the fact that, of my position in the past. I don't want to appear to be that I'm trying to exercise any undue influence," Cohen said in the interview. "I don't want to try to take advantage of that position."

Nonetheless, there is overlap between Cohen's government and business careers.

In December 2000, shortly before Cohen left office, the Pentagon awarded Iridium Satellite LLC [a \\$72 million contract](#) , without competitive bidding, that helped save the company's communications satellites from destruction. David R. Oliver Jr., who was a senior procurement official at the time, said that he and Cohen were the Pentagon's principal advocates for the Iridium deal.

Over the past two years, Iridium has paid the Cohen Group about \$400,000 to lobby the House, Senate and Department of Defense, according to lobbying disclosure statements.

"Several months after Secretary Cohen left office, The Cohen Group was contacted by the Chairman of Iridium to assist with marketing to several government agencies including DoD, as well as foreign governments," Tyrer said in writing. "Obviously, we had no such discussions while in office."

When Cohen was defense secretary, he gave the keynote speech at telecommunications company Global Crossing Ltd.'s 1999 annual dinner in London, an international gathering of VIPs.

"I've visited 18 countries during the past 40 days, so when Lod asked me to come to Global Crossing I took him literally, travelling 16 hours from Chile," Cohen said in remarks prepared for delivery that night.

Lodwick M. Cook, whom Cohen described as "a close friend," was co-chairman of Global Crossing and a former Cohen campaign contributor. Shortly after leaving the Pentagon, Cohen joined the Global Crossing board.

When he was defense secretary, Cohen fought for base closings to save money for weapons. Last year, the Cohen Group helped Arlington County save some of the military jobs slated for relocation in the latest round of base closings. It helped Jacksonville, Fla., emerge from the same round of base closings with a net gain in defense jobs.

"In part they helped us get behind the curtain," said Susie Wiles, a spokeswoman for Jacksonville's mayor. "In part they were able to access people who would not have been available to us."

Jacksonville paid Cohen's firm \$490,000 over seven months. In its application for the Jacksonville contract, the firm cited Cohen's "personal and professional ties to the BRAC Commissioners," a reference to the Defense Base Realignment and Closure Commission.

In response to Jacksonville's request for examples of the firm's "professional accomplishments," the Cohen Group said it helped Lockheed win a \$3.6 billion contract in Europe. The contract was for the sale of F-16 fighter jets to Poland, financed by the U.S. government.

"TCG's mission was to secure U.S. Government support for the deal, and U.S. approval of novel export financing to facilitate the procurement," the Cohen Group said in its proposal to Jacksonville. The Cohen Group's effort included "advocacy with key decision-makers in the White House, Office of the Vice President, National Security Council, Department of Defense and the State Department during an 18-month campaign," the proposal said.

Now, the Cohen Group denies lobbying the U.S. government for the deal.

"TCG did not play any such role, and we regret that the TCG-prepared document you referenced incorrectly states this," Tyrer said in an e-mail.

Cohen Group members said the firm advanced Lockheed's cause in Poland, where Cohen promoted the sale in meetings with Polish leaders.

The Cohen Group registered to lobby for Lockheed domestically in early 2004, more than a year after Congress voted to lend Poland the money for the planes.

Lobbying Disclosures

Though Cohen co-sponsored the Lobbying Disclosure Act of 1995, which said "responsible representative Government requires public awareness of the efforts of paid lobbyists to influence the

public decisionmaking process," [the firm's lobbying disclosures](#) are sometimes vague.

For example, the firm has lobbied the Defense Department and the now dismantled Coalition Provisional Authority on behalf of Nour USA Ltd., a local company that has won contracts potentially worth hundreds of millions of dollars to provide security and to equip forces in Iraq. The National Journal quoted a Nour executive as saying the Cohen Group "introduced us to people in the U.S. government who were involved in oil-industry security."

Where the government disclosure form asks it to identify "Specific lobbying issues," the Cohen Group's filings on Nour say: "Exploring overseas business opportunities."

In a written pitch for new business last year, the Cohen Group said it helped Rolls-Royce North America Inc. make a case "with the Air Force, senior officials in the Office of the Secretary of Defense, and Members of Congress" for the U.S. Air Force to buy a variant of the F-35 Joint Strike Fighter called the STOVL.

Under "Specific lobbying issues," the Cohen Group's year-end 2004 lobbying disclosure on Rolls-Royce said: "Military equipment."

Tyrer said the Cohen Group adheres "to both the letter and the spirit" of the disclosure law. In a written statement, he said the firm's work for clients is "not always focused on any particular legislation, rulemaking or administrative action."

In the case of Raydon, the Cohen Group disclosed that it was lobbying on "New approaches to training using simulators."

Ariel, Raydon's chief executive, said the Cohen Group helped the company craft its message and get meetings with defense personnel. One of the "most compelling" meetings was with Kern, Ariel said, before the general retired as head of the Army Materiel Command and joined the Cohen Group.

A House in McLean

When Cohen retired from government service, his final financial disclosure listed charge-account debts of \$65,005 to \$180,000.

Asked if he was living on credit cards, he said, "Absolutely." Asked if he was strapped for cash, as the document seemed to show, he said "sure," before demurring and saying that he had lived modestly while incurring family expenses -- a son's education, a mother's care.

He said his financial condition was "probably typical of those who remained honest in public service."

Despite the financial strain, Cohen said that during his final year in office he and his wife were working on blueprints to build a house in the Woodlea Mill section of McLean.

"I was very impressed with the area, and beautiful homes there," Cohen said. "I wanted to spread out . . . have a library . . . and to have a different quality of life. Not so unusual."

Cohen recalled making frequent visits to a contractor, trying to pick a lot.

Then another option came along.

Cohen said he called Frank G. Zarb, who then was chairman of the Nasdaq Stock Market, after hearing that Zarb was preparing to sell a house in Woodlea Mill. Instead of putting the house on the market, Cohen said, Zarb sold it to Michael S. Ansari, chairman and chief executive of defense contractor M.I.C. Industries Inc.

Ansari and his wife paid \$3.5 million for the house in October 2000, according to land records. The Cohens moved in during January or February of 2001, Cohen said.

A real estate broker who worked with Zarb, Caroline Rocco, said that as far as she could tell, "it was the Cohens who wanted the house, and how they went about, you know, buying it is their business."

The Cohens did buy the house eventually, paying \$3.6 million for it in April 2002, according to land records. In the meantime, Cohen and his wife paid Ansari \$20,000 a month in rent, Tyrer said. The Cohens sold the property for \$4 million in June 2003 and bought a more expensive condominium in Chevy Chase, according to land records.

Cohen initially said Ansari "happened to have a house and was willing to sell it to me." Later in an interview, he said: "I think Mr. Ansari knew that I was, had been discussing for some time the prospect of building a house out there. And I think he acquired it so to take it off the market until, until I was able to finance it."

Ansari, who canceled an interview scheduled for this report, sent a written statement saying the property "was of longstanding interest to me."

"When I learned that it might be put on the market, I acquired it as a sound investment and paid the seller's price of \$3.5 million," Ansari said.

MIC Industries, which is privately held, has provided construction equipment to the Defense Department and foreign militaries.

In a written statement, Cohen said he paid a fair price for the McLean house. He said M.I.C. received no special consideration when he was defense secretary.

The arrangement with Ansari prevented the McLean house from slipping away, and it made it possible for Cohen to live in the house before he had the means to buy it. It also spared Cohen a potential bidding war for the property.

Federal ethics regulations say that, with certain exceptions, government employees are prohibited from accepting gifts from outside sources if the employee's official position is the reason for the gift or if the person making the gift does business with the employee's agency.

"Because Secretary Cohen paid market value, there is no 'gift' at issue here and no violation of the gift rules," Tyrer said in a written statement.

Cohen went on to join the board and audit committee of the Nasdaq Stock Market, and, in a January 2001 news release, 11 days after Cohen left office, M.I.C. announced Cohen's appointment as chairman of its board of advisers.

"Secretary Cohen's vision and expertise will be invaluable in assisting MIC to implement its global strategic marketing plan," Ansari said in the news release.

Staff researchers Richard Drezen, Madonna Lebling and Bobbye Pratt contributed to this report.