

FEDERAL BUREAU OF INVESTIGATION
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FOI/PA# 1259813-1

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Memorandum



To : SAC, SAN FRANCISCO

Date 12/15/89

From : SA [redacted]

(SQUAD 5)

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Subject :

Information Concerning
Charles Keating, aka
Lincoln Savings + Loan
Irwin, Ca. BF+E(A)

OO: LA

Re telcall & writer to SA [redacted]

On 12/15/89

OT [redacted]

- DEAD
DPM

SAUNTA ANNA RA 12/15/89

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was supplied to the writer by FAX and is
attached to this memo.

This info was FAXED to SA [redacted]
[redacted] of the Santa Anna Ra. It should be
noted that [redacted] (PROTECT) was his
identity to be protected as the source of the
last 2 pages of this FAX, numbered 1 and 2.

29A-SF-89382 -

FEDERAL BUREAU OF INVESTIGATION
FOI/PA
DELETED PAGE INFORMATION SHEET
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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 8/20/90

W/M

[redacted] was interviewed in the presence of his attorney, [redacted] Los Angeles, California, telephone [redacted]. The interview was conducted according to an agreement dated August 14, 1990, between [redacted] and the United States Attorney for the Central District of California, a copy of which is attached hereto. [redacted] provided the following information:

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[redacted] was born on [redacted]. He resides at [redacted] Los Angeles, California. [redacted] stated he

[redacted]

[redacted]

[redacted]

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dy

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Investigation on 8/15/90 at Los Angeles, California File # 56C-LA-101615
by SA [redacted] /JAJ/lkh Date dictated 8/15/90
SA [redacted]

1

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 8/13/90

[redacted] date of birth [redacted] Arlington, Virginia, [redacted] was interviewed at her place of employment, THE OFFICE OF UNITED STATES SENATOR JOHN MCCAIN, RUSSELL SENATE OFFICE BUILDING, Washington, D.C. After having been advised of the interviewing agents' identities and the nature of the interview, [redacted] provided the following information:

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[redacted] advised that she moved to Arizona in January 1980. In approximately the fall of 1981, she began her employment with the AMERICAN CONTINENTAL CORPORATION (ACC), Phoenix, Arizona, after learning of the job opening through a friend who was employed at ACC. While at ACC, she worked as a legal secretary for the ACC Legal Department, which consisted of [redacted]. She worked primarily for [redacted]. [redacted] said she met JOHN MCCAIN through [redacted] and after MCCAIN was elected to Congress in 1982, she knew that MCCAIN would need to hire a staff for his Washington, D.C. Office. [redacted] suggested that she talk to MCCAIN about a job, she did so, was interviewed, and received a job offer from MCCAIN. In December of 1982, she quit her employment with ACC to work for MCCAIN. For approximately six months beginning in January 1983, she was employed as MCCAIN'S [redacted]. Then she became MCCAIN'S [redacted] which is her current position. As MCCAIN'S [redacted] her duties include [redacted].

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[redacted] In January 1987, MCCAIN became a United States Senator, and [redacted] remained as MCCAIN'S [redacted].

MCCAIN stated she made some friends at ACC, in particular another legal secretary who worked for [redacted] named [redacted] and [redacted] maintained contact on a social basis with [redacted] after she left ACC. [redacted] said she first met [redacted] when [redacted] visited MCCAIN'S office in Washington, D.C. [redacted] said [redacted] frequently met with MCCAIN staff member [redacted]. [redacted] said she did not remember ever setting up a meeting for [redacted] with MCCAIN. [redacted] said CHARLES KEATING and [redacted] met only a few times with MCCAIN.

Investigation on 7/20/90 at Washington, D.C.File # 58C-PX-41605 -126by SA [redacted] JAJ/tycDate dictated 7/25/90b6
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INDEXED

58C-PX-41605

Continuation of FD-302 of [REDACTED], On 8/13/90, Page - 2 -

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Regarding the April 1987 meetings MCCAIN had with FEDERAL HOME LOAN BANK BOARD [REDACTED] and the San Francisco Regulators, [REDACTED] said she did not recall KEATING setting up these meetings, but she recalls [REDACTED] being in MCCAIN'S office about this time to meet with MCCAIN staff member [REDACTED]

[REDACTED] was shown a copy of MCCAIN'S appointment calendar for April 2, 1987, and she identified her handwriting for the entry noting a meeting with [REDACTED] said she could not recall who telephoned her to schedule this meeting, or if she was telephoned at all. [REDACTED] explained that somebody told her to schedule the meeting on the calendar, and it could have been [REDACTED] said she recalled nothing about any instructions that no staff was to attend this meeting. [REDACTED] added that she did not think she would have written anything down on the appointment calendar specifying no staff, even if she had heard that no staff were invited.

[REDACTED] was shown a copy of MCCAIN'S appointment calendar for April 9, 1987, and [REDACTED] identified her handwriting for the entry noting a meeting with the San Francisco regulators. [REDACTED] said she could not recall how this meeting was set up.

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[REDACTED] stated that she remembers that MCCAIN was going to attend these April 1987 meetings, because these meetings were somewhat unusual and that she could tell that MCCAIN was not comfortable about them.

[REDACTED] said she does not recall anything about a meeting on March 24, 1987, in MCCAIN'S office with KEATING. [REDACTED] added that she did not ordinarily attend meetings with MCCAIN.

[REDACTED] stated that she occasionally went to lunch or had drinks with [REDACTED] although she believes this did not occur after MCCAIN became a Senator. These meetings with [REDACTED] were purely social, and they never discussed business.

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[REDACTED] stated she was not aware of any contact MCCAIN had with the FEDERAL HOME LOAN BANK BOARD or any other senators regarding LINCOLN SAVINGS and LOAN ASSOCIATION, except for the two meetings that occurred in April 1987. [REDACTED] said she has had no contact with anyone at ACC during the last two years.

Transmit attached by Facsimile

PRECEDENCE:

- ☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

- ☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☒ UNCLAS

To: Director FBI

From: Los Angeles (58C-PX-41605) (SARA) (P)

Subject: Allegations Concerning U.S. Senators;
Charles H. Keating;

Date

8/14/90

Corruption of Federal Public Officials - Legislative

- ☐ Fingerprint Photo ☐ Fingerprint Record ☐ Map ☐ Newspaper clipping ☐ Photograph
☐ Artists Conception ☒ Teletype ☐ Other _____

Special handling Instructions:

Approved: CLC/JP

Transmit attached by Facsimile

PRECEDENCE:

- ☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

- ☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☒ UNCLAS

To: FBI Phoenix

From: Los Angeles (58C-PX-41605) (SARA) (P)

Subject: Allegations Concerning U.S. Senators;
Charles H. Keating;

Date

8
5/14/90

Corruption of Federal Public Officials - Legislative

☐ Fingerprint Photo☐ Fingerprint Record☐ Map☐ Newspaper clipping☐ Photograph☐ Artists Conception☒ Teletype☐ Other _____

Special handling Instructions:

Approved: _____

58C-PK-411605-1127

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FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 8/14/90

1 FM FBI LOS ANGELES (58C-PX-41605) (SARA) (P) *Ull*2 TO DIRECTOR FBI/ROUTINE/ *Ull 8/15 1:07*3 FBI PHOENIX/ROUTINE/ *ST 1:07 8/15*

4 BT

5 UNCLAS

6 CITE: //3410:0670//

7 PASS: FBIHQ PUBLIC CORRUPTION UNIT.

8
 9 SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON,
 10 DENNIS D. DECONCINI, JOHN GLENN, JOHN MCCAIN, AND DONALD RIEGLE;
 11 CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN
 12 ASSOCIATION, IRVINE, CALIFORNIA, AND AMERICAN CONTINENTAL
 13 CORPORATION, PHOENIX, ARIZONA; CORRUPTION OF FEDERAL PUBLIC
 14 OFFICIALS - LEGISLATIVE; OO: PHOENIX/LOS ANGELES.

15 RE TELCALL BETWEEN BUREAU SSA [REDACTED] AND LOS ANGELES SA

16 [REDACTED] ON 8/9/90, AND PHOENIX LHM DATED 8/7/90.

17 REQUEST OF THE BUREAU: THE BUREAU IS REQUESTED TO AUTHORIZE
 18 FIELD INTERVIEWS OF UNITED STATES SENATORS MACK MATTINGLY
 19 (GEORGIA) AND PETE WILSON (CALIFORNIA), AND UNITED STATES
 20 REPRESENTATIVES CHARLES PASHAYAN (CALIFORNIA) AND DOUG BARNARD,
 21

166/
 1) c/FAJ/cpt

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b7cApproved: *166/*

Transmitted

8/15/90 1:07
 (Number) (Time)

Per *Ull*

PAGE TWO (58C-PX-41605)

JR. (GEORGIA) IN CONNECTION WITH CAPTIONED INVESTIGATION.

FOR FURTHER INFORMATION OF BUREAU, THIS INVESTIGATION INVOLVES WELL-PUBLICIZED ALLEGATIONS THAT CAPTIONED UNITED STATES SENATORS INTERCEDED ON SUBJECT CHARLES H. KEATING'S BEHALF WITH FEDERAL HOME LOAN BANK BOARD (FHLBB) REGULATORS, IN EXCHANGE FOR CONTRIBUTIONS TO THE SENATORS' CAMPAIGNS, POLITICAL ACTION COMMITTEES, AND CRANSTON'S VOTER REGISTRATION GROUPS. THE ALLEGED INTERFERENCE WAS ON BEHALF OF TROUBLED LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL), WHICH WAS ULTIMATELY PLACED IN CONSERVATORSHIP BY THE FHLBB ON 4/14/89. INVESTIGATION HAS ALSO SHOWN THAT SENATOR DECONCINI, AT KEATING'S REQUEST, SUCCESSFULLY PRESSURED THE WHITE HOUSE IN 1986 TO APPOINT LEE HENKEL, JR., TO THE FHLBB. HENKEL, AN ATTORNEY FROM ATLANTA, GEORGIA, HAD DONE LEGAL WORK FOR LSL, WAS A BUSINESS ASSOCIATE OF KEATING, AND IS THE SUBJECT OF A RELATED INVESTIGATION (FILE NUMBER 58A-LA-111204).

SENATOR MATTINGLY AND REPRESENTATIVE BARNARD SHOULD BE INTERVIEWED TO DETERMINE WHAT, IF ANYTHING, KEATING ASKED THEM TO DO, PARTICULARLY IN CONNECTION WITH HENKEL'S CANDIDACY FOR THE FHLBB. AS MEMBER OF THE HOUSE BANKING COMMITTEE, BARNARD RECEIVED \$19,000 IN CAMPAIGN CONTRIBUTIONS FROM AMERICAN CONTINENTAL CORPORATION (ACC) EMPLOYEES ON 7/28/86. HENKEL WAS BEING CONSIDERED BY THE WHITE HOUSE FOR THE FHLBB APPOINTMENT DURING THE SUMMER OF 1986, AND HIS APPOINTMENT WAS ANNOUNCED ON 10/7/86. ACCORDING TO KEATING'S AGENDA, BARNARD MET WITH KEATING ON 7/20/86 (IN PHOENIX), 8/11/86, 9/10/86, 1/26/87, AND 1/27/88.

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KEATING'S AGENDA ALSO SHOW KEATING MEETING WITH MATTINGLY ON 12/17/84 AND 11/21/85. ON 4/4/86, ACC EMPLOYEES CONTRIBUTED \$10,000 TO MATTINGLY'S CAMPAIGN. MATTINGLY WAS KNOWN TO BE A STRONG SUPPORTER IN 1986 FOR HENKEL'S NOMINATION TO THE FHLBB.

INVESTIGATION HAS REVEALED THAT SENATOR DECONCINI TRADED HIS VOTE IN 1986 FOR FUNDING OF THE NICARAGUAN CONTRAS IN EXCHANGE FOR THE WHITE HOUSE NOMINATING HENKEL TO THE FHLBB. FORMER WHITE HOUSE PERSONNEL DIRECTOR ROBERT TUTTLE HAS ADVISED THAT FORMER WHITE HOUSE CHIEF OF STAFF DONALD REGAN SELECTED HENKEL AS THE FHLBB NOMINEE, OVER TUTTLE'S OBJECTION, EXPLAINING THAT THE WHITE HOUSE "OWED" IT TO SENATOR DECONCINI. FORMER SENATOR PAULA HAWKINS (FLORIDA) ALSO STRONGLY SUPPORTED HENKEL. ACCORDING TO KEATING'S AGENDA, KEATING MET WITH HAWKINS ON FOUR SEPARATE OCCASIONS IN JULY/AUGUST 1986, AND ON 9/10/86, HAWKINS AND KEATING MET WITH REGAN IN THE WHITE HOUSE REGARDING THE HENKEL NOMINATION. FEDERAL ELECTION COMMISSION RECORDS SHOW THAT ON 7/25/86, ACC EMPLOYEES CONTRIBUTED \$20,000 TO HAWKIN'S CAMPAIGN, AND LATER IN 1986, ACC CONTRIBUTED \$100,000 TO THE FLORIDA REPUBLICAN PARTY. IT IS ANTICIPATED THAT REGAN AND HAWKINS WILL ALSO BE INTERVIEWED IN THIS INVESTIGATION.

FURTHERMORE, DOCUMENTATION PROVIDED BY SENATOR GLENN INCLUDES HIS NOTES OF A TELEPHONE CONVERSATION WITH KEATING ON 6/13/86, IN WHICH KEATING APPARENTLY PROPOSED THAT GLENN TRADE HIS VOTE IN SUPPORT OF JUDGE MANION'S APPOINTMENT TO THE FEDERAL APPELLATE COURT IN EXCHANGE FOR THE ADMINISTRATION SUPPORTING HENKEL'S NOMINATION TO THE FHLBB. GLENN DECLINED TO DO SO, AND

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GLENN SUPPORTED NEITHER [REDACTED] NOR HENKEL. THUS, MATTINGLY, BARNARD, AND HAWKINS COULD PROVIDE EVIDENCE OF KEATING'S LOBBYING REGARDING THE HENKEL NOMINATION, AND COULD PROVIDE AN EXPLANATION OF WHAT MOTIVATED DECONCINI TO GO TO THE EXTREME OF TRADING HIS VOTE ON AN IMPORTANT ISSUE TO OBTAIN HENKEL'S NOMINATION.

SENATOR WILSON AND REPRESENTATIVE PASHAYAN SHOULD BE INTERVIEWED TO DETERMINE WHAT KEATING ASKED THEM TO DO, AND WHY THEY APPARENTLY AT LEAST AT SOME POINT REFUSED TO ASSIST KEATING ANY FURTHER. ACC EMPLOYEES CONTRIBUTED \$17,500 TO WILSON'S CAMPAIGN ON 4/8/85, AND ON 12/21/89, WILSON RETURNED THE \$17,500 TO THE CONTRIBUTORS. KEATING'S AGENDA SHOW A MEETING WITH WILSON ON 11/21/85. ON 12/13/89, WILSON'S PRESS SECRETARY BILL LIVINGSTONE WAS QUOTED IN THE ORANGE COUNTY REGISTER SAYING KEATING HAD CONTACTED WILSON'S OFFICE AND WANTED WILSON TO "GET INVOLVED IN AN ISSUE", BUT WILSON DECLINED TO DO SO.

FEDERAL ELECTION COMMISSION RECORDS SHOW THAT PASHAYAN RECEIVED \$11,000 IN CAMPAIGN CONTRIBUTIONS FROM ACC EMPLOYEES ON 6/2/86, AND AN ADDITIONAL \$13,000 ON 8/17/86. PASHAYAN RETURNED \$26,000 OF CAMPAIGN CONTRIBUTIONS TO ACC EMPLOYEES ON 11/8/89. KEATING'S AGENDA SHOW KEATING MEETING WITH PASHAYAN ON 11/21/85, 8/12/86, AND 1/28/87. FORMER FHLBB [REDACTED] HAS SAID THAT IN LATE 1984 AND EARLY 1985, PASHAYAN LOBBIED HIM IN OPPOSITION TO A PROPOSED DIRECT INVESTMENT REGULATION, THAT WAS ALSO STRONGLY OPPOSED BY KEATING. ON 9/28/87, PASHAYAN WROTE A LETTER TO THE HOUSE WAYS AND MEANS COMMITTEE PROMOTING AN AMENDMENT TO THE "THRIFTNESS" TEST OF THE INTERNAL REVENUE CODE,

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WHICH WOULD BENEFIT LSL AND OTHER SIMILAR SITUATED THRIFT INSTITUTIONS. AFTER SEPTEMBER 1987, THERE IS NO RECORD THAT PASHAYAN HAD ANY ADDITIONAL CONTACT WITH KEATING.

MEMBERS OF SENATOR MCCAIN'S STAFF HAVE STATED THAT IN MARCH 1987, KEATING ASKED MCCAIN TO NEGOTIATE WITH THE FHLBB ON LSL'S BEHALF, AND MCCAIN DECLINED TO DO SO BELIEVING IT WAS INAPPROPRIATE, WHICH RESULTED IN KEATING CALLING MCCAIN A "WIMP" AND THE TERMINATION OF KEATING'S RELATIONSHIP WITH MCCAIN. PASHAYAN AND WILSON COULD PROVIDE EVIDENCE OF ANY REQUESTS OF THEM MADE BY KEATING, AND ANY CONNECTION KEATING MAY HAVE MADE BETWEEN HIS REQUESTS FOR ACTION AND CAMPAIGN CONTRIBUTIONS.

BT



U.S. Department of Justice

Federal Bureau of Investigation

In Reply, Please Refer to
File No.

11000 Wilshire Boulevard
Los Angeles, California 90024

August 29, 1990

Mr. Gerald E. McDowell
Chief Public Integrity Section
Criminal Division
Department of Justice
Washington, D.C. 20530

Dear Mr. McDowell:

On September 5th and 6th, 1990, an essential strategy session will be held in Anaheim, California, regarding all investigative matters relating to Charles H. Keating and Allan Cranston, et al. All investigative personnel, supervisors, and Assistant United States Attorneys from Los Angeles and Phoenix will be in attendance.

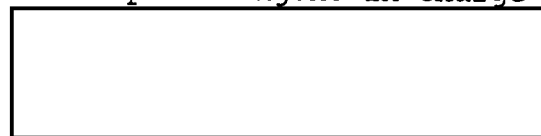
The political aspects of this matter are rapidly progressing into the prosecutorial phase and require input and decisions from not only the assigned assistants but from Public Integrity Section Attorneys.

Therefore, it is requested Attorneys [redacted]
[redacted] attend this session at the Hilton Suites in
Anaheim, California. We are looking forward to seeing [redacted]
[redacted] at the above session.

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b7c

Sincerely yours,

LAWRENCE G. LAWLER
Special Agent in Charge



Senior Supervisory
Resident Agent

1*

-2 - Addressee
① - Los Angeles (58C-PX-41605)(P)
(SARA-1)

GKM/cpt
(4)

58C-PX-41605-128

SEARCHED _____
INDEXED _____
SERIALIZED 4
FILED 4

for

Transmit attached by Facsimile

PRECEDENCE:

- ☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

- ☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☒ UNCLAS

To: Director FBI

From: Los Angeles (58C-PX-41605)(SARA)(P)

Subject: Allegations concerning U.S. Senators
Corruption of Federal Public Officials - Legislative;
OO: Px/LA

Date

9/11/90

- ☐ Fingerprint Photo ☐ Fingerprint Record ☐ Map ☐ Newspaper clipping ☐ Photograph
☐ Artists Conception ☒ Teletype ☐ Other _____

Special handling Instructions:

ATTN:

SSA

Public Corruption Unit

Approved: *[Signature]*

9/12/90

Transmit attached by Facsimile

PRECEDENCE:

- ☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

- ☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☒ UNCLAS

To: FBI Phoenix

From: Los Angeles (58C-PX-41605)(SARA)(P)

Subject: Allegations concerning U.S. Senators
Corruption of Federal Public Officials - Legislative;
OO: Px/LA

Date

9/11/90

☐ Fingerprint Photo

☐ Fingerprint Record

☐ Map

☐ Newspaper clipping

☐ Photograph

☐ Artists Conception

☒ Teletype

☐ Other _____

Special handling Instructions:

Approved: _____

[Signature]

Transmit attached by Facsimile

PRECEDENCE:

- ☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

- ☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☒ UNCLAS

To: FBI WMFO

From: Los Angeles (58C-PX-41605)(SARA)(P)

Subject: Allegations concerning U.S. Senators
Corruption of Federal Public Officials - Legislative;
OO: Px/LA

Date 9/11/90

- ☐ Fingerprint Photo ☐ Fingerprint Record ☐ Map ☐ Newspaper clipping ☐ Photograph
☐ Artists Conception ☒ Teletype ☐ Other _____

Special handling Instructions:

Approved: 

586-PA 41605-130

97

1990

by

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 9/11/90

1 FM FBI LOS ANGELES (58C-PX-41605) (SARA) (P)

2 TO DIRECTOR FBI/ROUTINE/

3 FBI WMFO/ROUTINE/

4 INFO FBI PHOENIX/ROUTINE/

5 BT

6 UNCLAS

7 CITE: //3410:0670//

8 PASS: BUREAU SSA [REDACTED] PUBLIC CORRUPTION UNIT.

9
10 SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON,
11 DENNIS DECONCINI, JOHN GLENN, JOHN MCCAIN, DONALD RIEGLE;
12 CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN
13 ASSOCIATION, IRVINE, CALIFORNIA, AND AMERICAN CONTINENTAL
14 CORPORATION, PHOENIX, ARIZONA; CORRUPTION OF FEDERAL PUBLIC
15 OFFICIALS - LEGISLATIVE; OO: PHOENIX/LOS ANGELES.

16 RE SANTA ANA SA [REDACTED] TELCALL TO PUBLIC
17 CORRUPTION UNIT SSA [REDACTED] ON 9/7/90, AND SA [REDACTED] TELCALL
18 WITH WMFO SSA [REDACTED] ON 9/10/90.

19 AS DISCUSSED IN REFERENCED TELCALLS, LOS ANGELES SA'S

20 [REDACTED] AND PHOENIX SA [REDACTED]

21 JAJ/cpt
(1)b6
b7cb6
b7cApproved: LG2/jc

Transmitted

PST 10:50 9/12/90
(Number) (Time)

Per

Ue

PAGE TWO (58C-PX-41605)

[REDACTED] INTEND TO TRAVEL TO WMFO 9/16/90 THROUGH 9/21/90 FOR THE PURPOSE OF CONDUCTING INTERVIEWS IN CAPTIONED MATTER. INTERVIEWS ARE PLANNED OF THE FOLLOWING:

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1. [REDACTED] FEDERAL HOME LOAN BANK BOARD (FHLBB), REGARDING HIS CONTACTS WITH THE SUBJECT SENATORS.

2. [REDACTED]
[REDACTED] CONTACTS WITH THE FHLBB ON BEHALF OF CHARLES KEATING.

3. [REDACTED]
REGARDING HER CONTACTS WITH THE FHLBB AND KEATING.

4. [REDACTED] REGARDING HIS CONTACTS WITH KEATING.

5. [REDACTED]
[REDACTED] REGARDING THEIR CONTACT'S WITH KEATING.

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6. [REDACTED]
REGARDING KEATING'S CONTACTS [REDACTED]

7. DONALD REGAN, FORMER WHITE HOUSE CHIEF OF STAFF, REGARDING SENATOR DECONCINI'S EFFORTS TO OBTAIN LEE HENKEL'S APPOINTMENT TO THE FHLBB IN 1986.

8. [REDACTED] FORMER ASSISTANT TO THE PRESIDENT WILLIAM BALL, III, REGARDING DECONCINI'S EFFORTS TO OBTAIN HENKEL'S APPOINTMENT TO THE FHLBB.

9. [REDACTED] (NOT YET ARRANGED), FORMER LOBBYIST FOR KEATING.

PAGE THREE (58C-PX-41605)

10. [REDACTED] (NOT YET LOCATED), FORMER LOBBYIST FOR
KEATING.

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PER REFERENCED TELCALL, SOME ASSISTANCE OF WMFO SA [REDACTED]

[REDACTED] IS REQUESTED.

SAC, WMFO, AND SAC, LOS ANGELES, CONCUR WITH PROPOSED
TRAVEL.

BT

SEC-PX-L11605-131

SEP 1990

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 2/22/90

[redacted] FEDERAL HOME LOAN BANK BOARD (FHLBB), telephoned the Santa Ana Office of the FEDERAL BUREAU OF INVESTIGATION (FBI), and provided the following information:

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[redacted] advised that on the afternoon and evening of December 17, 1986, FHLBB Member LEE HENKEL met with [redacted] and other FHLBB Staff Members, but HENKEL did not then mention the proposal regarding the direct investment regulation that HENKEL made at the FHLBB meeting on December 18, 1986. [redacted] stated that the first he and his staff heard of HENKEL'S proposal was at the December 18 meeting when HENKEL made the proposal. [redacted] said HENKEL claimed to have typed the proposal on his own typewriter. [redacted] added that this December 18 meeting was the first public meeting of the FHLBB that HENKEL attended as a member. As was normal practice, the meeting was tape recorded and a transcript of the meeting was made.

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[redacted] said that when HENKEL made his proposal at the December 18 meeting, [redacted] did not realize that HENKEL'S proposal would benefit LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL). Immediately after the meeting, [redacted] told [redacted] that HENKEL'S proposal would substantially benefit LSL. [redacted] said he was then aware of HENKEL'S financial dealings with LSL, and therefore he, [redacted] and other staff members were "deeply concerned" that HENKEL was making a proposal that would directly benefit a company he had business dealings with. [redacted] said he was so outraged by HENKEL'S proposal, that he instructed a staff member to telephone the office of Senator PROXMIRE, who was then Chairman of the Senate Banking Committee, to inform Senator PROXMIRE of what [redacted] perceived as an ethical problem with HENKEL. [redacted] stated that on the evening of December 18, 1986, [redacted] a reporter for the WALL STREET JOURNAL, telephoned his office, and in the presence of [redacted] confirmed to [redacted] that LSL has made approximately \$50 to \$60 million dollars in loans to HENKEL, and that LSL had in excess of \$600 million dollars of direct investment in violation of the direct investment regulation. [redacted] added that he assumed that [redacted] source for this information was someone on Senator PROXMIRE'S staff.

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Investigation on 2/12/90 at Santa Ana, California File # 58A-LA-111204

by SA [redacted] adv Date dictated 2/15/90

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58A 1A-

Continuation of FD-302 of [redacted], On 2/22/90, Page 2*

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[redacted] explained that he had decided before the December 18 meeting that he would vote only for a two year extension of the direct investment rule, because Senator PROXMIRE had proclaimed that if the FHLBB did not extend the direct investment rule, then the Congress would legislate the same rule. [redacted] stated that therefore he voted against HENKEL'S proposal.

[redacted] stated that in his opinion HENKEL was "lying" when he testified before a U.S. House of Representatives Committee in the Fall of 1989, that HENKEL had drafted his December 18 proposal without any contact with anyone from AMERICAN CONTINENTAL CORPORATION and that HENKEL had had no previous knowledge that his proposal would affect ISL.

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[redacted] stated that in approximately January or February of 1987, he commissioned [redacted] of the FHLBB'S office of Policy and Economic Research to conduct a study of which institutions would have been affected by HENKEL'S December 18 proposal. [redacted] stated that [redacted] conclusion was that only ISL and possibly one other institution would be effected. [redacted] added that [redacted] is presently employed as [redacted] in Washington D.C.

58C-PX-41605-132

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1990

for

FEDERAL BUREAU OF INVESTIGATION

- 1 -

Date of transcription 6/1/90

[redacted] was advised of the identity of the interviewing agent as being a Special Agent with the Federal Bureau of Investigation by display of credentials. He was advised the interview concerned his examination of the LINCOLN FEDERAL SAVINGS AND LOAN ASSOCIATION in California. He then provided the following information:

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[redacted] advised that [redacted]

[redacted]

[redacted]

[redacted]

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b7D

Investigation on 5/24/90 at Atlanta, Georgia File # 58C-PX-41605

by SA [redacted] /pbl Date dictated 5/25/90

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58C-PK-41605-133

SEP 1990

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FEDERAL BUREAU OF INVESTIGATION

1

Date of transcription 6/20/90

On June 16, 1990, [redacted] who resides at [redacted] telephone number [redacted] was contacted at a pre-arranged location in Somers Point, New Jersey by Special Agent (SA) [redacted] and SA [redacted] was apprised of the identity of the contacting agents as Special Agents of the FEDERAL BUREAU OF INVESTIGATION (FBI) through a show of credentials. He was informed that the nature of the inquiry concerned the July, 1988 FEDERAL HOME LOAN BANK BOARD (FHLBB) examination of the LINCOLN SAVINGS AND LOAN ASSOCIATION OF CALIFORNIA (LSL). [redacted] agreed to be interviewed about his knowledge of this matter and subsequently he provided the following information:

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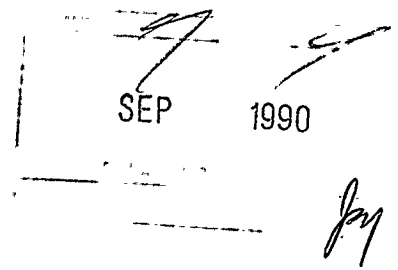
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Investigation on 6/16/90 at Somers Point, NJ File # NEWARK 58C-PX-41605-62
by SA [redacted] sas Date dictated 6/20/90

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This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

58C-41605-134



FEDERAL BUREAU OF INVESTIGATION

1

Date of transcription 6/20/90

On June 16, 1990, [redacted] who resides at [redacted] telephone number [redacted] was contacted at a prearranged location in Somers Point, New Jersey, by Special Agents (SAs) [redacted]. [redacted] was appraised of the identities of contacting agents as Special Agents of the FEDERAL BUREAU OF INVESTIGATION (FBI) through a show of credentials. He was informed that the nature of the inquiry concerned the July, 1988, FEDERAL HOME LOAN BANK Board (FHLBB) examination of the LINCOLN SAVINGS AND LOAN ASSOCIATION of California (LSL). [redacted] agreed to be interviewed about his knowledge of this matter and subsequently he provided the following information:

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Investigation on 6/16/90 at Somers Point, New Jersey File # Newark 58C-PX-41605

by SA [redacted] (DAW/caj) Date dictated 6/16/90

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58C-PX-411605-135

SEP

1990

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 7/9/90

[redacted] Bethesda, Maryland,
20816, telephone [redacted] was advised as to the identities
of the interviewing agents and the purpose of the interview at
which time he advised as follows:

[redacted] stated his date of birth is [redacted]
and he was born in Washington, D.C. His Social Security Account
Number is [redacted]

[redacted] confirmed the fact that [redacted]

[redacted]

[redacted]

[redacted]

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b7Db6
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Investigation on 6/21/90 at Washington, D.C. File # 58A-LA-111204

by SA [redacted]
SA [redacted] GKM/cpt Date dictated 6/27/90

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58C-PX-41605-136

SEARCHED	INDEXED
SERIALIZED	FILED
SEP 1990	
FBI - LOS ANGELES	

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FEDERAL BUREAU OF INVESTIGATION

- 1 -

Date of transcription 7/31/90

[redacted] was interviewed in the office of his employer, [redacted] Washington, DC 20005, [redacted] resides at [redacted] Arlington, Virginia 22207, [redacted]

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Also present during this interview was Attorney [redacted] [redacted] although stating he did not represent [redacted] Also present during this interview was Assistant United States Attorney (AUSA) [redacted] Central District of California, Los Angeles, California.

[redacted] said he was employed [redacted]

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[redacted] said he first became aware of LINCOLN SAVINGS AND LOAN (LSL) in August 1987. [redacted]

Investigation on 7/16/90 at Washington, DC File # 58C-PX-41605

by SA [redacted]/rh Date dictated 7/25/90

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58C-PX-41665-137

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for

FEDERAL BUREAU OF INVESTIGATION

- 1 -

Date of transcription 8/1/90

[redacted] Gainesville, Virginia 22065, [redacted] was interviewed in the FBI office at Tysons Corner, Virginia.

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Also present during this interview was Assistant United States Attorney (AUSA) [redacted] from the Central District of California, Los Angeles, California.

[redacted] said his present occupation is a consultant and lobbyist. [redacted] stated he received a Bachelor of Arts Degree from Providence College. [redacted] said he has been a lobbyist since 1974 and worked with the Credit Union Trade Association until he was employed by the Federal Home Loan Bank Board (FHLBB). [redacted] said he was so employed from August 1987 until March 1990. He was hired by [redacted] and as such was a political appointment but was not a presidential appointment.

[redacted] said while he was employed by the FHLBB he was [redacted] Congressional Relations and a Communications Office of the FHLBB. [redacted] said in March 1990 when he left the employment of the government, his title was Senior Executive with the Office of Thrift Supervision.

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[redacted] said he has known [redacted] when he [redacted] received a telephone call from [redacted] in August 1987 and made the job offer to him. [redacted] said his job entailed working with the press and the members of Congress.

[redacted] said LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL) became known to him as a problem upon his arrival at the FHLBB. The problem that [redacted] focused on was the fact that there had been a series of leaks and [redacted] had issued a directive to the FHLBB employees that essentially stated the bank board documents and agency documents were confidential. [redacted] said he does not recall any relationship between LSL and the issuance of this directive. [redacted] who was a JACK ANDERSON employee, apparently had access to the bank board and had started publishing information from the "blue book" that contained information on

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Investigation on 7/17/90 at Tysons Corner, VA File # 58C-PX-41605
by SA [redacted] (Los Angeles) and
SA [redacted] Date dictated 7/25/90

58C-PX-41605

Continuation of FD-302 of _____, On 7/17/90, Page 2 b6 b7C

different thrifts that were in trouble. _____ had published an article in REGARDIES Magazine and was intending to publish this article in an Arizona newspaper. _____ recollection is that _____ upon hearing this information issued the directive to the employees of the FHLBB.

_____ said in September 1987, _____ called regarding this article. _____ apparently had spoken to _____ and then _____ gave _____ the assignment of getting back to _____. _____ said during this telephone call which was a conference call between himself, _____ that _____ took the lead and expressed concern about the article that would appear in the newspaper in Arizona regarding LSL. _____ in effect, wanted a statement issued by the FHLBB that would blunt the criticism in this article. _____, after the conversation with _____ and _____ did, in fact, call the editor of the Arizona magazine and after the conversation with this person no article appeared in the Arizona magazine. Prior to calling the editor, he discussed the information that he had obtained from _____ with _____. _____ was acting upon their instructions. _____ said apparently _____ had discussed the article with _____ and this was how they knew the article was soon to appear. _____ said at this time (September 1987) _____ was the principle contact between LSL and the FHLBB. Later, he recused himself because his brother, _____ had gone to work for LSL as a lobbyist.

_____ said the next contact he had with LSL was during the Enforcement Review Committee (ERC) meetings. _____ was displayed a document entitled "Agenda for 2/16/88 Special Meeting of the Enforcement Review Committee" to refresh his memory. _____ said by the time the ERC had its meeting, _____ had recused himself which occurred in September 1987 as a result _____ did not attend any of the ERC meetings. _____ said additionally _____ did not want to hear from the ERC until they had reached their conclusions and made recommendations to the bank board.

_____ said the ERC was developed at the direction of _____ and the bank board delegated certain authorities to it. _____ however, could not recall the enforcement duties delegated by the bank board. _____ did, however, recall that LSL was the first thrift confronted by the ERC and when it was not devoting time to LSL, it was busy with other thrifts.

58C-PX-41605

Continuation of FD-302 of [REDACTED], On 7/17/90, Page 3

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[REDACTED] said his function on the ERC was to brief [REDACTED] as it pertained to policy matters but not in detail concerning the matters heard.

After [REDACTED] had time to review the agenda for February 16, 1988, he was specifically asked about the occurrences on March 14, 1988. [REDACTED] stated LSL had refused to appear at the ERC meeting if a member of the San Francisco bank was present. [REDACTED] said he recalls this because [REDACTED] told him that LSL would not appear if a San Francisco member was present. [REDACTED] was not involved in the discussion for the resolution of LSL's refusal to appear and was only informed of this by [REDACTED]

[REDACTED] was then asked to comment concerning the March 25, 1988 ERC meeting and he stated CHARLES KEATING, [REDACTED] did, in fact, appear on that date to make a presentation to the ERC. [REDACTED] said KEATING gave a very impassioned plea and talked about the "Estrella" project and he stated he was the principle person involved in this project and he and his family's monies were also invested in it. KEATING also discussed the fact that he had been unable to operate LSL as a traditional thrift realizing that he could not do so, he then embarked upon the investment areas such as Estrella. [REDACTED] said [REDACTED] said LSL was a healthy institution and his exam remarks and findings had been cleared by the highest levels of ARTHUR YOUNG in New York City. [REDACTED] characterized [REDACTED] and [REDACTED] as the "good cop/bad cop" routine. [REDACTED] would be critical of leaks and other areas that he considered toward management on the part of the Federal Home Loan Bank agency and [REDACTED] then would be the "good cop" trying to soften the criticism of [REDACTED]

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[REDACTED] said he recalled there being discussion from the ERC members about KEATING's political influence, but the comments and questions were directed toward the local level of government. [REDACTED] said, in fact, he recalls one ERC member citing the fact that KEATING had influence on a local level. Citing his ability to get zoning in Arizona, specifically the lake at Estrella. KEATING stated there was no risk to the FSLIC insurance because the Estrella project again, as an example, would maintain its value. KEATING would spare no effort to improve this land. [REDACTED] said there was never any discussion in the ERC meetings with KEATING concerning any congressional influence he had and he [REDACTED] witnessed no side discussions regarding this with KEATING as well.

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58C-PX-41605

Continuation of FD-302 of [redacted], On 7/17/90, Page 4

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[redacted] said he is unaware of the enforcement tool that was to be utilized regarding LSL, however, the ERC recommended three options to the bank board. [redacted] said as best he could recall the options were to allow the transfer of supervision of LSL from the San Francisco bank and recalled Seattle was where the institution desired to go. The other option was to allow a new examination by the San Francisco Bank District. [redacted] remembered the third option was to conduct a new examination with supervisory authority being handled by the bank board in Washington, DC. This option, if adopted, would allow for the issuance of a cease and desist order if exam problems were found. [redacted] said that the Memorandum of Understanding (MOU) was generated from the ERC review process and was used principally because KEATING had refused to sign a cease and desist order and would, in fact, sign the MOU. [redacted] said there were numerous drafts of the MOU prior to its final form which was executed between the bank board and LSL. [redacted] said he does recall a problem with the "on site monitor" but is unaware of the resolution of this problem as it related to the language in the MOU.

[redacted] said in April 1988, [redacted] a lobbyist for KEATING called [redacted] said KEATING would not sign the MOU if there was an on site monitor at the thrift. [redacted] reason for calling was to "work this out" for KEATING. [redacted] said [redacted] only part in this resolution of the monitor problem was to get both parties "back to the table". [redacted] in fact, passed [redacted] information on to [redacted] who apparently called KEATING and resolved this issue. [redacted] said he briefed [redacted] on [redacted] call because [redacted] at this time, was in Florida. [redacted] later briefed [redacted] on his conversation with [redacted]

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Late in April 1988 and before the May 5, 1988, bank board meeting, [redacted] was a member of a conference call with KEATING and [redacted] KEATING said he would not sign the MOU if it included the provision that a monitor would be present at the thrift. KEATING said, in effect, this would admit he had done something wrong and the monitor would "ruin the institution".

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[redacted] said [redacted] then called KEATING and again [redacted] could not place a date of this telephone call. [redacted] said

58C-PX-41605

Continuation of FD-302 of _____, On 7/17/90, Page 5 b6 b7C

_____ essentially "stroked KEATING". _____ said _____ told KEATING it was in his best interest to sign the MOU. _____ said the monitor would be present for any loans over \$500,000. _____ believes, in fact, the monitor was placed in LSL from the date the board voted on option one. _____ also understood that _____ was to be the agency person KEATING would report to if problems arose during the examination process. _____ said there was no change in the MOU that had been adopted by the board on May 5, 1988 and KEATING accepted its contents after he discussed it with _____

_____ said he had nothing to do with the July 1988 examination including selection of the examiners, or the September examination of AMERICAN CONTINENTAL CORPORATION (ACC) and selection of the examiners. _____ said he is not aware of the white wash allegations until the congressional testimony in November and December 1987. b6 b7C

_____ said he had nothing to do with LSL until a newspaper, the Orange County Register called in January or February 1989 indicating they had information that LSL was "going to be taken down". _____ said he received the telephone call from an unrecalled individual from this newspaper inquiring as to the action of the bank board. _____ stated he did not divulge any information to the newspaper reporter.

_____ said in the fall to winter 1989 while the FHLBB was preparing for testimony before the house banking committee, he received a telephone call from Senator ALAN CRANSTON's aide, _____. The telephone call was to alert the bank board to the fact that the agency had been saying there had been no meetings or contacts with Senator CRANSTON until September 1987. _____ was calling to advise the agency that there had been, in fact, contact by CRANSTON's office with the agency during the summer of 1987. She said there was an early telephone conversation between Senator CRANSTON and _____ at this time. _____ said her records, in fact, reflected the call was in July 1987. _____ said she was calling just to correct the understanding that the bank board had that it did not meet or converse with CRANSTON until September 1987. _____ further stated her records revealed the contact by Senator CRANSTON concerned the need to complete the examination of LSL and get out of the institution. b6 b7C

58C-PX-41605

Continuation of FD-302 of [redacted], On 7/17/90, Page 6

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[redacted] also stated in late July, early August, or September of 1987, there was a meeting with Senator CRANSTON at his office at the request of [redacted] on behalf of [redacted]. The purpose of this meeting was general banking matters and upon the conclusion of the general banking matters discussion CRANSTON then asked [redacted], "What is going on with LSL?" [redacted] said CRANSTON further stated, "We need to get this thing done, if nothing is wrong, let them run the business." [redacted] said [redacted] was present during this meeting because as previously stated it concerned general banking business and [redacted] only response to CRANSTON was that "we're working on it". [redacted] said he does not recall [redacted] agreeing to keep CRANSTON posted on LSL at this meeting or during any other meeting where [redacted] was present. [redacted] in fact, said that CRANSTON asked about LSL at the end of the "general banking business" and the statement about LSL was made "as we walked out of the door".

[redacted] said he recalls in September 1987 there was another meeting with CRANSTON when [redacted] his legislative aide was present. [redacted] also recalled [redacted] a CRANSTON aide, was also present. [redacted] said this meeting was requested by [redacted] on behalf of [redacted] and again the principle business to be discussed was the need for money for the FSLIC and the selling of FICA bonds. [redacted] said again CRANSTON, at the termination of the general banking discussion asked [redacted] "Where do you stand with Lincoln Savings and Loan?" CRANSTON also discussed the length of the examination of LSL. [redacted] responded by saying, "Time is a problem and we're trying to resolve the matter." [redacted] said during these meetings with CRANSTON there was never any new issues discussed regarding LSL between [redacted] and CRANSTON. [redacted] said the last meeting he requested with CRANSTON where LSL was discussed was the summer of 1989 before the FIRREA bill had been passed. The purpose of the meeting was, in fact, to discuss FIRREA and the future of the FHLBB as it related to new federal employees created by FIRREA. At the end of this conversation, CRANSTON then again asked about LSL sub-debt investors. CRANSTON wanted to know if anything could be done to help the bond purchasers. [redacted] said there was nothing the FHLBB can do unless the courts said otherwise. CRANSTON then instructed his aide, [redacted] to look into the matter to see if any help could come from the government for the board holders.

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[redacted] said he believes [redacted] received telephone calls from Senator CRANSTON regarding the sale of LSL, however, he does not know the details of these calls.

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Continuation of FD-302 of [redacted], On 7/17/90, Page 7 b6 b7C

[redacted] said [redacted] called Senator CRANSTON on April 14, 1989 to inform him that the Office of Thrift Supervision (OTS) was going to take over LSL. The telephone call, in fact, was a courtesy telephone call to inform the senator of the board's action.

[redacted] said his recollection is such that he recalls that on April 12, 1989 [redacted] received a telephone call from Senator CRANSTON concerning the proposed sale of LSL, however, [redacted] was not present for this call.

[redacted] said on the same day [redacted] was attempting to contact Senator CRANSTON about the OTS seizure of LSL, he also placed a telephone call to Senator DENNIS DE CONCINI. This call was a courtesy telephone call to inform DE CONCINI of the takeover of LSL. [redacted] said he witnessed [redacted] remarks and the conversation was very brief and it was solely to inform Senator DE CONCINI of the takeover of LSL.

[redacted] said [redacted] also called Senator CARROLL HUBBARD to inform him of the takeover and [redacted] said [redacted] said, "No big deal and that he had made the inquiry of [redacted] for a former member of Congress who was interested".

[redacted] said he had contacts with Senator CRANSTON's aid, [redacted] however, these contacts were usually in the same vein as with Senator CRANSTON when she would express concern over the length of the examination of LSL and information that was appearing in the press. [redacted] said he had no contacts with Senator CRANSTON's aide, [redacted] regarding LSL.

[redacted] said he received no telephone calls from Senator CRANSTON or his staff concerning setting up meetings with CHARLES KEATING or his staff with FHLBB members or staff. [redacted] further stated he received no telephone calls from any political figure requesting meetings between employees of the agency and KEATING or other thrift owners. [redacted] further stated if this type of call came in to the agency, it would have gone through [redacted]

[redacted] was asked if he recalled ever discussing the on-site monitor at LSL with [redacted] said he did not recall such a conversation.

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[REDACTED] said he does not recall any meeting between Senator DE CONCINI and [REDACTED] or his staff. [REDACTED] said he only recalls in April 1989, DE CONCINI called the bank board concerning the proposed sale of LSL. [REDACTED] said the conversation was with [REDACTED]

[REDACTED] said DE CONCINI expressed concern about the economy in Arizona if LSL failed. DE CONCINI told [REDACTED] to take no position but just consider the sale on its merit and the impact on the Arizona economy. [REDACTED] said he received no telephone calls from any staffers of DENNIS DE CONCINI. [REDACTED] further stated he had no meetings or telephone conversations with Senators RIEGLE, GLENN, or MC CAIN or their staff concerning LSL. [REDACTED]

[REDACTED] said he is a personal friend of [REDACTED] however, he has never discussed LSL before the takeover. [REDACTED] said [REDACTED] never asked any specific questions of him concerning LSL. [REDACTED] was shown machine copies of [REDACTED] telephone messages indicating he had called her, however, he could not recall the substance of these calls.

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**Agenda for 2/16/88 Special Meeting of the
Enforcement Review Committee**

Subject: Possible settlement or enforcement action re: Lincoln S&LA, Irvine, California.

- 2/16/88 - Meeting scheduled for [] presentation re: Lincoln S&LA (Exhibit A is [] draft recommendation dated 2/16/88.) b6 b7C
- 2/22/88 - Meeting continued for counter-presentation by representatives of PHLBank of San Francisco (Exhibit B-1 is memorandum of 2/22/88 from [] to the ERC presented at that meeting. Exhibit B is memorandum of 3/1/88 from [] requested during 2/22 meeting.) Exhibit B-3 is follow up memorandum from [] dated 3/10/88.
- 2/29/88 - Meeting continued for discussion by [] and [] re: what other information they desired before making a recommendation to the PHLBB on this matter.
- 3/14/88 - Meeting continued for presentations by Lincoln S&LA, the PHLBank of Seattle, and the Office of Enforcement, as requested by [] and [] following 2/29 meeting. Exhibit C is letter presented by PHLBank of Seattle representatives at that meeting. b6 b7C
- 3/25/88 - Meeting continued for presentation by Lincoln S&LA representatives in light of their failure to appear at 3/14/88 meeting.
- 3/30/88 (A.M.) - Meeting continued [] on telephone) to discuss ERC members conclusions to date and the nature of ERC's recommendation to the PHLBB re: Lincoln. OR to draft recommendation as directed by ERC to be discussed at next meeting.
- 3/30/88 (P.M.) - Meeting continued to receive views of State of California S&L Commissioner and his deputy re: Lincoln (via telephone conference).
- 4/14/88 - Meeting continued to review draft recommendation from ERC to PHLBB (as a part of a larger ERC meeting).
- 4/25/88 - Meeting continued to finalize recommendation from ERC to PHLBB re: Lincoln

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SEARCHED	INDEXED
SERIALIZED	FILED
SEP 1990	
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[Signature]

FEDERAL BUREAU OF INVESTIGATION

- 1 -

Date of transcription 7/31/90

[redacted]
[redacted]
McLean, Virginia [redacted] residence [redacted]
[redacted] Alexandria, Virginia 22305, [redacted]
provided the following information:

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[redacted] said he was employed with the Federal Home Loan Bank Board (FHLBB), now the Office of Thrift Supervision (OTS) [redacted] said from October 1986 until July 1987 he was the Director of the Office of Regulatory Oversight and Supervision (ORPOS). [redacted] said he is a career bank examiner and was previously employed for 23 years with the Office of the Comptroller of the Currency. The last position he held with the OCC was Deputy Controller and Special Assistant to the Controller.

[redacted] said he had no personal contact with any officials of LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL) until [redacted]
[redacted]

[redacted] said in November 1986 while attending a meeting in California with former Chairman ED GRAY of the FHLBB and the Commissioner of CALIFORNIA SAVINGS AND LOAN, [redacted] he became aware that LSL had become a problem institution. [redacted] the State of California was going to issue some form of enforcement order against LSL. [redacted] said he was also aware of the LEE HENKEL investigation by the Inspector General's Office during 1986. [redacted] also said he reviewed some loan classifications of LSL as well.

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[redacted] said his real knowledge concerning LSL occurred with the completion of the March 1986 examination conducted by the Federal Home Loan Bank of San Francisco Bank.

[redacted] reviewed the March 1986 examination and prepared a memo that was dated July 23, 1987. The memo was prepared by [redacted]

[redacted] said he, in fact, had not personally read the completed examination report and relied upon the judgement of [redacted]

[redacted] said the memo was prepared to inform the [redacted]

Investigation on 7/18/90 at McLean, Virginia File # 58C-PX-41605

by SA [redacted] WMFO and
SA [redacted] rh Date dictated 7/26/90

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Continuation of FD-302 of [REDACTED]

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FHLBB of the seriousness of the LSL problem. [REDACTED] said the LSL problem had become involved in a "lawyer loop" between the Offices of Litigation and Office of Enforcement at the FHLBB. Both these offices seemed to be "getting in each other's way" preventing a resolution of the LSL situation. [REDACTED] said the memo was prepared for [REDACTED]

[REDACTED] said the memo in theory should have set aside a time for the FHLBB to review LSL. [REDACTED] further stated that the thrust of this memo was to appoint a member of the board of the FHLBB who could become personally involved in the problem and assist towards its solution. [REDACTED]

[REDACTED] response from the bank board and that he was replaced as the Director of ORPOS on July 31, 1987 when [REDACTED] appointed [REDACTED] does not believe that the memo contributed to his being replaced by [REDACTED] primarily because [REDACTED] had been recruited by [REDACTED] prior to the submission of the memo to the bank board. [REDACTED] further does not believe that his position taken on LSL contributed to his being replaced as [REDACTED] had the same opinion of LSL as did [REDACTED] and they were assigned by [REDACTED] to review the March 1986 examination.

[REDACTED] said when he discussed his replacement with [REDACTED] only told him that he [REDACTED] had not accomplished much since being appointed as the Director of ORPOS and wanted to replace him with [REDACTED] After this, [REDACTED] became a spectator regarding LSL and devoted his attention to other savings and loan associations.

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[REDACTED] said he did not contribute to the July 1988 examination of LSL but he realized the examination came about through the execution of the Memorandum of Understanding (MOU). [REDACTED] said he did assist in the telephoning other bank districts in an effort to compile a list of examiners who could be [REDACTED] said, however, he did not contribute to the assignment of the Examiners In Charge (EIC).

[REDACTED] said the Enforcement Review Committee (ERC) reviewed LSL and made recommendations to the FHLBB. [REDACTED] said he can only recall attending one meeting after which [REDACTED] indicated [REDACTED] should not attend in an effort to keep the number of people attending the meetings down. [REDACTED] recalled he did not attend any ERC meeting after March 14, 1988.

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[REDACTED] said he was aware of the "white wash" rumors surrounding the July 1988 examination of LSL. [REDACTED] believes [REDACTED] the real estate portfolio had not done a thorough job and this contributed to the rumors of the

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"white wash". _____ said he recalls the real estate classifications done by GOZDANOVICH was part of this problem. _____ said he is aware that _____ traveled to Phoenix to look into the problem, however, he is unaware of what their findings were.

_____ said he is not aware of how the holding company examination originated, only that it was conducted.

It should be noted that during the interview, _____ retrieved his calendars and reviewed them for dates that he may have attended the ERC meetings. _____ said his calendars revealed he may have attended meetings of the ERC on February 22, 1988 and April 25, 1988, however, his recollection does not assist him in recalling if he was there.

_____ said he does not recall the May 5, 1988 Board Meeting and is not aware of the "monitor" issue as it relates to the MOU and LSL.

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_____ said he was in San Francisco in August 1988 for a meeting of the district bank presidents and directors for Agency Functions. During this time, he was invited to the residence of _____ as was _____. After dinner there was a discussion concerning the LSL situation which became heated between _____. _____ said he again appeared as a spectator and attempted to referee the dispute between _____ and _____. _____ said he does recall _____ telling _____ that the transfer of supervision of LSL from San Francisco was "for your own good". _____ said this in the context of transfer of supervision, however, _____ said he did not recall _____ referring to political influence of CHARLES KEATING.

_____ said he has no first-hand knowledge concerning the appointment of _____ to the FHLBB as this was done prior to his arrival at the agency. _____ said he was aware after the fact that the appointment related to HENKEL's relationship with KEATING. _____ said he also recalls the direct investment regulation was part of this problem as well.

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_____ said he had infrequent contact with _____ and when he was contacted by _____ he merely passed a message on to _____ who would then return the call to _____. _____ said he had no additional contacts with anyone from LSL, AMERICAN CONTINENTAL CORPORATION (ACC), or the subsidiaries.

_____ said he had no contact with Senators CRANSTON, GLENN, DE CONCINI, RIEGLE or MC CAIN or their staffs.

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_____ said he was not aware that _____ was going to meet with the senators or arrange for a follow-up meeting with the San Francisco regulators. _____

_____ said he learned of the April 9 meeting between the senators and the San Francisco regulators the same day. _____ said he recalls _____

_____ The information he acquired about the April 2 and April 9, 1987 meetings was acquired through newspaper articles and general conversation with various FHLBB (OTS) employees. _____ never discussed the meeting with the participants.

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SEP	1990
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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 8/15/90

[redacted]
[redacted]
Northwest, Washington, D.C. 20006, telephone number [redacted]
[redacted] a resident of [redacted]
Virginia 22039, telephone number [redacted] provided the
following information:

[redacted] said that he received no telephone calls, or requests for meetings from any member of Congress or their staff with CHARLES KEATING, JR., or any of his employees or associates.

[redacted] said that he would not have received these calls because this type of call would have come through the Congressional Relations Office (CRO) of the FEDERAL HOME LOAN BANK BOARD (FHLBB). [redacted] said members of Congress who were not on a banking committee were treated like private citizens, and would have received no information. A member of a banking committee would get the information; however, their request would go through and be authorized for release by the CRO. [redacted] stated that he observed, or felt no influence or outside pressure coming from Congress regarding the handling of LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL) by the FHLBB.

[redacted] said that he was aware that CHARLES KEATING opposed the FHLBB direct investment regulations. [redacted] also was aware that KEATING had commissioned [redacted] to conduct a study of the direct investment regulation.

[redacted] said that he was not aware of the April 2, and April 9, 1987 meetings between [redacted] and Senators CRANSTON DE CONCINI, MCCAIN, GLENN, and RIEGLE, and the San Francisco regulators until after the meetings occurred. [redacted] traced his source of information regarding these meetings to newspaper articles.

[redacted] said that on April 9, 1987, after realizing there had been a meeting between the five U. S. Senators and the San Francisco regulators, he should have known "something was up." [redacted] was in Washington, D.C., which was rare, and he would not tell [redacted] why he was in Washington, D.C.

[redacted] later learned that [redacted] did not know why [redacted] was in Washington, D.C. [redacted] said he did not know why the meeting was held confidential. [redacted] said that the relationship between

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by SAs [redacted] [redacted] /REB:sm Date dictated 7/19/90

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[redacted] and himself suffered as a result of the transfer of supervision of ISL, and they did not talk as frequently.

[redacted] said that the transfer of supervision of ISL from San Francisco occurred in July of 1987, and the decision for transfer was made at the top of the FHLBB, by [redacted]

[redacted] said that this decision to transfer supervision occurred between July, and September of 1987.

[redacted] said that ISL was one of the more significant problems confronted by the FHLBB, second only to FINANCIAL CORPORATION OF AMERICA. [redacted] said the departure of [redacted] left an

atmosphere in the agency that apparently made [redacted] feel that the staff members could not be trusted. As a result, [redacted] had the feeling that he needed to take a fresh look at ISL, and this fresh look was assigned to [redacted] said that [redacted] had the same attitude as [redacted] that there must be a fresh look at ISL, and this opinion existed from the very day that [redacted] arrived in Washington, D.C. [redacted] first act was to stop the August or September of 1987, limited scope examination of ISL. [redacted] then assigned [redacted]

[redacted] to review the March, 1986, examination conducted by San Francisco. [redacted] had the reputation of having a "negative view" of ISL, and yet he was assigned to assist [redacted] to conduct this review. [redacted] had the reputation as a hard nose regulator, and yet he was also assigned to review ISL. [redacted] said these two items add up to the fact that there was no outside influence being applied on [redacted]

[redacted] said that San Francisco in May of 1987, had submitted a recommendation for receivership or conservatorship. They had wanted to brief [redacted] and the executive staff in June of 1987. [redacted] by this time had recused himself because of all the public information regarding him and KEATING.

[redacted] was not liked or trusted by [redacted] and was replaced by [redacted]

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[redacted] said that in [redacted] and they had been attempting to get the board's attention in June and July regarding the seriousness of ISL. [redacted] to prepare a memo for this purpose. The memo dated July 23, 1987, although having [redacted] name on it was prepared by [redacted] [redacted] said that ORPOS was "out of the loop", and as a result, was having a difficult, if not impossible time informing the bank board as to the major problem that ISL posed. [redacted] said that no one from ORPOS [redacted] had any opportunity to meet with [redacted]

[redacted] or any of the board members regarding ISL. [redacted] said the sole purpose of this July 23,

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1987, memo was to inform the board as to the seriousness of LSL. [redacted] said that he was not aware, that during this time, KEATING had meetings with [redacted] while [redacted] was attempting to meet with him concerning LSL. [redacted] told [redacted] of some of the meetings [redacted] had with KEATING. [redacted] said that this problem was alleviated as soon as [redacted] arrived in Washington, D.C. [redacted] said as soon as [redacted] arrived [redacted] had access to [redacted] also told [redacted] of meetings that KEATING had with [redacted] prior to [redacted] arrival.

[redacted] said that it is unusual for the chairman of the FHLBB to not be available for staff; however, [redacted] said he has seen this happen before with the arrival of a new chairman.

[redacted] said that he prepared the cover memo, which had the name [redacted] on it, and that [redacted] prepared the memo which concerned information relating to receivership or conservatorship of LSL. The sole purpose of the memos were to get the attention of the board to the seriousness of LSL. [redacted] wanted a board member to be the focal point of the LSL problem. The information attached to the July 23, 1987, memo reflected the fact that LSL could not be controlled, and there was a need for receivership or conservatorship. This memo was drafted by [redacted] said that the other attachments to this July 23, 1987, memo were documents to give the board a flavor of LSL.

During the period that San Francisco was supervising LSL both [redacted] believed, and had a "blood and guts" feeling that LSL should be taken over. Both [redacted] believed that San Francisco documents (specifically the May, 1987 recommendation by San Francisco) did not contain sufficient ground for enforcement lawyers to draft an order for receivership or conservatorship. Both [redacted] and [redacted] believed that a cease and desist order could, however, be obtained. San Francisco at this time could not prove insolvency on the part of LSL in the valuation of the capital requirement. [redacted] said, in fact, San Francisco, although recommending receivership or conservatorship with a back up recommendation of a cease and desist order, appeared to be "playing negotiating games" with Washington in order that they would be in a win, win situation, whichever way Washington, D.C. decided to go with enforcement action. [redacted] said that even with the change of the FHLBB chairman there was at least enough information contained within the San Francisco examination report to support a cease and desist order.

[redacted] said that after [redacted] decided that he wanted an independent review of LSL, and assigned [redacted] and [redacted]

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Continuation of FD-302 of [REDACTED]

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[REDACTED] there was scheduled an October, 1987, meeting with San Francisco to discuss the findings. [REDACTED] said by October, 1987, he and [REDACTED] had looked at the March, 1986, exam as well as the ISL rebuttle. This review was conducted primarily by [REDACTED] who had been hired in March of 1987, with ISL in mind by [REDACTED]. A review which took four to six weeks ended with the issuance of a report by [REDACTED] said in the October, 1987 meeting [REDACTED] supported 95 percent of the San Francisco fundings, and the major issue was the evaluation of the PHOENICIAN HOTEL (PH). ISL had appraised the hotel at \$200,000,000, and the San Francisco exam had set a value of \$120,000,000. This difference was significant because it impacted on the capital compliance requirement of ISL. If the ISL valuation was taken then they were in compliance with the capital requirement. If the government's value was taken then ISL was not in compliance with the capital requirement.

[REDACTED] said that [REDACTED] had been informed of [REDACTED] review prior to the October, 1987 meeting.

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The problem which caused the differences of opinion between San Francisco valuation of the PH, and ISL's valuation was the fact that the KUWATI INVESTMENT OFFICE (KIO), had purchased 49 percent of the PH. Their purchase was cash, and not some other form of credit. [REDACTED] said in a fact, the San Francisco regulators were saying that the PH was a loss where ISL could point to a real buyer in the KIO. There was an agreement after the October, 1987, meeting that there would be a third appraisal on the PH property. [REDACTED] said this process, however, was never completed.

After the October, 1987, meeting there was an agreement between San Francisco, and Washington, D.C. that the cease and desist order should be obtained. This process was lengthy, and by November of 1987, the cease and desist order was fully drafted. It was at this time, that [REDACTED] was hired by ISL. [REDACTED] apparently had the reputation in the San Francisco district as a traditional thrift operator. [REDACTED] contacted [REDACTED] regarding the new direction that ISL was to take. [REDACTED] then asked that the enforcement process slow down. [REDACTED] said that by January of 1988, San Francisco had realized that [REDACTED] was a "front man" for KEATING, and said that the movement for the ceased and assist order should go forward. [REDACTED] said that the three month delay created by the hiring of [REDACTED] was not sinister in itself; however, ISL was aware that the cease and desist order had been prepared. [REDACTED] said also that no one at the FHLBB was aware of the "two billion dollar hole" that existed in ISL. San Francisco believed initially that [REDACTED] as a new director, could give new direction to ISL, and wanted to give him the opportunity to prove himself. [REDACTED] said that [REDACTED] represented to San Francisco that he had complete authority to

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operate LSL, and that he again would make home loans in California and Arizona.

In January of 1988, during a meeting with [REDACTED] when he presented his business plans, and through discussion it was revealed that LSL would continue in the junk bond and real estate speculation that San Francisco realized that [REDACTED] had been a "stall", and he was in fact, "window dressing." [REDACTED] said that he received notification from [REDACTED] that "HINZ is an impostor", and said to go ahead with the cease and desist order.

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[REDACTED] said that during the Enforcement Review Committee phase of LSL, he had little involvement. [REDACTED] said he may have attended various meetings; however, his memory is not clear on the meetings he did attend. [REDACTED] said he does know that he was not present on March 25, 1988, when LSL made their presentation to the ERC meeting. [REDACTED] said that from the numerous ERC meetings the recommendation was made to the FHLBB on May, 5, 1988, and contained three options. The bank board selected option number one.

[REDACTED] said that option number one essentially stopped LSL from taking additional risk. Option number one further put together a national examination team to determine the current financial status of LSL. [REDACTED] said that the Memorandum of Understanding (MOU) evolved from this process as well. [REDACTED] further stated that the name of the enforcement document used was not important. [REDACTED] said that LSL management was hung up on not accepting or signing a cease and desist order. LSL management would not accept the cease and desist order because its holding company, AMERICAN CONTINENTAL CORPORATION (ACC) would have had to disclose this to potential investors. The signing of an MOU would not require this disclosure. [REDACTED] said if a cease and desist order had been signed the disclosure would affect the sale of subordinated debentures to investors because it would have to be disclosed in the prospectus.

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[REDACTED] said he was aware that KEATING did not want an on site monitor at LSL, because this person would be "pre-approving transactions". KEATING did not want the interference that would be presented by an on site monitor. KEATING at this time appeared to be the man who was "calling the shots".

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[REDACTED] said that the [REDACTED] transaction, and his testimony at the SPORKIN trial in D.C. makes it clear that KEATING called the shots, and the transactions that he was involved in were shams. [REDACTED] said that from [REDACTED] testimony it also became apparent that when he dealt with LSL, and ACC it was as if he were dealing with the same entity.

[REDACTED] said that the land transactions began in June

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of 1987, and the first transaction involving HIDDEN VALLEY was a complete and total sham. [REDACTED] said there were twelve sham transactions from early 1987 until 1989, and all twelve transactions were sham transactions. [REDACTED] said that LSL in effect provided the down payments for all these transactions.

[REDACTED] said that the "monitor". MOU problem was ended when [REDACTED] and KEATING within five working days had to report completion of all transactions.

[REDACTED] said another item of the MOU, and the supervisory agreement that was executed between LSL and the bank board involved the infusion of \$10,000,000 by ACC. KEATING did in fact, infuse the \$10,000,000 within the 30 to 40 days required; however, the source of the \$10,000,000 was not legitimate income. [REDACTED] said that within 30 to 40 days after the signing of the MOU, which was May 20, 1988, KEATING was required to infuse LSL with \$10,000,000, and his best effort towards an additional \$50,000,000. [REDACTED] said KEATING put up the \$10,000,000 by June of 1988, and was within the dead line; however, the source of the \$10,000,000 was only discovered after the conservatorship in April of 1989. [REDACTED] said that the \$10,000,000 was part of the tax sharing payment paid to ACC by LSL. The profits on which the tax was being paid were the sham land transactions. The only other source of funds coming to ACC at this time was from the sale of the subordinated debt to investors in California and Arizona.

[REDACTED] said that the August, 1988, tax sharing payments discovery was what turned the corner for [REDACTED] and what convinced him that KEATING was not an astute businessman, but was merely a thief.

[REDACTED] said the tax sharing payment tip-off came from [REDACTED] who was the commissioner of the State of California Saving and Loans. [REDACTED] could not point out any specific wrong doing; however, he only indicated that he believed something was wrong. [REDACTED] ordered [REDACTED] to look into the concerns of [REDACTED] and this is when they discovered what was happening. The examiners had discovered that \$30,000,000 in deferred taxes had been paid to ACC. After this was discovered, the holding company examination was started and the total amount of deferred tax payment to ACC from LSL was \$94,000,000.

[REDACTED] said that the tax sharing plan had been approved by San Francisco; however, the information submitted by LSL to the San Francisco regulators did not represent the true facts. ACC notified San Francisco that it wanted to enter into a tax sharing agreement with LSL. Initially San Francisco regulators said no deferred tax payments could be made from LSL

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to ACC. San Francisco later approved the plan; however, they said LSL could not transfer future deferred taxes from LSL to ACC. LSL responded in writing by saying that, "the problem had been corrected" indicating in this letter that the "total provision for taxes will be paid." [redacted] said in his opinion when this letter came in, San Francisco should have read it more carefully when LSL referred to "total provision for taxes", rather than only current taxes owed. [redacted] said that examiners learned that the tax payments made from LSL to ACC were used primarily to pay KEATING, his family, and ACC management. Also the employees at ACC bought KEATING stock. [redacted] said that cash from 1986 on came from subordinated debts sales of \$225,000,000 plus the \$94,000,000 from the tax sharing program. [redacted] said that this was the sole income source of ACC.

[redacted] said that in September of 1988, the LSL board met and the tax sharing program was discussed with KEATING. Prior to the meeting KEATING had been informed that the three areas to be discussed with the board were tax sharing, exam progress, and other matters. KEATING responded that two of the three items he didn't mind talking about; however, he did not want to discuss the tax sharing program. He merely said that the examiners should talk to the accountants about the tax sharing program, and they will clarify any problems. KEATING was informed to merely stop these payments, and he did so.

[redacted] later asked for board meeting minutes, and when he reviewed these minutes, it did not reflect the agreement to stop making these tax payments. [redacted] had to later threaten a cease and desist order to get the minutes to reflect accurately the meeting as it happened with an agreement to stop these payments. [redacted] also stated that ACC was asked for repayment of the \$94,000,000 plus interest; however, it was never received by LSL.

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[redacted] said that he had heard that the July of 1988, exam was characterized as a "white wash" by various examiners. [redacted] attributed this allegation to the following:

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1. A national examine team put together was strange and unusual.
2. The examine began in July, in Phoenix.
3. [redacted] opening address to the examiners came off wrong. [redacted] gave the impression that he was on the side of KEATING, and the side of LSL. [redacted] said that since he believes [redacted] comments were misunderstood by the examiners, they believed other events also pointed to a "white wash."

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REB

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[REDACTED] further stated that the EIC for real estate, [REDACTED] GOZDANOVICH was incompetent. [REDACTED] was from Pittsburgh, and never had been exposed to the fraud that was uncovered in the southwest. [REDACTED] had the responsibility to examine a billion dollars worth of assets, and he did not have the necessary experience. [REDACTED] said that he does not question [REDACTED] integrity only his ability. [REDACTED] is no longer employed; however, he was not fired or asked to resign. [REDACTED] said that he is not aware of the instructions [REDACTED] gave his examiners.

[REDACTED] said that he and DOCHOW made this selection of the examiners, and he (SMUZYSKI) felt no pressure in the selection process. SMUZYSKI said that the Examiners in Charge were as follows:

[REDACTED]
not recall the identity of.

[REDACTED] said that the various bank districts were canvassed by "E-mail" requesting the identities of examiners who were qualified. [REDACTED] said he attempted to check on the qualifications of the examiners; however, some of the examiners were not as experienced as he and DOCHOW had hoped. [REDACTED] said that [REDACTED]

[REDACTED] said that when there were attempts on the part of ACC to sell ISL, [REDACTED] received communications from Capital Hill. [REDACTED] said that his knowledge of this fact came from general conversation, and cited the fact that [REDACTED] received inquiries.

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[REDACTED] again reiterated the fact that there were no personal contacts by any politicians or their staff members regarding the sale with him. [REDACTED] said there was no effort to arrange any meetings by any political figures with him, and he is unaware of any politicians arranging for any meetings with any one in the FHLBB to facilitate the sale of ISL. [REDACTED] was shown an undated memorandum to [REDACTED] from himself. [REDACTED] said that this memo undated was prepared during the week of April 14, 1989. The initials on this memo are his; however, the memo shown to him before the HOUSE BANKING COMMITTEE (HBC) bore initials that were not his. [REDACTED] said the document he reviewed for the HBC contained the initial "S" between two diagonal lines. [REDACTED] said he does not recall typing this memo, and indicated that the memo could have been typed by [REDACTED] who was [REDACTED] in preparation for HBC testimony, asked [REDACTED] to search her word processor, in order that the source of this memo could be found. As a result of his search efforts, [REDACTED] believes that [REDACTED]

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asking for this memo. [redacted] was the executive assistant to [redacted] and was appointed by [redacted] left when [redacted] left OTS. [redacted] said the information contained in the memo is not unusual.

A copy of this undated memo is attached to this FD-302.

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SEARCHED	INDEXED
SERIALIZED	FILED
SEP	1990
FBI - LOS ANGELES	

for

- i -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 8/3/90

[redacted] residence [redacted]
Alexandria, Virginia 22301, telephone [redacted] business
address [redacted] Washington, D.C. 20512,
telephone [redacted] provided the following
information:

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[redacted] said he was employed by Senator JOHN MC CAIN from August 1, 1983 to July 31, 1988, and was designated the Legislative Director from August 1983 until January 1987. While MC CAIN was the U.S. Congressman from January 1987 until July 31, 1987, he was Legislative Counsel to Senator JOHN MC CAIN. [redacted] said he left the employment of MC CAIN on July 31, 1988, and is now employed by a senate member of the Senate Aviation Sub-Committee.

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[redacted] said his contact with CHARLES H. KEATING is all pre-senate of JOHN MC CAIN. The contacts with KEATING were primarily social in the fact that [redacted] is a personal friend of [redacted] said in fact he came to know [redacted] through business contacts with KEATING.

[redacted] said he first became aware of Lincoln Savings and Loan Association (LSL) in 1984 when the thrift was discussed with [redacted] and its position to the direct investment regulation. [redacted] further stated he believed the San Francisco regulators had a vendetta against LSL. [redacted] said he never conveyed [redacted] opinion of this vendetta to Congressman or Senator MC CAIN. [redacted] said, in fact, he "didn't go running to MC CAIN when [redacted] complained".

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[redacted] also recalls a letter from KEATING to MC CAIN where he used mythological creatures to compare the Federal Home Loan Bank Board to a creature that in effect "eats itself". This mythological creature also grew numerous heads. [redacted] said he recalls this letter was in 1986, however, he could not fix the exact date. [redacted] said he never read this letter, but had heard about the contents due to the fact that Congressman MC CAIN at this time had such a small office for his staff. [redacted] said he does not recall discussing the contents of this letter with MC

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by SA [redacted] WMFO)/REB/mbh Date dictated 7/31/90

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CAIN. [redacted] said he does not recognize the name [redacted]

[redacted] said all of his contacts when LSL was discussed with [redacted] were on a social basis.

[redacted] said he did have a conversation with [redacted] in 1984 regarding builder bonds and afterwards there were no additional contacts with [redacted]

[redacted] said that between 1985 and 1986, [redacted] related the problems that seemed to exist between LSL and the Federal Home Loan Bank (FHLB) of San Francisco. [redacted] never asked [redacted] to intervene on his behalf with MC CAIN. [redacted] further stated [redacted] never asked for any meetings to be set up with any official of the FHLB system. [redacted] when soliciting help from [redacted] was in the vein of commenting on proposed legislation being considered on the hill. [redacted] characterized these contacts as the same as any industry member would make concerning proposed legislation that affected their industry. [redacted] said, however, [redacted] continued to say the FHLB wanted to "drive LSL out of business due to its opposition to the direct investment regulation". [redacted] on occasion, would refer to particular officials within the FHLB system indicating that they abused their power, however, [redacted] could not recall the names of these officials cited by [redacted]

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[redacted] characterized his perception of LSL as always having a [redacted] face" because he never discussed LSL with anyone other than [redacted] in fact characterized [redacted] as an "in town lobbyist for LSL".

From January 4, 1987 until July 31, 1987, [redacted] said he had no "official" contact regarding LSL. All his contacts where LSL was discussed came from social events, when [redacted] would elude to "those guys are still trying to put us out of business".

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[redacted] said he may have conveyed on occasion the theme that [redacted] was advocating to MC CAIN, however, he has no specific recall of any meeting where in fact he did. [redacted] said if the [redacted] was conveyed to MC CAIN it would have been prior to MC CAIN being elected a U.S. Senator.

[redacted] said that from January 31, 1987 to July 31,

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1987, he had no contact with MC CAIN or KEATING regarding LSL. [REDACTED] said he and MC CAIN, if there was a discussion concerning LSL, would have been a "conversation in passing" and there was no core discussion concerning any particular issue about LSL. [REDACTED] said, in fact, he had no meetings scheduled when LSL was the central topic of discussion.

[REDACTED] said he recalls briefly discussing with MC CAIN, KEATING asking him to negotiate for him with the FHLB Board. These conversations followed the April 2 and April 9, 1987 meetings between MC CAIN and other senators with [REDACTED] and San Francisco regulators. [REDACTED] recalled MC CAIN told him that when he (MC CAIN) had refused to negotiate on behalf of KEATING, KEATING apparently told another senator that MC CAIN was a "wimp". It was after this that MC CAIN discontinued any contact with CHARLES KEATING. MC CAIN told [REDACTED] that it was not appropriate to negotiate for KEATING. [REDACTED] said he recalls MC CAIN saying "its improper". [REDACTED] said he is unaware of the depth of the request of KEATING when he asked Senator DENNIS DE CONCINI and Senator MC CAIN to negotiate for him. [REDACTED] said all he knows is that MC CAIN refused and latter KEATING accused him of being a "wimp". [REDACTED] said the only request that he is aware that KEATING made of Senator MC CAIN was in regards to the builder bonds and asking him to review the direct investment regulation.

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[REDACTED] said that he was aware that the April 2, 1987, meeting was scheduled because [REDACTED] informed him. [REDACTED] had no input, but realized that [REDACTED] was not comfortable with this meeting. MC CAIN never asked [REDACTED] for his opinion about this meeting prior to or after the meeting occurred. [REDACTED] said he had no discussion with any other staffer regarding this meeting except [REDACTED]

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[REDACTED] said he was also aware of the April 9, 1987, meeting, but again had no input and no discussion with MC CAIN or any other staffer except [REDACTED] in fact received no briefing from MC CAIN prior to or after this meeting.

[REDACTED] said the only contact he ever had with the FHLB Board would have been between 1984 and 1986 when he would contact a person who had congressional liaison with the agency. [REDACTED] could not recall the identity of this person. [REDACTED] characterized his contacts as general banking information

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contacts and was never asked by [REDACTED] to contact the FHLB on behalf of KEATING. [REDACTED] further stated that KEATING had never asked him to make any contacts with officials of the FHLB Board or its agencies.

[REDACTED] stated, however, he did make an inquiry of the FHLB Board regarding a direct investment regulation. [REDACTED] again stated that [REDACTED] brought to his attention the direct investment regulation indicating it was wrong and was ruining the savings and loan industry. [REDACTED] said he had other contacts from other members in the thrift industry regarding their dislike for the direct investment regulation. [REDACTED] wrote a letter over MC CAIN's signature to the FHLB Board asking their version of the direct investment regulation. [REDACTED] had supplied to

[REDACTED] the study done by [REDACTED] [REDACTED] supplied these two studies to the FHLB Board in his letter. [REDACTED] said he never received a response from the FHLB Board. [REDACTED] in fact characterized the FHLB Board as the least responsive of any government agency he had ever dealt with. [REDACTED] said he found this to be true regardless of any issue he directed to their attention.

[REDACTED] said MC CAIN's trips on the American Continental Corporation (ACC) jet was done solely because MC CAIN and KEATING at the time were friends. These trips were made because of this friendship which existed between KEATING and MC CAIN prior to MC CAIN becoming a United States Congressman. [REDACTED] said he believes the initial attraction which developed into a friendship was the fact that KEATING was also a former naval officer.

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[REDACTED] said during his association with [REDACTED] [REDACTED] never said anything that would leave the impression that ACC or LSL were in bad financial conditions. [REDACTED] when he discussed LSL was always in the vein that the San Francisco bank district had a vendetta against KEATING and all KEATING was doing was attempting to "express his rights as an American".

[REDACTED] said the only discussion he ever had with [REDACTED] concerning the [REDACTED] opinion letter was the fact that [REDACTED] held this letter out as evidence that "we are not in the shape those guys claim". [REDACTED] said "those guys" are the thrift regulators.

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[REDACTED] said [REDACTED] formerly worked for MC CAIN
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED] said the last contact he had with [REDACTED] was approximately three to four months ago when [REDACTED] had read in the newspaper that various ACC management had been named in a civil suit. [REDACTED] called [REDACTED] to determine if he had been named.

[REDACTED] said that what MC CAIN did was not only for KEATING, but also for the people of Arizona. KEATING and [REDACTED] in effect had been saying, "If you put us out of business, Arizona will go down the tubes". This statement not only was made by [REDACTED] but others in Arizona as it related to the development of real estate. MC CAIN was merely concerned about the jobs of Arizonans and this is why he met with the regulators on behalf of LSL.

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 8/9/90

[redacted] was interviewed in the office of Senator JOHN MC CAIN, 111 Russell Building, Washington, D.C. 20549. Also present during this interview was her Attorney [redacted] and Paralegal [redacted] resides at [redacted] Northwest, Washington, D.C. 20016, telephone [redacted] work telephone number is [redacted] provided the following information:

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[redacted] said she has been employed [redacted] for Senator JOHN MC CAIN [redacted] described her work [redacted]

[redacted] said she only met CHARLES H. KEATING one time [redacted] said she does not know how this meeting was arranged only that KEATING was on MC CAIN's schedule. With KEATING was [redacted] and also present at this meeting was [redacted] and MC CAIN. The meeting lasted approximately one half hour. [redacted] said she was aware of the meeting's contents prior to attending this meeting as there had been a meeting between Senators DENNIS DE CONCINI and MC CAIN on March 19, 1987. During this meeting, March 24, 1987, MC CAIN did most of the talking because by this time he had learned that KEATING had called him a "wimp". The meeting was heated and after this meeting, KEATING immediately left the office. [redacted] stated KEATING knew that MC CAIN had refused to undertake the DE CONCINI remedies suggested by DE CONCINI. MC CAIN had been told by [redacted] that KEATING had called him a "wimp" in discussion with Senator DE CONCINI. [redacted] said she had learned of this wimp statement on March 23, 1987, from [redacted] Senator DE CONCINI. MC CAIN told KEATING he was not a coward and would help him, but "not go beyond the bounds". [redacted] said it was clear that MC CAIN would not be associating any further with KEATING, although she does recall these words being spoken by MC CAIN to KEATING. [redacted] said at no time during this

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by SA [redacted] (WMFO),
SA [redacted] /REB/mbh Date dictated 7/31/90

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conversation did KEATING refer to his previous contributions made to MC CAIN.

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[REDACTED] said that [REDACTED] and MC CAIN attended a meeting in the office of Senator DE CONCINI. [REDACTED] recalls the meeting was scheduled by Senator DE CONCINI to discuss CHARLES KEATING's concerns about Lincoln Savings and Loan (LSL) and the ARTHUR YOUNG letter. During the discussion, the concerns voiced in the ARTHUR YOUNG letter were addressed. DE CONCINI and MC CAIN also discussed the vendetta issue of [REDACTED]. Both senators also raised concern that [REDACTED] was "a loose canon". [REDACTED] could not recall the points by points that was discussed, however, there was discussion concerning the apparent arbitrary approach being taken by [REDACTED] and the Federal Home Loan Bank (FHLB) system. There was concern that these arbitrary actions were going to close LSL. [REDACTED] said it was obvious that Senator DE CONCINI wanted to negotiate with [REDACTED] and even go to San Francisco to talk with the regulators there on behalf of KEATING. DE CONCINI wanted MC CAIN to assist him in "getting the bank board off of KEATING's back". MC CAIN said he was not comfortable with this approach, however, he did not articulate to MC CAIN why he was uncomfortable. It was clear, however, that Senator MC CAIN would not negotiate on behalf of KEATING. [REDACTED] was also present during this meeting.

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[REDACTED] said that until March 24, 1987, the only document that she reviewed was the ARTHUR YOUNG letter that was conveyed to Senator MC CAIN's office by mail. [REDACTED] said in fact the letter that conveyed the ARTHUR YOUNG letter to MC CAIN's office was addressed to Senator DON RIEGLE. [REDACTED] said she reviewed this letter at the direction of Senator MC CAIN. [REDACTED] does not know how the letter got to MC CAIN's office, only that the mail room in Senator MC CAIN's office directed the letter to her.

[REDACTED] said as a result of the ARUTHUR YOUNG letter, she placed a telephone call to [REDACTED] in Arizona. The telephone number she called was the number on the letterhead of the ARTHUR YOUNG letter. [REDACTED] said this call was made after March 24, 1987, and before the April 2, 1987, meeting with [REDACTED]. [REDACTED] said when she spoke to [REDACTED] she wanted to determine if [REDACTED] was "a straight shooter". The discussion with [REDACTED] was confined to the

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contents of this letter and nothing more. [REDACTED] said that prior to her calling [REDACTED] she had heard from other savings and loan groups and the [REDACTED] letter seemed to be expressing the same concerns. After the conversation with [REDACTED] she felt comfortable with him and believed in him and what he had written. [REDACTED] said she never discussed the intent of the letter with [REDACTED] just the substance of its contents.

[REDACTED] said she has met [REDACTED] however, only in the context of his "dropping by MC CAIN's office and saying "I'm from Arizona". [REDACTED] said she had no discussion whatsoever with [REDACTED] concerning LSL or CHARLES KEATING and or Senator MC CAIN. [REDACTED] said she does not recall any contacts with FHLB regulators from San Francisco or Washington, D.C., regarding LSL. [REDACTED] said if there were contacts made by her, it would have been regarding the FSLIC after the thrift was taken over.

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[REDACTED] said that in preparation for the April 2, 1987, meeting with [REDACTED] she prepared a memo which essentially reflected the conversation she had with JACK ATCHISON. (Copy attached to this report.) [REDACTED] recalled she may have prepared a second memo which contained background information and recapping issues about LSL. The memo was to remind MC CAIN to discuss only the regulatory process and not negotiate on behalf of KEATING and LSL. The memo highlighted the fact that it appeared as if the regulators were not being fair with LSL. [REDACTED] said she was not in the actual meeting, but in an outer office in Senator DE CONCINI's office with [REDACTED]. After the meeting was terminated and during the walk back to MC CAIN's office, he briefed [REDACTED] as to what was discussed. MC CAIN said [REDACTED] did not know what was going on in regards to LSL and had suggested a meeting with the San Francisco regulators. MC CAIN characterized the meeting as friendly and had stated in addition to himself and DE CONCINI there were also Senators GLENN and CRANSTON. [REDACTED] said she recalled MC CAIN told her that [REDACTED] had stated he felt nothing wrong or improper in the April 2, 1987, meeting.

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[REDACTED] said DE CONCINI's office had set up the April 2, 1987, meeting, but she does not know who made the calls and did the scheduling.

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[REDACTED] said that prior to the April 2, 1987, meeting she had a telephone conversation, April 1, 1987 (a Monday), with [REDACTED]. During this telephone conversation, they discussed the purpose of the meeting of April 2, 1987. This discussion focused on the appraisals of certain assets and that San Francisco had under appraised these assets. [REDACTED] now could not recall the identity of these assets. [REDACTED] was informed of [REDACTED] concern that the appearance of negotiation would be a problem and that Senator MC CAIN would not negotiate for KEATING and LSL.

[REDACTED] said that there were no additional meetings between MC CAIN and DE CONCINI or anyone else after the April 2, 1987, meeting in preparation for the April 9, 1987, meeting with the San Francisco regulators. [REDACTED] said she was not present during the discussion, however, she was in the outer office of the office of Senator DE CONCINI with [REDACTED]. Upon the termination of this meeting, Senator MC CAIN, again during a walk back to his office, briefly told [REDACTED] what had occurred. [REDACTED] recalls that MC CAIN seemed surprised the regulators had expressed their concerns about problems they were finding with the examination of LSL. MC CAIN was satisfied that the regulators were doing their jobs and she cannot recall any other issues MC CAIN discussed with her.

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[REDACTED] said she is not aware of any other requests ever made of MC CAIN by KEATING.

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[REDACTED] said she is not familiar with the travel of MC CAIN with KEATING. [REDACTED] further stated she is not aware of any travel by MC CAIN with KEATING after she was employed by MC CAIN.

[REDACTED] is not aware of any other meetings that were held between MC CAIN and KEATING other than those previously mentioned.

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[REDACTED] was displayed a memo dated March 17, 1989, authored by herself and she described this memo as not relating to LSL or CHARLES KEATING. The memo was prepared due to Arizona thrifts concerns concerning the issue of forbearance. (A copy of this memo is attached to this report.)

[REDACTED] was displayed a March 12, 1987, letter

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addressed to herself signed by _____ said this letter also did not relate o KEATING or LSL and related to the "forbearance policy". (A copy of this letter is attached to this report.)

_____ was displayed a memo to _____ from _____ dated May 2, 1988. _____ said this memo related to the "Black notes" that appeared in the BINSTein article regarding CHARLES KEATING. _____ wanted to discuss the article with MC CAIN. (A copy of this memo is attached to this report.)

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_____ was shown a memo to _____ dated October 20, 1989. _____ stated that if the information contained in this memo was compiled from data she had in her file and was prepared for Senator MC CAIN.

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TO: John
FROM: [REDACTED]
DATE: 17 March 1987

RE: S&L forbearance letter

Attached is a draft of a letter on which I have been working with Senator DeConcini's office. It is addressed to [REDACTED] and focuses on the capital forbearance problems by which troubled S&Ls are faced.

The U.S. League in D.C. wanted you to make slightly more specific recommendations, which I strongly feel are further than you should go. Therefore, I have toned it down. In addition, I have touched base with our friends in AZ in order to ensure that we address what immediately affects them.

Finally, you expressed some apprehension about going out on a limb too far for the industry because doing so may trigger unnecessary publicity and misinterpretations of your efforts. I think your apprehension is justified, but in this case does not apply. The issues discussed in this letter affect all S&Ls in some fashion, and will be addressed both by the Bank Board and Congress in some manner this year.

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UNITED STATES LEAGUE of SAVINGS INSTITUTIONS WASHINGTON OFFICE

1709 NEW YORK AVENUE, N.W. / WASHINGTON, D.C. 20006 / TEL. (202) 637-8900

JAMES H. GROHL
Vice President

March 12, 1987

(1) Is it true we
are advocating a leveling
of the general fin'l field?
(2) write down: how, who, etc.

[redacted]
Office of Senator John McCain
Room 210
Hart Senate Office Building
Washington, D.C. 20510

Dear [redacted]:

Here is the draft letter, plus the Bank Board's news
release on the forbearance policy. I'm sending a copy to
[redacted] as well.

In my note to [redacted] I mentioned our conversation of this
morning, told her I was finding someone to give you both a
background briefing, and suggested that I coordinate this
through you. I'm sure [redacted] will be in touch.

Many thanks for your interest. If you should have
additional needs or questions, please don't hesitate to contact
me.

Sincerely,

James H. Grohl

Enclosures (2)

TO: John E.
FROM: [REDACTED]
DATE: 2 April 1987

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RE: meeting this afternoon with Senators Cranston, Glenn, and DeConcini

I have attached them memo you requested for your meeting this afternoon. It discusses the valuation problem and has an appendix that goes further into the issue as a whole.

You have agreed to discuss only the issue of the appraisals, and only that in the vein of: Please, let's get a third party appraisal or something in the spirit of achieving a satisfactory and speedy resolution to this dispute.

You and Senator DeConcini have also agreed not to bring up the issue of capital regulations (discussed in the Appendix, FYI) because that will be resolved in the court cases I have related below. Senator DeConcini is also going to plead that, until the issue is resolved, the two parties quite sniping at each other.

Beyond this, the two parties will have to settle their differences.

04210

APPRAISAL OF ASSETS ISSUE

The appraisal issue has to do with land appraisals. Before I explain, let me first point out that the overappraisal of land values by private examiners on behalf of thrifts has been somewhat of a scandal of late.

In any event, the accountant verifies Lincoln's claim that some of the land it is developing has been underappraised by FHLBB appraisers. The accountant has recounted to me this scenario:

In ordering the appraisals, the FHLBB hired appraisers from California -- and hence, inexperienced in the AZ and Georgia real estate markets -- to evaluate AZ and Georgia properties. In addition, the appraisers may have been pretty inexperienced in evaluating the kinds of property under consideration. This is because, as he points out, many of these appraisers are more versed in evaluating residential real estate holdings than the commercial ones in question. The appraisers undervalued the real estate they examined, and as a result, the Bank Board required Lincoln to add substantially to its capital reserves. (This is standard procedure, as I understand it, if a thrift has overvalued assets, thich is what the appraisers determined.)

When Lincoln received the appraisal reports, it hired AZ and Georgia appraisers to redo the work, and discrepancies emerged between the two reports. Some of these were mathematical, others were due to other problems. Consequently, Lincoln approached the Board, requesting that it reconsider the issue. The Board agreed to do so, but required that Lincoln add the required amount to its capital requirements before it would do so.

One specific example that both the accountant and Lincoln have referred to is the development known as the Phoenician, a resort which has not yet been completed.

APPENDIX

Explanation of capital regulations

Before 1986, thrifts were required to have reserves equal to 3% of federally insured deposits. In August of 1986, the FHLBB promulgated regulations requiring institutions to increase their minimum capital requirements to 6% of insured deposits. Under a complicated grandfather rule, institutions have a transition period of several years to bring their institutions into compliance with this new regulation. This rule applies to all thrifts, regardless of the sort of activities in which they are involved.

The capital regulations also have a special provision regarding direct investments, which by definition only applies to institutions that make so-called direct investments. The definition of this activity includes real estate investment, equity securities, and involvement in the institution's service corporation (S&Ls are allowed to set up service corporations which are a subsidiary of the parent and are allowed to engage in all sorts of activities coveted by banks, included securities and real estate brokerage).

The direct investment provision in the capital regulations requires S&Ls with direct investments in excess of a specified amount (discussed below) to add 10% of that excess to their net worth requirements.

Lincoln has \$600 million in disputed direct investments, and this regulation would require the institution to add reserves equal to 10% of this amount -- \$60 million. This is one of the issues which you were requested to bring up at the meeting, but we have all agreed you should not. Dennis DeConcini will not either.

History of the direct investment debacle

In 1982, the Garn-StGermain Act allowed institutions to broaden their activities. It also allowed the states to broaden their laws with respect to direct investment (defined above). The overriding reason for this expansion was to allow S&Ls to engage in profitable activities in order to offset the losses they sustained in the wake of high interest rates and the recession.

The southwestern states were especially aggressive in expanding these laws. Texas and California are notable in this regard. In 1983 and 1984, purported abuses by the Texas S&Ls led to changes in these rules, not by Congress, but by the FHLBB. [redacted] was particularly instrumental in the effort to narrow the powers available to S&Ls. [redacted]

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In 1984, the Bank Board promulgated regulations to limit direct investment, both by federal and state chartered institutions. Effective 12/10/84, the Bank Board limited direct investment to 10% of an institution's assets, or twice its net worth.

A grandfather provision allowed institutions that were more heavily involved to continue with those projects, but as those projects concluded, the S&Ls were barred from starting new ones until they were in compliance with the new regulations.

In order for a project to qualify under the grandfather provision, the FHLBB required that "definitive plans" had to be in place prior to the effective date. The Bank Board claims that it intended that there be a commitment to a third party, but third party involvement is not spelled out in the regulations. Lincoln, in anticipation of the new regulations, submitted its plans for projects to the FHLBB with respect to lands it already owned as well as plans to put new funds into its service corporation. These plans, however, did not have a third party commitment, and there lies the dispute over the \$600 million in Lincoln's direct investments.

Lincoln has sued the FHLBB over this issue. Its suit addresses to issues: First, can regulators take away what Congress has granted? and, second, if so, has Lincoln complied with the regulations with respect to the purchase its submission of direct investment plans prior to the effective date?

In addition, Lincoln has filed a petition with the FHLBB asking for the recusal of [] in any matters involving Lincoln Savings. This petition asks that if [] refuses to recuse himself, that the other Board members disqualify him. Failing that, Lincoln is asking for discovery and conduct of an evidentiary hearing on an expedited basis for the purpose of exploring the extent of [] bias and prejudgement toward Lincoln.

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The Henkel story

Lee Henkel, who has removed himself as a nominee for the Board of Directors of the Bank Board, got himself into hot water when he proposed a clarification of the grandfather rule during his first meeting with the Board. The rule would directly have benefited Lincoln, but it is not clear that it would have benefited other thrifts. It did not help that Henkel has equity in Lincoln and, furthermore, had a \$250,000 loan from the S&L.

TO: John
FROM: [redacted]
DATE: 2 May 1988

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RE: The Keating article

I have heard through the grapevine that the Behr-Binstein article on Charlie Keating will be probably be printed in this Sunday's Post magazine section (8 May 1988). Their meeting with Dennis lasted about 45 minutes (no including votes, I think), and they covered the same ground they covered with you. They also wanted to know whether Dennis had helped in another Keating situation with which I was not familiar. I don't think either of you were. In addition there was a question about Lee Henkel's nomination to the FHLBB -- you will recall he was purportedly a friend of Keating's who was nominated, but later withdrew from consideration when he came under fire for inappropriate but not illegal efforts presumably on behalf of Keating.

Dennis gave the reporters a copy of the letter we all received from Arthur Young, the accounting firm that did the letter recounting the woes of Lincoln and the Bank Board. He made [redacted] check with Keating's people before handing it over.

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They have not been in touch with me since Thursday, and I will let you know if I hear any more gossip.

58C Px-416ES-142

SEARCHED	INDEXED
SERIALIZED	FILED
SEP 1990	
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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 8/3/90

WILLIAM L. BALL, III, 3933 Idaho Avenue, Northwest, Washington, D.C., telephone (202) 686-2544, was advised as to the identity of the interviewing agents and the purpose of the interview at which time he advised as follows:

BALL advised his date of birth is June 10, 1948, and he was born in Belton, South Carolina. His Social Security Account Number is [REDACTED] BALL advised his current position is President of the NATIONAL SOFT DRINK ASSOCIATION located at 1101 16th Street, Northwest, Washington, D.C., 20036.

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BALL confirmed the fact that from March of 1986 through March of 1988 he was an executive assistant to President RONALD REAGAN in legislative affairs at the White House. He was considered the chief assistant in legislative affairs and had three deputy assistants reporting directly to him. In addition, there were eight special assistants who reported to the deputy assistant chiefs in legislative affairs.

In addition to the above, BALL confirmed the fact that he was part of a personnel committee which consisted of himself, [REDACTED] Chief of Staff DONALD REGAN, and on different occasions one or two additional assistants to the president. The purpose of the personnel committee was to review all appointees and to brief the chief of staff prior to submitting a candidate to the president for an appointment. This committee review actually served two separate purposes. The first was to brief the chief of staff as to what candidates were available and who appeared to be the best qualified. In addition, this allowed the assistants to express what opinions and views had been given to them by various congressmen and/or senators on Capitol Hill. It was quite frequent that a congressman would have an opinion either pro or con regarding any particular appointee. Many times individuals on the hill would contact the head of White House personnel or possibly the chief of staff and voice an opinion of support or of opposition of a particular candidate for an appointment.

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BALL advised he recalls the appointment of LEE HENKEL to the FEDERAL HOME LOAN BANK BOARD (FHLBB) in late 1986. He specifically recalls during the review process HENKEL was supported by Senator JOHN MCCAIN and strongly supported by Senator DENNIS DECONCINI from Arizona. To the best of his recollection, BALL recalls Senator MCCAIN simply making a phone

Investigation on 7/20/90 at Washington, D.C. File # 58A-LA-111204

by SA [REDACTED]
SA [REDACTED] /GKM/cpt Date dictated 7/23/90

58A-LA-111204

Continuation of FD-302 of WILLIAM L. BALL, On 7/20/90, Page 2

call to either BALL or to one of his assistants recommending the appointment of LEE HENKEL. He does not believe MCCAIN did anything additionally to show his support of LEE HENKEL. BALL also vaguely recalls that Senator MACK MATTINGLY from Georgia also voiced a position of support for LEE HENKEL. Even though he could not recall the specific names, he believes there may have been additional support for LEE HENKEL from the hill.

BALL specifically recalls Senator DECONCINI from Arizona was extremely supportive of HENKEL and somewhat adamant that HENKEL be appointed to the FHLBB. BALL recalls DECONCINI spoke directly with Chief of Staff DON REGAN about the LEE HENKEL appointment. In addition, BALL recalls being told either by his staff or by REGAN of DECONCINI's strong support of LEE HENKEL.

BALL recalls at that particular time there was a very important issue which the White House needed Senator DECONCINI's support. He recalls the issue was aid to the Contras and DECONCINI was one of the senators who was withholding his vote until the eleventh hour. BALL recalls his office contacted DECONCINI's office for support on the Contra's issue and DECONCINI demanded he be given an answer on the HENKEL nomination prior to granting any support on the Contra's issue. In addition, BALL recalls DECONCINI expressed an interest to go above BALL and talk directly to Chief of Staff DON REGAN regarding the HENKEL nomination and his future vote on the Contra's issue. He recalls DECONCINI made no secret in the fact he would withhold his support on the Contra issue unless LEE HENKEL was appointed as a member of the FHLBB. BALL does not entirely rule out the fact he spoke directly with DECONCINI, however he remembers the issue and the leverage DECONCINI was trying to use more so than an actual conversation with DECONCINI. He believes a staff member possibly [redacted]

[redacted] may have spoken directly to DECONCINI.

BALL further stated as mentioned above he is sure DECONCINI spoke with Chief of Staff DON REGAN. He is unaware if they spoke in person or over the telephone. BALL further stated during the time he was at the White House it was not uncommon for a senator or congressman to voice support and imply that to support a particular individual may be politically advantageous,

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58A-LA-111204

Continuation of FD-302 of WILLIAM L. BALL, On 7/20/90, Page 3*

however he felt this situation with DECONCINI was extraordinary in that he made a demand for HENKEL's appointment and flatly stated he would not support aid to the Contras unless HENKEL was nominated.

BALL does not specifically recall making a statement in front of [] and REGAN to the effect "We owe this to DECONCINI". He does believe he may have made a statement similar to that stating something to the effect the HENKEL nomination was tied directly to DECONCINI's support of the Contra issue.

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BALL advised [] is now associated with [] with a telephone number of []. He also suggested one [] the White House, may also be aware of the DECONCINI demand for the HENKEL nomination.

BALL stated concerning the appointment of [] as chairman of the FHLBB he was well aware of the support from Senator JAKE GARN for [] to take the position. He advised GARN and [] were very respected and well thought of in the White House. He recalls [] spoke with BALL and [] concerning the [] nomination. BALL further believes GARN may have spoken directly to Chief of Staff DON REGAN and possibly President REAGAN. BALL is unaware of any political leverage which may have been used by GARN to secure the [] appointment.

58C-PX-41605-143

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SEP	1990
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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 8/24/90

[redacted]
[redacted] Tucson, Arizona 85702, mailing address [redacted]
[redacted] Tucson, Arizona 85702, telephone number [redacted]
[redacted] residence [redacted] Tucson, Arizona,
[redacted] telephone number [redacted] was interviewed in the presence of
his attorney, [redacted]
Santa Monica, California 90401, telephone number [redacted]
and provided the following information:

[redacted] said that in November, 1987, he retired from GREAT
AMERICAN FIRST SAVINGS BANK [redacted]

[redacted] said that he had become acquainted
with [redacted] an accountant with ARTHUR YOUNG & COMPANY in
Tucson. [redacted] stated that from his professional association
with [redacted] there had developed a friendship and [redacted]
recently had become a managing partner of ARTHUR YOUNG in
Phoenix, Arizona. [redacted] said that [redacted] called him in early
November, 1987, indicating that he had a client who needed help
and this client was in a "pissing contest" with government
regulators over the operation of LINCOLN SAVINGS & LOAN (LSL).

[redacted] who he identified as CHARLES
KEATING, JR., wanted to operate LSL as a traditional thrift
rather than "continuing to fight the war" with the regulators.

[redacted] further stated that [redacted] told him that the
audit of LSL had been going on for over a year and did not
believe the audit conducted by the FEDERAL HOME LOAN BANK BOARD
of San Francisco would resolve major issues. [redacted] identified
these major issues as the fact that LSL was not making any home
loans and direct investment was in excess of that allowed by the
regulators. [redacted] further stated that there was a significant
volume of high-yield bonds in the LSL portfolio. [redacted] was
further told by [redacted] that there did not appear to be any
outside direction on the LSL board. [redacted] said that [redacted]
meant that there seemed to be an interlocking attitude that
existed between LSL and its parent, AMERICAN CONTINENTAL
CORPORATION (ACC).

[redacted] said he had known [redacted] for approximately five
years and had known him both socially and on a business basis.
[redacted] said that [redacted] worked and resided in Tucson before he
became a managing partner of ARTHUR YOUNG ACCOUNTING FIRM.

Investigation on 8/16/90 at Tucson, Arizona File # PX 58C-PX-41605

SAs [redacted] and
by [redacted] REB:dpt Date dictated 8/22/90

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Continuation of FD-302 of [REDACTED]

, On 8/16/90

, Page 2

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[REDACTED] said that within two days of the first telephone call from [REDACTED] he received a second call in which [REDACTED] wanted [REDACTED] to be interviewed by CHARLES H. KEATING, JR. [REDACTED] at this time again said that LSL was a sound thrift in spite of the stance taken by the regulators. [REDACTED] further stated that the only problems that existed were with the Eleventh District (San Francisco) and its relationship with KEATING.

[REDACTED] said by mid November, 1987, he traveled to Phoenix, Arizona, to meet with KEATING. [REDACTED] said he insisted upon [REDACTED] presence through all the meetings with KEATING, and he was present at this meeting. [REDACTED] said he was placing his complete trust in ATCHISON because of the fact he knew him, and he was a managing partner of [REDACTED] which was a big eight accounting firm.

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[REDACTED] said that in the initial meeting with KEATING, he essentially said that he was a victim of a personal vendetta being conducted on the part of the San Francisco Home Loan Bank District. KEATING said he had purchased LSL for the express purpose of investing 100% of its assets in direct investments. KEATING said then the regulators changed the law, and now they considered him over the amount allowed for a thrift to be investing in direct investments. KEATING said that he had sued the FEDERAL HOME LOAN BANK BOARD and because of this, he had become "public enemy number one" with the agency. KEATING said he wanted LSL to become a traditional thrift, and in fact, KEATING said [REDACTED] had advised that the thrift should go in this direction. [REDACTED] upon completion of the meeting, turned down the job indicating that he was retired and could not indicate that he would accept this position as CEO of LSL until he had time to conduct due diligence. [REDACTED] said that [REDACTED] made the books of LSL available for him to review, and he (HINZ) conducted this review at the office of ARTHUR YOUNG in Phoenix. [REDACTED] said that the records he reviewed were the audits conducted by ARTHUR YOUNG ACCOUNTING FIRM. [REDACTED] said he was satisfied that LSL did not have any capital problem, and in fact, he believed LSL met their capital ratio required by the regulators. [REDACTED] said this in fact reinforced his feeling that [REDACTED] and KEATING were correct in their assessment that if there were a problem, the problem existed with the regulators and their dislike for KEATING.

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[REDACTED] said he then again met with KEATING but could not recall the date indicating that the times and dates of meetings were compressed due to the fact that he only became involved with LSL for such a short period of time. [REDACTED] said he was involved with and employed by LSL from November 19, 1987, until February 15, 1988. [REDACTED] said although he was no longer involved

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Continuation of FD-302 of [REDACTED], On 8/16/90, Page 3

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with the operation of LSL, he continued to receive salary payments; however, these payments were discontinued in January, 1989, and [REDACTED] hired the law firm of FENNEMORE CRAIG in an effort to receive his wages as agreed upon when he accepted employment with LSL.

[REDACTED] said that when he met with KEATING again, it was to report to him what his [REDACTED] review of the ARTHUR YOUNG records had found, and again [REDACTED] who was present, assured [REDACTED] that the problems that existed with LSL were regulatory problems and not financial problems. KEATING was informed by [REDACTED] that he [REDACTED] would accept employment if KEATING would "stay away from LSL" and let [REDACTED] direct its activities. [REDACTED] further stated that he personally would deal with the regulators in San Francisco and again asked KEATING to "stay away." [REDACTED] said he signed his employment contract on November 19, 1987, and it specifically alluded to his authority to make LSL a traditional thrift. [REDACTED] said the contract did not specifically refer to the direct investments and junk bonds held by LSL. [REDACTED] reiterated the fact that capital was never an issue because there appeared to be adequate capital to make home loans, and money and the availability of funds were never an issue.

[REDACTED] said he flew to San Francisco and met with [REDACTED] FEDERAL HOME LOAN BANK of San Francisco, on November 24, 1987. [REDACTED] made available copies of his handwritten notes and these notes are attached to this report.) [REDACTED] said that [REDACTED] told him that certain enforcement action had already been initiated against LSL and could not be recalled. [REDACTED] further told [REDACTED] that KEATING could not be trusted. [REDACTED] said he asked [REDACTED] to keep an open mind and that he [REDACTED] wanted to work with the Eleventh District to resolve any problems. [REDACTED] said that he would work with [REDACTED] and before any enforcement action was taken, would wait for his business plan. [REDACTED] said on this occasion, he was also introduced by [REDACTED] who was the supervisory agent of LSL.

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[REDACTED] said that after the meeting in San Francisco, he flew to San Diego to meet with [REDACTED] of GREAT AMERICAN SAVINGS BANK. [REDACTED] said he went to visit with [REDACTED] because he was seeking advice from [REDACTED] only told [REDACTED] that KEATING did not have a bad reputation within the industry. [REDACTED] in fact said he could not say anything derogatory about KEATING. [REDACTED] said he had heard, however, that the thrift was heavily invested.

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[REDACTED] said he reported to work in Phoenix during the first week of December, 1987, and he in fact officed in Phoenix. His position was Chairman and CEO of LSL. His salary was \$500,000.00 and his contract was for three years. [REDACTED] said that

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Continuation of FD-302 of _____, On 8/16/90, Page 4

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around the middle of December, 1987, after he had reviewed ISL documents in Phoenix, he attended a meeting in San Francisco with the San Francisco regulators. This meeting was on December 18, 1987, and _____ provided a copy of his notes which are attached to this report. _____ said the meeting originally was scheduled with _____ however, _____ were also there. _____ said that they had the authority to obtain a cease and desist order, and the statement more or less set the tone of the meeting. _____ said the discussion primarily centered on the issues found in the March, 1986 exam. The agreement that was brought from this meeting was to allow ISL to submit a business plan which would show what could be accomplished under the direction of _____

_____ said he submitted a letter to _____ dated January 4, 1988. (A copy of this letter is attached.) _____ said that this letter was intended to address the concerns of the FEDERAL HOME LOAN BANK of San Francisco which had been identified in their letter dated April 20, 1987, to ISL. The April 20, 1987, letter essentially explained the findings from the March, 1986 exam conducted by the Eleventh District.

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_____ said that on January 7, 1988, he received a telephone call from _____ and he indicated that San Francisco was no longer the supervising district of ISL. _____ provided his handwritten notes of conversations with _____ on January 7 and January 11, 1988, and are attached to this report.) _____ said there were no significant activities regarding ISL until he was to attend the meeting in Washington, D.C., on February 4 through 5, 1988. _____ said that the meeting in Washington, D.C., was to be with _____ KEATING, _____

_____ stated although he was the CEO of ISL, he never attended any discussions with _____ said he was kept "cooling his heels in an office with sandwiches and coffee." _____ said that KEATING met with _____ and on occasion _____ said that the meeting which was attended by _____ was at an attorney's office and not at the bank board office. _____ said he never observed _____ but was told by _____ that he was in the attorney's office. _____ was informed that issues that were raised could only be resolved by KEATING, and these issues had to be resolved without _____ being present. _____ said he never discussed in detail with _____ what was discussed in this meeting. _____ further stated he never discussed the details of the meeting with anyone. _____ realized that he had "become a pawn in this big game" and that he, after this date, would be ineffective. _____ further believed that the regulators were not acting in good faith with him.

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After the meeting in Washington, D.C., and upon returning to Phoenix, _____ confronted KEATING with what had

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Continuation of FD-302 of [REDACTED], On 8/16/90, Page 5

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happened. [REDACTED] told KEATING that he had broken his word and commitment to "stay out" of the operation of LSL. [REDACTED] further told KEATING that he would depart LSL and drew up legal papers which would protect him and insure further payment of his salary. [REDACTED] believes that he left LSL on February 10, 1988. [REDACTED] said, however, he had no official input into the operation of LSL after the meeting in Washington, D.C., in February, 1988. [REDACTED] said that KEATING said only that he did not want to institute any new changes and offered no further explanation to [REDACTED]

[REDACTED] said that in retrospect, KEATING [REDACTED] believes) at first thought that he [REDACTED] could help operate LSL. [REDACTED] further believes that KEATING was serious in his effort to convert LSL to a traditional thrift. [REDACTED] further believes that if he had been allowed time, he could have helped in the operation of LSL with the regulators. [REDACTED] further stated he believes KEATING was sincere in his efforts to solve the regulatory problem.

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[REDACTED] stated that the January 4, 1988, letter to the San Francisco Bank District was a work product of several people including himself; however, it mainly was prepared by [REDACTED] even though it bears his [REDACTED] signature. [REDACTED] does not believe that he was hired to buy time for KEATING and only to sign this letter. [REDACTED] stated he believes the issues in the letter were not the real issues that caused problems for LSL but the real issue was the regulators' dislike of KEATING.

[REDACTED] said he never had any conversation with KEATING regarding political contributions and never had similar conversations with anyone at LSL regarding the contributions to anyone in Washington, D.C. [REDACTED] said he never received any telephone calls from any political figure regarding KEATING or LSL.

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[REDACTED] said he never spoke to anyone at ARTHUR YOUNG concerning LSL, KEATING, or his subsidiaries other than [REDACTED]

[REDACTED] said he would never have accepted employment with KEATING if it had not been for [REDACTED] and the strength of the ARTHUR YOUNG audit. [REDACTED] said in fact when he received the first telephone call from [REDACTED] all he was expecting was "an earlier tee time" because he was retired.

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[REDACTED] said that the ARTHUR YOUNG documents he reviewed strengthened his belief that LSL could be saved. [REDACTED] said he never discussed any land transaction with [REDACTED] or anyone else at LSL. [REDACTED] said his concern was the fact that the land had

PX 58C-PX-41605

Continuation of FD-302 of [REDACTED], On 8/16/90, Page 6

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been acquired, and the land was noninterest bearing assets. [REDACTED] said he never concerned himself as to how the real estate was acquired by ISL. [REDACTED] said he never had any discussions with [REDACTED] concerning any bond sales or any conversations concerning any tax sharing programs.

[REDACTED] said he never had any conversation with any official of the FEDERAL HOME LOAN BANK BOARD in Washington, D.C. [REDACTED] said he initiated all contacts with the San Francisco regulators on his own initiative and was never encouraged to do so by anyone other than his own instinct to help resolve the problems.

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 8/29/90

1 TO : DIRECTOR, FBI
 2 FROM : SAC, Phoenix (58C-PX-41605)
 3 SUBJECT : ALLEGATIONS CONCERNING UNITED STATES
 4 SENATORS ALAN CRANSTON, ET AL;
 5 CHARLES H. KEATING, JR., dba
 6 LINCOLN SAVINGS AND LOAN ASSOCIATION
 7 AND AMERICAN CONTINENTAL CORPORATION;
 8 CORRUPTION OF FEDERAL PUBLIC OFFICIALS-LEGISLATIVE;
 9 OO: PX/LA

8 Re Phoenix FD-761 and LHM dated 8/7/90.

9 Enclosed are FD-302's setting forth interviews not
 10 enclosed in referenced airtel and of interviews conducted
 11 subsequent to the date of referenced airtel.

11 [redacted] 2/12/90

12 [redacted] Federal Home Loan Bank Board

13 [redacted] 5/7/90

14 [redacted] Association of Thrift Holding Companies

15 5-Bureau (Enc. 29)

(1-White Collar Crimes Section, Public Corruption Unit)

(1-Congressional Affairs Office, Attn: SSA [redacted])

(1-Financial Crimes Unit, Attn: SSA [redacted])

16 ③-Los Angeles (Enc. 29)

(1-58C-PX-41605)

(1-29D-LA-102009)

18 (1-USA, Central District of California, Steve Mansfield)

19 2-Phoenix

(1-58C-PX-41605)

(1-29D-LA-102009)

20 1-USA, District of Arizona (Enc. 29)

21 REB:rh

(11)

58C-PX-41605-1444

SEP 1990

Approved: _____

Transmitted _____

(Number) (Time)

Per _____

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 9/17/90

In response to a telephone call placed to his residence the previous day, an individual identifying himself as former United States Senator MACK MATTINGLY, 4315 11th Street, East Beach, Saint Simons, Georgia, (912) 638-5430, telephoned, the Santa Ana Resident Agency of the FEDERAL BUREAU OF INVESTIGATION. After having been advised of the interviewing Agent's identity and the nature of the interview, MATTINGLY provided the following information:

MATTINGLY advised that he was elected to the United States Senate from the state of Georgia in 1980, and he was defeated in his re-election bid in 1986. For the last four years he was in the Senate, MATTINGLY was on the Senate Banking Committee. MATTINGLY added that he was the only Republican elected to state-wide office in Georgia, since Reconstruction.

MATTINGLY advised that he has been familiar with LEE HENKEL for a long time. MATTINGLY said HENKEL worked on MATTINGLY's campaign in 1979, and 1980. MATTINGLY said he supported HENKEL for a position on the FEDERAL HOME LOAN BANK BOARD (FHLBB) in 1986, because HENKEL wanted the position, and HENKEL had been his supporter. MATTINGLY stated he does not recall HENKEL ever mentioning to him HENKEL's connection to CHARLES KEATING.

MATTINGLY stated he does not recall providing the White House with any written recommendation for HENKEL, although it was possible he made a telephone call to the White House requesting that the White House consider HENKEL for the FHLBB position. MATTINGLY emphasized that this was not an important matter for MATTINGLY, and that MATTINGLY was then actively campaigning for his re-election, and because MATTINGLY refused to be drawn into the controversy surrounding [REDACTED] MATTINGLY explained that HENKEL was hoping to eventually become chairman of the FHLBB, [REDACTED] MATTINGLY said he does not remember any other Senator who was supporting HENKEL.

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MATTINGLY stated he does not recall ever meeting KEATING, [REDACTED] or anyone else from any of KEATING's companies. MATTINGLY said he could not remember whether he met KEATING in December 1984, or November 1985, although it was possible that he did so, because he met with many individuals. MATTINGLY added that when he later saw KEATING's photograph in the newspaper, MATTINGLY did not recognize KEATING.

Investigation on 9/14/90 at Santa Ana, California File # 58C-PX-41605-146
by SA [REDACTED] /tls Date dictated 9/14/90

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58C-PX-41605

Continuation of FD-302 of MACK MATTINGLY, On 9/14/90, Page - 2* -

MATTINGLY advised that he was unaware that KEATING and KEATING's employees had contributed \$100,00 to MATTINGLY's 1986 campaign, until MATTINGLY read about it in the newspaper earlier this year. MATTINGLY said his 1986 campaign raised approximately \$5,000,000, so that a \$10,000 contribution was not significant.

MATTINGLY said in March 1987, he began three years of service at the NORTH ATLANTIC TREATY ORGANIZATION (NATO) in Brussels, Belgium. Since his return from Belgium earlier this year, he has not had steady employment. MATTINGLY said he could be best reached at his residence in Saint Simons, Georgia.

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 10/22/90

WILLIAM L. BALL, III, 3933 Idaho Avenue, Northwest, Washington, D.C., telephone (202) 686-2544, was advised as to the identity of the interviewing agent and the purpose of the interview at which time he advised as follows:

BALL advised since July of 1990 he has spoken with a [redacted] regarding the nomination of LEE HENKEL to the FEDERAL HOME LOAN BANK BOARD. BALL was advised by [redacted] that DENNIS DECONCINI, Senator from Arizona, was a strong supporter of the HENKEL nomination.

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BALL further advised after his first interview with the FBI on July 20, 1990, he was unsure as to the issue which the administration was seeking DECONCINI's support during the HENKEL nomination. He confirmed through [redacted] that the issue in which they required his support was the confirmation of DANIEL A. MANION to the 7th U.S. Circuit Court of Appeals. BALL suggested [redacted] be contacted at [redacted] to solicit his comments as to the HENKEL nomination as it relates to the nomination and confirmation of Judge DANIEL MANION.

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In addition, BALL advised he has recently been contacted by the SENATE ETHICS COMMITTEE and specifically a retired FBI agent by the name of [redacted] has made arrangements to interview BALL on September 25, 1990, in Washington, D.C. BALL advised [redacted] telephone number is [redacted]
[redacted]

Investigation on 9/17/90 at Washington, D.C.58C-PX-41605 - 147
File # 58A-LA-111204by SA [redacted] GKM/cptDate dictated 9/24/90b6
b7C

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 10/22/90

[redacted]
[redacted]
Northwest, Washington, D.C., 20036, telephone [redacted] was
advised as to the identity of the interviewing agents and the
purpose of the interview at which time she advised as follows:

[redacted] advised her home address is [redacted]
[redacted] Washington, D.C. [redacted]
telephone [redacted] Her date of birth is [redacted]
and she was born [redacted] Social
Security Account Number is [redacted]

[redacted] confirmed the fact [redacted]
[redacted]
[redacted] ALAN
KRANOWITZ was the presidential aid in charge of legislative
affairs for the House of Representatives [redacted]
[redacted]

[redacted] is familiar with the name CHARLES KEATING and
remembers KEATING as a businessman in Arizona. In addition, she
associates KEATING as a constituent and possibly a friend of
Arizona Senator DENNIS DECONCINI.

[redacted] vaguely recalls a situation which she believes
took place in the mid to latter part of 1986 where an important
vote was taking place and the administration needed the support
of DENNIS DECONCINI. She vaguely recalls at the same time that
DECONCINI was interested in an issue in which CHARLES KEATING was
involved. She recalls having the sense at that time that KEATING
was an important constituent to DENNIS DECONCINI. She believes
the issue which was important to the administration at that time
could have been either aid to the contras or the confirmation of
Judge MANION.

[redacted] does not specifically recall the issue in which

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58A-LA-111204

by SA [redacted] and
SA [redacted] GKM/cpt Date dictated 9/24/90

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Continuation of FD-302 of [REDACTED], On 9/17/90, Page 2

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DECONCINI was interested, however, stated it is very possible it could have been the nomination of LEE HENKEL to the FEDERAL HOME LOAN BANK BOARD.

[REDACTED] stated on one occasion she was standing outside the west wing of the White House and another staff member asked what she was doing. She believed she answered something to the effect [REDACTED] was waiting to greet either CHARLES KEATING or [REDACTED]. Either KEATING or DECONCINI were to meet personally with Chief of Staff DONALD REGAN. Even though [REDACTED] recalls that situation, she does not specifically recall ever actually meeting or greeting either KEATING or DECONCINI.

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[REDACTED] believes a meeting may have taken place between Chief of Staff REGAN and DENNIS DECONCINI and/or CHARLES KEATING, however, she was not a witness or has any personal knowledge as to the meeting. She seems to believe she heard of such a meeting back at that time.

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[REDACTED] emphasized she definitely does not recall attending any meeting with REGAN and Senator DECONCINI and/or CHARLES KEATING.

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 9/28/90

CHARLES PASHAYAN, JR., member of Congress, 17th District of California, 203 Cannon Building, Washington, D.C., 20515, telephone (202) 225-3341, was advised as to the identity of the interviewing agents and the purpose of the interview at which time he advised as follows:

PASHAYAN confirmed he is somewhat acquainted with CHARLES KEATING. He believes he first met KEATING in 1983 or 1984 when KEATING came to his office and expressed his appreciation for the work Congressman PASHAYAN had done in prevention of pornography.

PASHAYAN believes he met with KEATING once or twice in his old office located on the first floor of the Cannon Building. He does not recall specifically what they discussed, however, he generally remembers KEATING talking a great deal about LINCOLN SAVINGS AND LOAN (LSL) and how it was a profitable and solid institution. PASHAYAN does not recall KEATING asking for any favors to be performed by PASHAYAN relating to LSL or any other business. PASHAYAN does not specifically recall the dates of the above mentioned meetings held with CHARLES KEATING.

PASHAYAN is familiar with KEATING's associate [redacted]. He recalls [redacted] may have visited PASHAYAN in his office in the company of a lobbyist by the name of [redacted]. PASHAYAN recalls [redacted] mainly discussing LSL and filling him in on the issues that LSL was facing. PASHAYAN does not recall [redacted] requesting any special favors from PASHAYAN.

[redacted] has over the years represented various savings and loan institutions and has, on numerous occasions, met with PASHAYAN regarding his clients and savings and loan issues. [redacted] has also, over the years, educated PASHAYAN concerning savings and loan issues. Many of [redacted] clients share the same interests as a controversial savings and loan in PASHAYAN's district which was called PRESIDIO SAVINGS AND LOAN.

PASHAYAN believes that in 1985 he spoke numerous times to [redacted]

Investigation on 9/18/90 at Washington, D.C.File # 58C-PX-41605-1489by SA [redacted]
SA [redacted] GKM/cptDate dictated 9/24/90

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Continuation of FD-302 of CHARLES PASHAYAN, JR., On 9/18/90, Page 2

[] He advised he called [] due to the fact he disagreed with the direct investment rule as it was stated. PASHAYAN confirmed he lobbied [] concerning the direct investment rule and concerning the interests of the above mentioned PRESIDIO SAVINGS AND LOAN located in his district. He felt PRESIDIO was being treated unfairly by the FHLBB and sought to have the situation resolved.

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PASHAYAN emphasized he never called [] on behalf of LSL or per the request of CHARLES KEATING. As mentioned, it was primarily on behalf of PRESIDIO SAVINGS AND LOAN. PASHAYAN does not deny that LSL may have had the exact same interests as PRESIDIO SAVINGS AND LOAN, however the contacts with [] and PASHAYAN's efforts to change the direct investment rule were on behalf of PRESIDIO SAVINGS AND LOAN.

PASHAYAN held various fund raisers and suspects that is when KEATING and his associates contributed to his campaign. He does not specifically recall soliciting funds from KEATING and his associates. He advised all of his fund raisers were in the Washington, D.C., area. He had no fund raisers in Arizona. PASHAYAN confirmed the fact that KEATING and his associates ultimately contributed approximately \$26,000 to his campaign.

PASHAYAN stated he returned the \$26,000 contributed by KEATING and his associates in November of 1989. His explanation for returning the contributions was it was done for political reasons.

PASHAYAN advised he does not recall writing a letter in September of 1987 to the HOUSE WAYS AND MEANS COMMITTEE concerning the INTERNAL REVENUE SERVICE (IRS) interpretation of "thriftiness" as it relates to tax treatment of a savings and loan.

PASHAYAN made available an article from the SACRAMENTO BEE, dated July 22, 1990, entitled "Will PASHAYAN's Defense of S&L Backfire?". PASHAYAN stated this article depicts his relationship with PRESIDIO SAVINGS AND LOAN and indicates his lobbying efforts were on behalf of his constituent PRESIDIO SAVINGS AND LOAN.

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 10/9/90

DONALD T. REGAN, President, REGDON ASSOCIATES, 11 Canal Center Plaza, Suite 301, Alexandria, Virginia, 22312, was advised as to the identity of the interviewing agents and the purpose of the interview. Also in attendance was Attorney [REDACTED] with the law firm of GIBSON, DUNN, AND CRUTCHER located at 1050 Connecticut Avenue, Northwest, Washington, D.C., 20036, telephone (202) 955-8587.

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REGAN advised his current telephone number for REGDON ASSOCIATES is (703) 836-6006. REGAN's date of birth is December 21, 1918.

REGAN confirmed the fact that he is the former Secretary of the Treasury and Chief of Staff for the White House under the RONALD REAGAN administration.

REGAN advised he recalls the nomination and subsequent recess appointment of LEE HENKEL to the FEDERAL HOME LOAN BANK BOARD in Washington, D.C. He recalls that in early to mid 1986 a vacancy was created on the three man board of the FEDERAL HOME LOAN BANK BOARD. The vacancy required a Republican nominee. REGAN does not specifically recall how the name LEE HENKEL was introduced as a candidate, however, the normal procedure would be for the personnel department to receive potential candidates from the variety of sources and screen those individuals for their qualifications. At that time, [REDACTED]

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[REDACTED] As mentioned, REGAN does not recall if the Personnel Department suggested HENKEL or HENKEL's name was brought to him through another source.

REGAN does recall LEE HENKEL had the support on Capitol Hill from Senator MACK MATTINGLY, a Republican from Georgia, and Senator DENNIS DECONCINI, a Democrat from Arizona. The fact that what appeared to be both sides of the aisle were supporting HENKEL made the appointment less controversial.

REGAN specifically recalls during that summer and fall of 1986, at approximately the same time HENKEL's name was being considered as an appointment, the REAGAN administration was attempting to confirm DANIEL A. MANION for a United States District Appellate Judge. He recalls this appointment was highly controversial among Capitol Hill due to the fact MANION was very conservative.

Investigation on 9/19/90 at Washington, D.C.

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File # 58C-PX-41605

by SA [REDACTED] /GKM/cpt

Date dictated 9/24/90

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Continuation of FD-302 of DONALD T. REGAN, On 9/19/90, Page 2

REGAN confirmed through his personal records that on June 24, 1986, at approximately 2:15 p.m., he had a 15 minute interview with LEE HENKEL regarding the appointment to the FEDERAL HOME LOAN BANK BOARD. He recalls he was persuaded to personally meet with HENKEL and interview him by someone on the personnel staff at the White House. REGAN does not specifically recall who on the staff encouraged him to personally interview HENKEL. REGAN believes possibly WILL BALL or [REDACTED] may have been present at the interview, however, his records do not indicate who was present.

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REGAN recalls HENKEL basically told him of his qualifications and his interest in the appointment. He further advised he had former business dealings with LINCOLN SAVINGS AND LOAN. REGAN recalls specifically asking HENKEL if there were any problems with those business dealings and if it could either be perceived or if in actuality there were any conflicts of interest. He recalls HENKEL assuring him there were no conflicts of interest and no reason for those business dealings to prevent his appointment to the FEDERAL HOME LOAN BANK BOARD.

REGAN believes prior to this 15 minute interview he had never met nor was acquainted with LEE HENKEL. In addition at that time, LINCOLN SAVINGS AND LOAN had not become a controversial and news worthy savings and loan institution.

REGAN stated that at this point in time he believes he had not met CHARLES KEATING, JR. According to his records, it appears he met KEATING on Wednesday, September 10, 1986, in his office at the White House. It appears the then Florida Senator PAULA HAWKINS brought KEATING in and made the introduction to REGAN. REGAN does not specifically recall [REDACTED] being present, however, he does recall he was very busy at the time and not very pleased that KEATING was being brought in for an introduction. He specifically recalls the meeting with KEATING lasted approximately five minutes and they did not even sit down.

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REGAN recalls that whoever had set up the meeting between he and KEATING had stated that KEATING was a large contributor and business man from Arizona.

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Continuation of FD-302 of DONALD T. REGAN, On 9/19/90, Page 3

REGAN does not recall the substance of the brief meeting with KEATING nor can he recall if KEATING mentioned or encouraged the appointment of LEE HENKEL.

REGAN further stated he does not recall receiving a letter from DENNIS DECONCINI suggesting HENKEL be appointed to the FEDERAL HOME LOAN BANK BOARD. He does not rule out the possibility that he did in fact receive a letter, it is just at this point he does not specifically recall the letter.

REGAN advised he later personally spoke with DECONCINI and exchanged several telephone calls. As mentioned at that time, one of the most important issues to the administration was the confirmation of DANIEL MANION as an Appellate Judge. He recalls calling DECONCINI on several occasions encouraging DECONCINI to vote for the MANION confirmation. In addition, REGAN recalls DECONCINI contacting him and encouraging the appointment of LEE HENKEL.

REGAN emphatically stated he made no "deal" with DECONCINI to trade support for MANION and HENKEL. He, in fact, stated he has never made a political deal in his life. At that point, he does not believe he was in a position to make a deal because HENKEL's name had not been placed before the president for approval.

REGAN recalls DECONCINI stated HENKEL was a qualified candidate and a "good guy" who would prove to be a good appointment to the FEDERAL HOME LOAN BANK BOARD.

REGAN advised he was not necessarily surprised regarding DECONCINI's support, in fact, he was rather pleased due to the fact DECONCINI was a Democrat and was not opposing a Republican for the position. REGAN added that there was no indication that CHARLES KEATING was encouraging or generating the support of LEE HENKEL through DENNIS DECONCINI.

As mentioned, no "deal" was arranged between REGAN and DECONCINI. REGAN basically agreed to take a good look at LEE HENKEL as an appointment to the FEDERAL HOME LOAN BANK BOARD and DECONCINI agreed to take a good look at the confirmation of DANIEL MANION as appellate judge.

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Continuation of FD-302 of DONALD T. REGAN, On 9/19/90, Page 4*

As previously mentioned, REGAN stated the Georgia Republican Senator MACK MATTINGLY also supported HENKEL. He appeared to be an active proponent to the HENKEL nomination. REGAN does not specifically recall former Florida Senator PAULA HAWKINS supporting or lobbying for HENKEL. REGAN advised that he and MATTINGLY were friends and he recalls MATTINGLY encouraged the appointment of HENKEL due to the fact that HENKEL was a Republican from Georgia. REGAN does not recall MACK MATTINGLY ever mentioning CHARLES KEATING in connection with LEE HENKEL.

REGAN confirmed he discussed the DECONCINI telephone calls with other staff members. He believes those staff members may have been WILL BALL and JOHN TUCK.

In addition, REGAN again confirmed that the White House personnel office wanted to appoint someone else other than HENKEL in the position. He does not specifically recall who the other individual was that was being supported by the White House personnel office. REGAN advised he was independent in his decision making and urged the President to appoint HENKEL due to his reputation, qualifications, and also as a political move to gain favor with senators who supported the HENKEL nomination.

REGAN confirmed he does not recall the situation regarding the vote to re-evaluate the first vote of MANION. He does not specifically recall the fact that BARRY GOLDWATER, the Republican Senator from Arizona was absent from the reconsideration vote and his vote was paired by DECONCINI, thus canceling both votes out.

REGAN advised regarding former FEDERAL HOME LOAN BANK BOARD [redacted] it was no real secret he was not fond of [redacted]. He confirmed he had received many complaints regarding [redacted] however, does not recall any complaints from CHARLES KEATING. To the best of his recollection, the complaints came mainly from individuals within the administration or from the FEDERAL HOME LOAN BANK BOARD itself or from the Savings and Loan industry.

REGAN advised he vaguely recalls the candidacy of Economist GEORGE BENSTON as a member of the FEDERAL HOME LOAN BANK BOARD. He does not recall any specifics other than he believes BENSTON was a recommendation from the White House personnel office.

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 10/9/90

[redacted] (protect identity at his request) was interviewed at his place of employment [redacted] Washington, D.C., telephone [redacted]. After having been advised of the interviewing Agents' identities and the nature of the interview, [redacted] provided the following information:

[redacted] said he resides at [redacted] [redacted] telephone [redacted]. He was born [redacted]

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Investigation on 9/17/90 at Washington, D.C. File # 58C-PX-41605 -151
by SA [redacted] SA [redacted] eas Date dictated 9/24/90

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 10/9/90

A meeting was held with [redacted] (protect identity
at his request) [redacted]

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[redacted]

[redacted]

Investigation on 9/18/90 at Washington, D.C. File # 58C-PX-41605 -152

by SA [redacted]
SA [redacted] eas Date dictated 9/24/90

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TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 10/24/90

TO : DIRECTOR, FBI
 (ATTN: CRIMINAL INVESTIGATIVE DIVISION)

FROM : SAC, PHOENIX (58C-PX-41605) (P)

SUBJECT: ALLEGATIONS CONCERNING UNITED STATES
 SENATORS ALAN CRANSTON,
 ET AL;
 CHARLES H. KEATING, JR., DBA
 LINCOLN SAVINGS AND LOAN ASSOCIATION
 AND AMERICAN CONTINENTAL CORPORATION;
 CORRUPTION OF FEDERAL PUBLIC
 OFFICIALS - LEGISLATIVE
 OO: PX/LA

Re Phoenix FD-761, 8/7/90, with enclosed LHM dated and captioned same.

Enclosed for the Bureau are five copies of amended page 184. Enclosed for Los Angeles are three copies of amended page 184.

A correction was made in paragraph 1, line 7, of Phoenix LHM dated 8/7/90, changing the name [redacted] to read [redacted]

It is requested that this amended page be inserted into above-referenced LHM.

1*

5 - Bureau (Encs. 5)

(1 - White Collar Crimes Section, Public Corruption Unit)

(1 - Congressional Affairs Office, Attn: SSA [redacted])

(1 - Financial Crimes Unit, Attn: SSA [redacted])

3 - Los Angeles (Encs. 3)

(1 - 58C-PX-41605)

(1 - 29D-LA-102009)

(1 - USA, Central District of California)

2 - Phoenix

(1 - 58C-PX-41605)

(1 - 29D-LA-102009)

REB:dpt (10)

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SEARCHED	INDEXED
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Approved: *[Signature]*Transmitted *[Signature]*

(Number) (Time)

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Continuation of FD-302 of [redacted], On 4/27/90, Page 4

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[redacted] said the memorandum of understanding (MOU) signed by LSL and the FEDERAL HOME LOAN BANK BOARD controlled the number of issues to be examined. [redacted] said that the issues that were not to be "revisited" involved direct investment limitations, the regulatory violation concerning the Hotel Pontchartrain which involved loans to affiliated companies. [redacted] said that when these areas were "revisited" [redacted] said that the MOU prevented this revisitation. They in fact said that the March, 1986, examination covered the Hotel Pontchartrain and that this issue had been covered during the March, 1986, examination. [redacted] said that the examiners looked into this, however, and additional regulatory violations were discovered and in fact the examination started from "day one" regarding the Hotel Pontchartrain and examiners in the national examination agreed with the San Francisco findings. [redacted] said in fact the examiners also agreed with the findings concerning the direct investment limitations and again, [redacted] attempted to not have the examination cover this as it too had been covered in the 1986 examination. [redacted] said there were other areas that had been covered in the MOU that were not to be re-examined; however, he could not recall these issues.

[redacted] said he was aware as the exam progressed that certain examiners were concerned that the national examination was "white-wash" and identified these examiners as [redacted] of the Atlanta Bank District who apparently was concerned with the compensation levels of various LSL and ACC employees. [redacted] said that [redacted] in fact thought the salaries were exorbitant and wanted to put this fact in the examination report. [redacted] explained to [redacted] that [redacted] would decide if the salaries were too high. [redacted] said that [redacted] wanted to put a conclusionary statement in the report concerning the salaries and this became an issue. [redacted] discussed the salary issue with [redacted] and all agreed there were more significant issues than salaries. [redacted] said the final wording in the report addressed the salary issue by saying that the salaries were "above peer group norms." [redacted] said that [redacted] thought that he [redacted] was trying to suppress his findings when in fact he was not. [redacted] was the only examiner who came to him directly with concerns; however, he was aware that other examiners also had similar concerns.

[redacted] an examiner employed by the Seattle District, was concerned that her findings were not being reported accurately and she wrote a memo which set forth her concerns. [redacted] could not provide a copy of this memo; however, he stated it would be in the "administrative section" of the work papers of the report. [redacted] said he recalls that the memo contained concerns which arose from the fact that [redacted] was

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 11/2/90

[redacted] was interviewed in the presence of his attorney, [redacted] at the offices of the UNITED STATES ATTORNEY, Los Angeles, California. Present during most of the interview was Assistant United States Attorney [redacted]

[redacted] The interview was conducted according to the same terms as set forth in the agreement dated [redacted] between the United States Attorney for the Central District of California, and [redacted] provided the following information:

[redacted] advised that he has had no discussions with anybody of his interviews on [redacted]

[redacted] specifically stated [redacted]

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Investigation on 10/31/90 at Los Angeles, California File # 58C-PX-41605-153X1

by SA [redacted] JAJ/tls Date dictated 11/2/90
and SA [redacted]

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 9/25/90

Representative DOUG BARNARD, JR. was interviewed in the presence of his legal counsel. [redacted]

[redacted] Office Building, Washington, D.C., telephone [redacted] After having been advised of the interviewing Agents' identities and the nature of the interview, BARNARD provided the following information:

BARNARD's office is located in room 2227 of the Rayburn House Office Building, Washington, D.C., telephone (202) 225-4101. He represents the Tenth District in the state of Georgia. BARNARD is chairman of the Commerce, Consumer, and Monetary Affairs Subcommittee in the U.S. House of Representatives.

BARNARD advised that on February 26, 1985, his subcommittee conducted hearings on proposed regulations promulgated by the FEDERAL HOME LOAN BANK BOARD (FHLBB) that would limit direct investments by state chartered institutions. BARNARD stated that CHARLES KEATING, GEORGE BENSTON, and ALAN GREENSPAN were invited by subcommittee staff to testify at the hearing. BARNARD first met KEATING at this hearing. Because of this hearing, KEATING became interested in the activities of BARNARD's subcommittee. BARNARD stated that the subcommittee eventually wrote a report in which it supported the FHLBB regulation limiting direct investments, which was a position contrary to what KEATING advocated.

BARNARD stated that his next contact with KEATING occurred on July 19, 1986, when BARNARD visited KEATING in Phoenix, Arizona. BARNARD explained that he was planning a trip to San Diego, California, to make a speech, and [redacted] invited BARNARD to travel back to Washington through Phoenix, and speak to the AMERICAN CONTINENTAL CORPORATION (ACC) employees at a morning meeting, and BARNARD agreed to do so. BARNARD stated he traveled from San Diego to Phoenix, on July 19, 1986, and stayed at the WIGWAM HOTEL at ACC expense. BARNARD said he was met at the airplane by [redacted] when he first learned that there would be a dinner at KEATING's residence that night, which BARNARD attended. Also attending this dinner were members of KEATING's family and some ACC officers. BARNARD characterized the dinner as casual and social, and not a business dinner. After the dinner, [redacted] gave BARNARD a ride to his hotel room, and after BARNARD got out of the automobile, [redacted] handed BARNARD an envelope and said that it contained campaign contributions. BARNARD stated that later that evening

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by SA [redacted] JAJ/tls Date dictated 9/25/90

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Continuation of FD-302 of DOUG BARNARD, On 9/19/90, Page - 2 -

he opened the envelope and found 19 checks payable to his campaign for \$1,000 dollars a piece. BARNARD stated he was astonished, because he had no indication that [] was a campaign fundraiser. BARNARD added that he was not surprised by the \$19,000 amount of the contributions, just that there were any contributions at all, because he was not expecting any.

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BARNARD advised that the next morning, he ate breakfast with some ACC officers, and then toured the ACC facilities. BARNARD stated he traveled to Phoenix alone. BARNARD said he left Phoenix somewhat troubled, because he learned that LINCOLN SAVINGS and LOAN ASSOCIATION (LSL) made no loans at its branches, and that its loans were instead made in Phoenix. BARNARD stated that KEATING or other ACC officers told him about the ongoing FHLBB examination of LSL. BARNARD said that at approximately 9:00 a.m., he spoke to a gathering of ACC employees, where he discussed his hearings and other subjects. At approximately 11:00 a.m., or noon, BARNARD flew back to Washington, D.C.

BARNARD stated that KEATING was dissatisfied with the regulatory process with respect to LSL, which BARNARD perceived as a normal dispute between the regulator and the regulated. BARNARD said that KEATING has never mentioned the campaign contributions to him, and that [] never mentioned the campaign contributions to BARNARD again.

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BARNARD explained that he had been a banker for more than 20 years, and was also a bank examiner, and therefore was knowledgeable about regulatory issues and bank examinations.

BARNARD advised that [] frequently visited BARNARD, usually on each of [] trips to Washington, D.C. BARNARD said he listened to [] problems, which included complaints about []. BARNARD stated that [] never asked BARNARD to do anything in particular, however, BARNARD believed that [] was hoping that BARNARD would volunteer to get involved with the regulators.

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BARNARD said that [] had been before BARNARD's subcommittee many times and was "most cooperative" with the subcommittee, and that [] generally kept BARNARD advised as to FHLBB activities. BARNARD stated that in September 1986, there was a meeting in the banking committee hearing room with staff, [] staff on another issue. On the day of this meeting (possibly September 20, 1986), there had been an article

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Continuation of FD-302 of DOUG BARNARD, On 9/19/90, Page - 3 -

in the Washington Post about the lengthy examination of LSL. Since everyone had read this Post article, BARNARD casually asked [] about the LSL examination. BARNARD explained that [] took his question more seriously than BARNARD had intended, and on September 26, 1986, [] responded by sending BARNARD an eight page "confidential memo" justifying the length of the LSL examination. BARNARD stated he read the confidential memo and the explanation for the length of the examination seemed plausible, so he dropped the matter. BARNARD provided a copy of the documentation he received from [] regarding the LSL examination.

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BARNARD advised that he received two identical letters from KEATING, one of which was dated July 28, 1986, and the other was dated July 31, 1986. BARNARD stated he believed all of the banking committee members received this same letter from KEATING. In this letter, KEATING called [] a "mad dog" and termed the [] a "police state." BARNARD stated that he did not respond to this letter. BARNARD provided copies of these letters to the FEDERAL BUREAU OF INVESTIGATION (FBI).

BARNARD advised that he requested and received from [] a letter dated March 9, 1990, in which [] stated that BARNARD never attempted to interfere with [] the FHLBB. BARNARD provided a copy of this letter to the FBI.

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BARNARD stated that KEATING and [] came into BARNARD's office on several occasions, although they usually did not stay for more than three or four minutes each time, and they were always complaining about their treatment from the FHLBB. BARNARD stated that KEATING and his representatives never made a direct request that BARNARD do anything. BARNARD added that there possibly was an "innuendo" that KEATING and his representatives wanted BARNARD to do something, but BARNARD stated he "never took the bait."

BARNARD stated that KEATING never spoke to him about LEE HENKEL. BARNARD said he first learned about HENKEL's appointment to the FHLBB by reading the news in the newspaper. BARNARD stated that the newspaper article mentioned that HENKEL was affiliated with the Atlanta, Georgia, law firm of TROUTMAN, SANDERS. BARNARD was a friend of SANDERS, who formerly was Governor of Georgia. BARNARD said he telephoned SANDERS to remark that he noticed that one of SANDERS' partners was getting appointed to the FHLBB. BARNARD said he never met HENKEL before

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Continuation of FD-302 of DOUG BARNARD, On 9/19/90, Page - 4* -

HENKEL's appointment was announced, but that sometime before HENKEL's formal appointment, he had lunch with HENKEL for the purpose of merely meeting HENKEL. BARNARD stated he was later surprised to read in the newspapers of a relationship between HENKEL and KEATING.

BARNARD stated that neither KEATING, [] nor any ACC or LSL representative ever asked BARNARD to arrange meetings with regulators, to get involved in the negotiation of the 1988 agreement and memorandum of understanding with LSL, or to get involved in promoting the sale of LSL in 1989. BARNARD added that he was not aware of any attempts to use political influence to affect the LSL memorandum of understanding negotiated in 1988.

BARNARD added that he had almost daily conversations with []

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 10/19/90

[redacted] was interviewed in the office of Assistant United States Attorney [redacted] in the presence of [redacted]

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[redacted] The interview was conducted according to the terms of an agreement dated [redacted] the original of which is attached hereto. After having been advised of the interviewing agents' identities and the nature of the interview, [redacted] provided the following information:

[redacted] said he was born on [redacted] His social security number is [redacted] resides at [redacted] telephone [redacted]

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b7DInvestigation on 10/10-11/90 at Los Angeles, California

✓ 58C-PX-41605 - 154x1
56C-LA-101615
File # 58A-LA-111204
194A-LA-108012

by SAS [redacted]

and [redacted]

JAJ/sag

Date dictated 10/15/90b6
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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 9/28/90

[redacted] was interviewed at the offices of his attorneys, [redacted] Northwest, Washington, D.C. [redacted] Present for the entire interview were [redacted] attorney, [redacted] Assistant United States Attorney (AUSA) [redacted] Present for portions of the interview was [redacted] attorney, [redacted] After having been advised of the interviewing Agents' identities and the nature of the interview, [redacted] provided the following information:

[redacted] said he was born on [redacted] His Social Security number is [redacted] He resides at [redacted] Vienna, Virginia. [redacted] said he presently is a self-employed consultant, and his office is located at [redacted] Washington, D.C.

[redacted] advised that [redacted] FEDERAL HOME LOAN BANK BOARD (FHLBB), [redacted] OFFICE of THRIFT SUPERVISION (OTS). [redacted] and again [redacted] SENATE BANKING COMMITTEE. [redacted] SENATE BANKING COMMITTEE. [redacted] Senator JAKE GARN.

[redacted] The SALT LAKE CITY REDEVELOPMENT AGENCY. [redacted] stated that he is not an attorney, and his education is as an architect/planner.

[redacted] advised that he has recently been interviewed on three occasions by investigators for the SENATE ETHICS COMMITTEE.

[redacted] stated he first met CHARLES KEATING in approximately 1983, when KEATING made a "courtesy call" on Senator GARN. [redacted] recalled that KEATING introduced himself to GARN as a purchaser of a major home building company in Utah.

[redacted] stated that on December 17, 1984, [redacted] introduced themselves to [redacted] as purchasers of LINCOLN SAVINGS and LOAN ASSOCIATION (LSL). This was the first time [redacted] met [redacted]

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by SA [redacted] JAJ/tls

Date dictated 9/24/90

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After examining a copy of his appointment calendar, [REDACTED] stated that he believes his meeting on March 26, 1986, with KEATING and [REDACTED] was the occasion where KEATING presented to [REDACTED] the GREENSPAN report on direct investments. [REDACTED] added that nothing was said that linked GREENSPAN to KEATING, nor did KEATING disclose that LSL had paid for the GREENSPAN study.

[REDACTED] stated that on August 11, 1986, he met with KEATING and possibly others from KEATING's office. The purpose of this meeting was to discuss issues in the FEDERAL SAVINGS and LOAN INSURANCE CORPORATION (FSLIC) recapitalization bill that was being marked up by [REDACTED] committee on August 13, 1986. [REDACTED] said he did not recall any specific issue KEATING was interested in, and [REDACTED] speculated that KEATING's concern was that direct investments may be prohibited by the bill, although [REDACTED] did not believe that was a pending issue. [REDACTED] added that the bill was passed by the SENATE BANKING COMMITTEE within a week, but the bill was then put on hold by Senator PROXMIRE.

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[REDACTED] advised that he attended a meeting with KEATING and others on September 24, 1987. [REDACTED] of the FHLBB's General Counsel's office also attended the meeting, and she wrote a memorandum dated October 25, 1987, describing the meeting. [REDACTED] provided a copy of the [REDACTED] memorandum, which is attached hereto. [REDACTED] explained that he was "very accessible" to institutions, and normally any representative of any institution could call his office for an appointment. Once an appointment was requested, the FHLBB would determine whether the FHLBB had any pending litigation with the institution, and if there were none, then the meeting was scheduled. [REDACTED] said this September 1987, meeting with KEATING probably was arranged by a telephone from KEATING's office. Because LSL had previously filed a lawsuit against the FHLBB, which later was dropped, [REDACTED] asked his legal counsel department whether [REDACTED] could meet with LSL representatives. The legal counsel's office advised [REDACTED] that he could meet with LSL representatives, but that he should have an FHLBB attorney present. [REDACTED] was the FHLBB attorney who attended the meeting with [REDACTED] recalled that at this September 1987 meeting, KEATING complained about the current examination of LSL, and [REDACTED] promised that [REDACTED] would review the matter. [REDACTED] stated that having a career employee review an institution's complaint was a typical way of handling complaints.

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[REDACTED] explained that he kept no logs of telephone calls he made and received, however, there are FHLBB records of messages left to [REDACTED] from those who telephoned WALL when [REDACTED] was unavailable to speak on the telephone.

[REDACTED] stated that he testified before the HOUSE BANKING COMMITTEE in November 1989, that in July or August 1987, he received a telephone call from Senator ALAN CRANSTON. [REDACTED] stated that he testified based on his memory, and that he could be mistaken. [REDACTED] stated that the SENATE ETHICS COMMITTEE investigators told him about records from CRANSTON's office that indicate CRANSTON telephoned [REDACTED] on November 12, 1987. [REDACTED] stated that the call he received from CRANSTON could have been on November 12, 1987, instead of earlier. In any event, [REDACTED] recalled the substance of the CRANSTON telephone call, that is, CRANSTON urged that a decision on the LSL examination be made. [REDACTED] said CRANSTON did not try to indicate what decision should be made, but merely that a decision should be made. [REDACTED] said this was a legitimate complaint, because few examinations were pending for over one year, as was the LSL examination. [REDACTED] stated there was nothing unusual about CRANSTON's telephone call urging a decision.

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[REDACTED] explained that in the fall of 1987, the major matter on his mind was AMERICAN SAVINGS of Stockton, California, and [REDACTED] spent most of his time on the AMERICAN SAVINGS problem. [REDACTED] said the California Senators and the House Representatives from Stockton were anxious about the impending sale of AMERICAN SAVINGS. [REDACTED] stated he may have had conversations with CRANSTON regarding AMERICAN SAVINGS. [REDACTED] added that he asked to meet with California Senator PETE WILSON to brief WILSON on the AMERICAN SAVINGS situation. [REDACTED] said WILSON never inquired about LSL.

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The CRANSTON notes of a possible telephone conversation with [REDACTED] on November 12, 1989, were then reviewed with [REDACTED] (CRANSTON BATES number 10000034). [REDACTED] stated that he did not recall a conversation with CRANSTON as described in the notes. [REDACTED] said that this conversation could have been he the one recalls from CRANSTON urging a decision on LSL. [REDACTED] stated he does not know who the "Hf" or "Hi" referred to in the CRANSTON notes is. [REDACTED] added that he does not recall ever meeting or talking with [REDACTED] and that he never had any conference calls with CRANSTON and [REDACTED]

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[redacted] said he thinks he first learned that [redacted] was going to work for LSL from [redacted] said [redacted] told him that [redacted] would not work for LSL unless he actually had authority to run the institution, and [redacted] had recommended that the FHLBB forbear action against LSL, to give [redacted] a chance to turn LSL around. [redacted] said this conversation with [redacted] occurred either at the November or December 1987, meeting of the 12 regional bank presidents, held in Washington, D.C., in the third week of each month.

[redacted] stated he met with KEATING on January 28, 1988. [redacted] could not recall if any others attended this meeting, although he thought [redacted] probably attended. At this meeting, KEATING said that [redacted] would return LSL to a more traditional format and/or prepare to sell LSL. [redacted] said he could not recall any discussion about capital infusion into LSL. [redacted] said he thinks this meeting was arranged by his secretary, [redacted] because [redacted] appointment calendar contains [redacted] note that she spoke with [redacted] in Phoenix.

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[redacted] stated he knows of no cases where a member of Congress arranged a meeting with [redacted] through [redacted] secretary or otherwise. However, [redacted] stated it was not unusual for a member of Congress to ask [redacted] secretary for a meeting with a constituent.

[redacted] was then shown a copy of an undated note written on [redacted] note paper, with the heading "Sen. CRANSTON" and a text reading [redacted] examiner-evidenced concern that--1/28 KEATING will be in town." [redacted] identified all the handwriting on the note as being [redacted] but said he did not recall seeing this memorandum previously. [redacted] said he remembers a telephone call with CRANSTON where CRANSTON said he had talked with [redacted] and [redacted] had stated that an examiner had told [redacted] that there was an effort to "find something" on LSL, and when nothing could be found, the examiners were sent back into LSL. [redacted] said [redacted] also told [redacted] this story directly, so he is not certain what details he heard from CRANSTON rather than from [redacted] stated he "assumes" that CRANSTON told WALL about the January 28, date referred to in [redacted] notes, because [redacted] normally did not have his calendar handy, and therefore, would not be able to tell CRANSTON what day KEATING's appointment with [redacted] was. [redacted] speculated that he already had the meeting scheduled with KEATING on January 28, but [redacted] stated CRANSTON "could have asked" for the meeting with KEATING [redacted] just cannot recall.

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[REDACTED] stated it was not necessary to go through a Senator to obtain an appointment with him. [REDACTED] reiterated that the only individuals he did not meet with were those determined by FHLBB General Counsel's office to have had pending regulatory proceedings that may come before the FHLBB. [REDACTED] said ISL was never on this list of institutions having pending regulatory proceedings before the FHLBB.

[REDACTED] advised that he had access to Senator GARN's appointment calendars, and according to the calendars, GARN met with KEATING on two occasions. The first was on December 3 or 10, 1980, and the second meeting was on May 14, 1981. Following GARN's second meeting with KEATING, GARN told [REDACTED] that he did not want to meet with KEATING anymore, because KEATING was "too shrill" and too opinionated on monetary policy. [REDACTED] explained that KEATING promoted a position on monetary policy contrary to what GARN supported. [REDACTED] stated that, to his knowledge, GARN never met with KEATING after this 1981 meeting. WALL stated GARN never talked with [REDACTED] regarding ISL.

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[REDACTED] added that he did not recall a telephone conversation with CRANSTON on January 20, 1988, until the Senate Ethics Committee investigators mentioned it to him, based on the CRANSTON note.

[REDACTED] stated he has never had a conversation with Senator DON RIEGLE regarding ISL. He has never had a conversation with Senator JOHN MCCAIN or anyone on MCCAIN's staff on any matter whatsoever. He has never had a conversation with Senator JOHN GLENN or anyone on GLENN's staff on any matter whatsoever. [REDACTED] stated his only contact with RIEGLE's office regarding ISL was [REDACTED] telephone call with [REDACTED] on April 14, 1989, immediately after ISL had been placed in conservatorship. [REDACTED] stated he had telephoned for RIEGLE to give RIEGLE the news of the conservatorship, but because RIEGLE was not available, [REDACTED] spoke with [REDACTED]. [REDACTED] recalled that [REDACTED] explained to [REDACTED] the history of RIEGLE's contacts with KEATING in a two or three minutes conversation, and that [REDACTED] stated he thought the conservatorship might relieve pressure on RIEGLE. [REDACTED] stated his notes of this conversation with [REDACTED] are dated April 14, 1989, showing a time of 10:00. [REDACTED] stated he met RIEGLE on several occasions as RIEGLE was a member of the Banking Committee, but [REDACTED] never met with RIEGLE regarding a particular institution.

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[REDACTED] explained that any meeting he had with a member of Congress, was most likely requested by [REDACTED] explained that Congressmen normally did not have time for meetings and that if they wished to communicate with him, they would telephone him.

[REDACTED] was asked about a memorandum dated November 19, 1987, from "VJL," reprinted on page 674 of part five of the hearings before House Banking Committee occurring on November 21, 1989 (Serial number 101-59). [REDACTED] stated he has no memory of telling [REDACTED] to "take care of this" regarding LSL, and [REDACTED] stated he never said that he did not want LSL matters to go before the FHLBB. On the contrary, [REDACTED] position was that the LSL issue should be handled by FHLBB staff, the Enforcement Review Committee, and ultimately the FHLBB. [REDACTED] stated he believes the information in the VJL memorandum simply is not true.

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[REDACTED] was asked about a memorandum dated February 8, 1988, to the FEDERAL HOME LOAN BANK of San Francisco from [REDACTED] reprinted on page 559 of part five of the hearings before the House Banking Committee on November 21, 1989 (Serial number 101-59). [REDACTED] stated he could not recall ever telling anyone he wanted a "peaceful resolution" with LSL. [REDACTED] stated, to the contrary, [REDACTED] had assigned the LSL issue to the Enforcement Review Committee for recommendation to the FHLBB. [REDACTED] explained that about this same time, SARATOGA SAVINGS was running on almost an identical track as LSL, and SARATOGA was denying access to the examiners for an examination. [REDACTED] said LSL was threatening to do the same. [REDACTED] stated it was possible that [REDACTED] was thinking of this experience with SARATOGA SAVINGS when he thought the FHLBB wanted the matter with LSL resolved without litigation.

[REDACTED] was read CRANSTON's notes dated February 16, 1988, which may relate to a conversation between CRANSTON and [REDACTED] (CRANSTON BATES number 10000037). [REDACTED] stated he does not specifically recall this conversation, but based on the CRANSTON notes, [REDACTED] believes this conversation related to AMERICAN SAVINGS and not LSL.

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[REDACTED] stated he does not recall why he asked [REDACTED] to meet with KEATING on February 4, 1988, except that [REDACTED] himself did not wish to meet with KEATING while the LSL matter was before the Enforcement Review Committee, and because [REDACTED] was more knowledgeable about the LSL matter.

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[REDACTED] was then asked about CRANSTON's notes dated April 21, 1988, of a possible conversation between CRANSTON and [REDACTED]. [REDACTED] stated he could not specifically recall any such conversation with CRANSTON, although [REDACTED] said he "could very well have" told CRANSTON that the Enforcement Review Committee was nearing completion, or CRANSTON could have told [REDACTED] of the status.

[REDACTED] was then asked about notes written on page three of a memorandum dated May 6, 1988, to [REDACTED] from [REDACTED] regarding LSL (CRANSTON BATES number 10000042). [REDACTED] stated he does not recall ever discussing the "monitor" issue with CRANSTON, and [REDACTED] believes that the notes on page three of the memorandum do not relate to a conversation between CRANSTON and [REDACTED] but more likely between CRANSTON and KEATING. [REDACTED] said he remembers the resident examiner being an issue between LSL and the FHLBB, and [REDACTED] does not recall how the issue was resolved. [REDACTED] said he had no knowledge of CRANSTON having any input on this "monitor" issue.

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[REDACTED] stated that on May 10, 1988, he telephoned KEATING at the request of the FHLBB staff to tell KEATING to take or leave the FHLBB offer regarding the agreement with LSL. [REDACTED] stated he made notes of this telephone conversation with KEATING, and provided a copy of his note (BATES stamped W000057), a copy of which is attached hereto. [REDACTED] said he told KEATING that KEATING had no choice regarding the monitor and the supervisory agreement. [REDACTED] said the last half of his notes reflect KEATING's response, and [REDACTED] does not know what the last line of his notes mean, unless it shows that KEATING suggested that LSL had \$1 billion dollars in net worth. [REDACTED] said KEATING ended up accepting what was offered by the FHLBB. [REDACTED] repeated that he knows of no input by CRANSTON or CRANSTON's staff regarding the negotiations of the 1988 agreement with LSL. [REDACTED] said he has no knowledge of any reporting by FHLBB personnel to CRANSTON or CRANSTON's staff regarding the 1988 LSL negotiations. [REDACTED] stated that there were no external contacts that influenced the FHLBB's decision made on May 5, 1988, to pursue an agreement with LSL, and that the FHLBB decision was based solely on the Enforcement Review Committee recommendations. [REDACTED] added that the promise of capital infusion into LSL was an important consideration of the FHLBB.

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[REDACTED] stated he met with CRANSTON on May 16, 1988, at [REDACTED] request, and [REDACTED] cannot recall the subject of this

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meeting, although he may have been trying to obtain CRANSTON's support for FSLIC legislation. At this meeting, CRANSTON said he understood that the FHLBB staff recommendations had been made regarding LSL, the FHLBB had made its decision, and that an agreement with LSL was pending. [REDACTED] stated that he and CRANSTON did not discuss the substance of the FHLBB decision and the pending agreement.

[REDACTED] explained that in the 1989 negotiations for the sale of LSL, three basic buyers' packages were presented, and the FHLBB was briefed on each package. [REDACTED] stated he does not specifically recall a conversation with CRANSTON on February 8, 1989, as indicated in CRANSTON's note (CRANSTON BATES number 1000048), but that [REDACTED] probably told CRANSTON that the buyers' proposal was not at arm's length. [REDACTED] explained that by this time, the FHLBB had reviewed the first proposal, and the FHLBB did not like it. [REDACTED] said CRANSTON urged giving prompt consideration of the proposed sale. [REDACTED] explained that the FHLBB had an abysmal record for being slow in considering proposed sales. [REDACTED] said he responded to CRANSTON that the FHLBB would give the LSL sale prompt consideration. [REDACTED] explained that the FHLBB was very concerned with certain Securities and Exchange Commission disclosure rules requiring LSL disclosures on April 17, 1989, and the FHLBB was fearful that these disclosures could cause a run on LSL. [REDACTED] stated there was "nothing untoward" about CRANSTON's telephone call urging prompt consideration.

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[REDACTED] stated that, according to [REDACTED] notes, on April 7, 1989, he met with Senators DIXON, KASSENBAUM, HEINZ, and CRANSTON as part of [REDACTED] effort to see as many banking committee members as possible, so as to lobby the administration's plan [REDACTED] [REDACTED] advised that in his April 7, 1989, meeting with CRANSTON, CRANSTON raised the issue of the pending sale of LSL, and CRANSTON again urged the FHLBB to give prompt consideration to the sale. [REDACTED] stated he does not recall CRANSTON mentioning [REDACTED] although CRANSTON could have done so. CRANSTON, like most other Congressmen, was noncommittal about supporting [REDACTED] Based on a copy of an E-MAIL message to return CRANSTON's telephone call, [REDACTED] believes he telephoned CRANSTON on or about April 12, 1989. [REDACTED] reviewed notes dated April 12, 1989 (CRANSTON BATES stamped 10000071), where [REDACTED] was quoted as saying there would be a formal vote tomorrow. [REDACTED] stated this does not make sense, because the vote had already occurred on April 12, before the telephone call was made, and

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WALL said he would not have lied to CRANSTON. Regarding a memorandum entitled "Talking points for conversation with [REDACTED] (CRANSTON BATES stamped 10000058), [REDACTED] stated he does not recall CRANSTON discussing these points with him, and he doubts that CRANSTON would have done so, because CRANSTON normally only discussed things in broad generalities and not in specific points. [REDACTED] said his recollection was that CRANSTON was only urging prompt consideration of the LSL sale. [REDACTED] said he did not perceive CRANSTON's urging as improper or as interference in the business of the FHLBB.

[REDACTED] explained that he knew CRANSTON from [REDACTED] employment at the SENATE BANKING COMMITTEE, and [REDACTED] did not feel close to CRANSTON. [REDACTED] said CRANSTON was very partisan, and had different political beliefs than [REDACTED] said CRANSTON did not associate with the committee staff, and that [REDACTED] had no warm feeling towards CRANSTON. [REDACTED] stated he was also not particularly close to [REDACTED] and [REDACTED] mentioned that [REDACTED] is even more partisan than CRANSTON, and that she was very liberal. [REDACTED] stated that he never heard of [REDACTED] said he has heard of [REDACTED] but has not had contact with him that he recalls.

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[REDACTED] advised on April 14, 1989, after LSL had been seized by the FHLBB, [REDACTED] made courtesy calls to key members of the respective banking committees in Congress and to Senator DENNIS DE CONCINI. [REDACTED] said he called DE CONCINI because KEATING was DE CONCINI's constituent. [REDACTED] stated he made notes of these conversations, but that he had no notes with his conversation with DE CONCINI, probably because DE CONCINI was not available and therefore DE CONCINI returned the call to WALL. WALL stated he telephoned on April 14, 1989, representative CARROLL HUBBARD, representative FRANK ANNUNZIO, Senator CRANSTON, and Senator RIEGLE, but when RIEGLE was not available, he spoke with [REDACTED] stated he called CRANSTON, because CRANSTON had previously called about the LSL sale. [REDACTED] said he had a very short conversation with CRANSTON, in which CRANSTON said the FHLBB had made a "serious mistake." [REDACTED] said he was surprised that CRANSTON would make such an "editorial comment," after the issue had already been decided.

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[REDACTED] stated he did not know DAVE EVANS. [REDACTED] said he was familiar with JOHN ROUSSELOT, because ROUSSELOT was formerly on the HOUSE BANKING COMMITTEE.

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[REDACTED] advised that representative HUBBARD first expressed an interest to [REDACTED] in LSL on April 12, 1989, when HUBBARD telephoned [REDACTED] and asked when [REDACTED] could tell HUBBARD when the LSL proposed sale had been taken care of, and [REDACTED] responded that the FHLBB was doing everything they could to process the application. [REDACTED] added that when he telephoned HUBBARD on April 14, 1989, HUBBARD explained that he had previously called [REDACTED] at the "request of friends."

[REDACTED] stated that he has met Senator DE CONCINI only once, and that was many years ago in Senator GARN's office. [REDACTED] stated that he has an E-MAIL message that DE CONCINI telephoned [REDACTED] on January 10, 1989. [REDACTED] stated it was his practice to return telephone calls within one day, and [REDACTED] recalls having a telephone conversation with DE CONCINI in that time period. [REDACTED] recalled that DE CONCINI told him that WESTERN SAVINGS in Phoenix, had experienced runs over the Christmas holidays and into early January 1989. [REDACTED] said DE CONCINI was expressing his concern regarding the Arizona situation and other institutions that were in trouble. [REDACTED] said he does not recall DE CONCINI specifically mentioning LSL in this telephone call, and that DE CONCINI did not ask for anything from [REDACTED]

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[REDACTED] stated that on April 7, 1989, [REDACTED] received a telephone call requesting that [REDACTED] telephone DE CONCINI, and [REDACTED] did so. In this call, DE CONCINI started off by explaining the problems with the Arizona real estate economy, and DE CONCINI mentioned that LSL was owned by AMERICAN CONTINENTAL CORPORATION of PHOENIX (ACC), and that ACC had many projects in Arizona. [REDACTED] said DE CONCINI asked [REDACTED] to promptly consider the pending sale of LSL.

[REDACTED] stated that on April 11, 1989, DE CONCINI telephoned [REDACTED] returned the call to DE CONCINI. In this call, DE CONCINI urged prompt consideration of the LSL sale. [REDACTED] stated that he has never talked with any members of DE CONCINI's staff.

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[REDACTED] stated that he could not recall ever talking with Senator RIEGLE regarding LSL.

[REDACTED] stated he is acquainted with [REDACTED] and he knew her when she was an attorney at the Treasury Department. [REDACTED] stated he has never had a conversation, by telephone or otherwise, with [REDACTED] regarding LSL. [REDACTED] said he was familiar

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with the publicized letter from [REDACTED] to KEATING dated May 10, 1988, in which [REDACTED] stated "I have put pressure on [REDACTED] to work toward meeting your demands and he has so instructed his staff." [REDACTED] said he was livid when he first saw this letter, and he does not know what [REDACTED] was talking about. [REDACTED] said no one on his staff recalls [REDACTED] ever being in the FHLBB office. [REDACTED] specifically denied that [REDACTED] ever put any pressure on him.

[REDACTED] advised that in 1989, when the FHLBB was considering the LSL sale proposals, he met with JOHN ROUSSELOT two or three times. [REDACTED] recalls meeting on April 1, 1989, with ROUSSELOT and another individual whom [REDACTED] initially presumed to be ROUSSELOT's attorney. During the meeting, he learned that this attorney, whose name [REDACTED] could not recall, was actually representing ACC. [REDACTED] said he told ROUSSELOT in this meeting that there was not enough money in the proposed deal, that is, insufficient new capital was to be contributed to LSL.

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[REDACTED] stated he was not acquainted with [REDACTED]

[REDACTED] was asked whether any LSL representative ever made a specific false statement to the FHLBB. [REDACTED] stated there were two occasions he recalled that may be considered false representation by an LSL representative. The first related to the tax-sharing agreement between LSL and ACC. [REDACTED] said that during the negotiations of the tax-sharing agreement, the San Francisco Bank discovered the problem and told LSL to change the agreement accordingly. [REDACTED] said ACC or LSL counsel falsely represented that the tax-sharing agreement was changed, and the fact that it was not changed was overlooked by the San Francisco Bank. [REDACTED] said the Washington FHLBB staff also overlooked this provision that was supposed to have been changed. [REDACTED] stated it was possible that the San Francisco Bank could have intentionally overlooked this matter, and [REDACTED] said he thought this matter is being investigated.

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[REDACTED] said the second occasion related to the third proposal to purchase LSL in 1989. [REDACTED] said, in the LSL/ACC documents, it was stated or implied that SOUTHPORT ASSET MANAGEMENT would be an equity partner in the purchase of LSL, that is, that SOUTHPORT would be contributing its own money towards the purchase price. [REDACTED] said he telephoned someone at SOUTHPORT and learned that SOUTHPORT was not putting any money into the purchase. [REDACTED] said he later received a letter dated April 21, 1989, from SOUTHPORT stating that SOUTHPORT would not

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contribute any money towards the purchase price. [redacted] provided a copy of this letter, which is attached here to.

[redacted] added that the FHLBB was "mislead" by the LSL representatives who told the Enforcement Review Committee that \$10 million dollars would be immediately contributed to LSL, and that more money would be contributed later. WALL stated that no additional funds beyond the \$10 million dollars was ever contributed to LSL.

[redacted] stated that [redacted] reportedly had authority to redirect LSL towards traditional loan making and to prepare LSL for sale. [redacted] said that when [redacted] left LSL and began working for ACC, [redacted] still believed [redacted] was trying to prepare LSL for sale. [redacted] said he later learned that HINZ did not have any authority at LSL, and thus [redacted] involvement at LSL had the effect of stalling the regulatory process.

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[redacted] stated he recalls meeting [redacted] once in a hallway, but [redacted] said he would not recognize her if he saw her again.

After reviewing his appointment calendars, [redacted] stated he met [redacted] on three occasions, on December 17, 1984, March 26, 1986, and third occasion at the FHLBB. [redacted] said he previously was shown [redacted] expense account documentation showing that [redacted] had dinner with [redacted] on September 8, 1987. [redacted] stated he had never had dinner with [redacted] but that according to [redacted] calendar, on September 8, 1987, he spoke to a group of 40 or 50 individuals at a dinner meeting, and it was possible that [redacted] was present. After reviewing his appointment calendars, [redacted] stated he has met with [redacted] only on two occasions, that is, December 17, 1984, and one other occasion when [redacted] was at the FHLBB.

[redacted] advised that he had "no sense at the time" that CRANSTON was employed to pressure [redacted] regarding LSL. [redacted] added that now, after being questioned by the Senate Ethics Committee investigators and learning what else CRANSTON and KEATING were doing at the time, [redacted] thinks CRANSTON might have tried to pressure him, but that it was not effective.

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[redacted] stated CRANSTON also contacted [redacted] on behalf of institutions other than LSL. In December 1988, CRANSTON urged [redacted] to approve more sales of institutions, in particular,

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Continuation of FD-302 of [REDACTED], On 9/21/90, Page - 13 -

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CRANSTON wanted [REDACTED] to approve the sale of TAHOE SAVINGS of NEVADA, to an institution whose name [REDACTED] could not recall. [REDACTED] said CRANSTON also contacted him on behalf of AMERICAN SAVINGS. [REDACTED] said CRANSTON possibly contacted him on behalf of SARATOGA SAVINGS, although probably only by letter, because [REDACTED] could not discuss the SARATOGA SAVINGS matter due to the pending litigation between SARATOGA SAVINGS and FHLBB.

[REDACTED] advised that he had two private meeting with outgoing FHLBB [REDACTED] before the hearings on [REDACTED] confirmation to be [REDACTED] replacement. [REDACTED] said he does not recall any mention of LSL at these meetings with [REDACTED] recalled the major topics with [REDACTED] being [REDACTED] distrust of the 12 regional bank presidents, and that [REDACTED] wanted to personally [REDACTED]

[REDACTED] stated he believes he first learned of the San Francisco Bank's recommendation regarding LSL in late July 1987.

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[REDACTED] stated that in January 1989, he met with Treasury Department Officials and offered to resign [REDACTED] and the Officials told him they did not want him to resign. After the change of FHLBB to the OTS was announced, [REDACTED] again offered to resign, and the Treasury Department declined [REDACTED] offer. [REDACTED] stated he did not know why he was named the [REDACTED] without having to endure a Senate confirmation hearing, but that he heard that the issue of [REDACTED] was a battle between the Senate and the House over their respective authority, and was not an issue about [REDACTED] stated he never asked or lobbied a Senator about becoming Chairman of OTS.

[REDACTED] advised that since resigning from OTS, he has had no contact whatsoever with CRANSTON or CRANSTON's staff, or CRANSTON's attorneys. [REDACTED] said he had avoided discussing the LSL matter with everyone. [REDACTED] stated he was questioned about LSL in depositions on two occasions. One was in connection with a malpractice case in Texas, which only touched on LSL in a general manner. The other deposition was in connection with the LSL law suit alleging leaks of confidential information. In this deposition, [REDACTED] explained the inner workings of the FHLBB.

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[REDACTED] stated he has never heard any jobs being offered to FHLBB personnel by ACC or LSL representatives, except for the publicly reported employment discussions with [REDACTED]

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Continuation of FD-302 of [REDACTED], On 9/21/90, Page - 14* - b6
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[REDACTED] stated he has never met [REDACTED]

[REDACTED] advised that in his experience at FHLBB and OTS, he never saw anything like the reported meeting of five Senators and [REDACTED] in 1987. [REDACTED] said the closest to that was when the entire Oklahoma Congressional Delegation and staff met with [REDACTED] regarding the Oklahoma situation, but that this meeting did not relate to a specific institution. [REDACTED] stated he would consider it unusual, but not unprecedented, to meet with five Senators without staff present.

11/28/89

INTEROFFICE MEMORANDUM

Date: 13-Nov-1989 03:58pm EST
From: [redacted] (Comm.) [redacted]
Dept: PAD
Tel No: [redacted]

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TO: UFFDA

(UFFDA)

CC: [redacted]
CC: [redacted]
CC: [redacted]([redacted])
([redacted])
([redacted])

Subject: Lincoln Documents re: Keating meetings

Director [redacted]

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I just spoke with [redacted] concerning any notes to the file she may have written after meetings with Keating.

She does not recall, or have anything on her calendar to indicate, her attendance at the Jan. 17, 1989 meeting.

She does recall attending a meeting in January, 1988 - the Jan. 28, 1988 meeting - but did not write a memo to the files. [redacted] may have been present. [redacted] clearly remembers what took place. She said Keating kept going over the same ground - the leaks, and how they were hurting him; trouble getting investors; etc. She said you listened the whole time and maybe said three sentences during the meeting. At the conclusion of the meeting, you said, "We'll be fair but firm." You made no promises.

[redacted] added that she sat in on a similar meeting with [redacted] on or about Jan. 28, 1988. The meeting had a different tone than the one you had only because Keating and [redacted] had hometown friends in common. [redacted] as you had done, sat and listened to Keating complaining about the leaks and how he couldn't get investors. [redacted] remembers Keating handing something (like a two page document) to [redacted] as he left. It was not discussed at the meeting and [redacted] did not get a look at it.

Please let me know if you would like me to get more specific information from [redacted]

Nance

W 000042

Southport
Asset
Management

201 E. Sandpointe, Suite 250
Santa Ana, California 92707
(714) 540-5442

FEDERAL EXPRESS
SATURDAY DELIVERY

April 21, 1989

[REDACTED]
FEDERAL HOME LOAN BANK BOARD
801 17th Street, N.W.
Washington, D.C. 20006

*Noted
attached*

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Dear [REDACTED]

Thank you for the courtesy you and the other board members extended to us on April 13, 1989 regarding our proposal to restructure and finance Lincoln Savings and Loan Association ("Lincoln").

Pursuant to the FSLIC request for substantial additional capital we were requested to assist in this financing. Unfortunately we were not provided sufficient time to arrange for a specific source for the additional financing. Subsequent to our meeting, however, we have made the arrangements to provide in excess of the requisite amount of financing (\$200 million) as evidenced in the enclosed letter from Bear, Stearns & Co.

Additional subsequent events, including the Chapter 11 bankruptcy filing of American Continental Corporation ("ACC") and eleven Lincoln or ACC subsidiaries, the seizure of Lincoln by federal regulators, the appointment of FSLIC as conservator, and the contract with FDIC to manage Lincoln have not extinguished our interest in immediate asset management control of the non-traditional assets and a restructuring and financing an "A/B type" sale of Lincoln.

We have reviewed the financial data provided to us by the management of Lincoln regarding the assets of Lincoln and its subsidiaries and are continuing to monitor the current situation and continuing the discussions on the structure of a purchase and refinancing in this environment. We expect to provide both your office and the FDIC with a letter of intent outlining the structural detail of a proposal within ten days. This proposal would be independent of and not associated with any other offers you have received or reviewed to date.

[REDACTED]
April 21, 1989
Page 2

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Thank you again for your assistance and interest. We only regret we were not brought into the transaction a few days earlier wherein we possibly could have resolved the situation without the conservatorship and bankruptcy proceedings.

Very Respectfully,
SOUTHPORT ASSET MANAGEMENT

[REDACTED]

DAD:dc

cc: [REDACTED] FHLBB
[REDACTED] FHLBB

EDIC
[REDACTED]

BEAR STEARNS

BEAR, STEARNS & CO. INC.

1800 CENTURY PARK EAST
LOS ANGELES, CALIFORNIA 90067
(213) 201-2600

ATLANTA • BOSTON
CHICAGO • DALLAS • LOS ANGELES
NEW YORK • SAN FRANCISCO
AMSTERDAM • GENEVA • HONG KONG
LONDON • PARIS • TOKYO

April 16, 1989

[REDACTED]
Southport Asset Management Corporation
201 East Sandpointe Avenue, Suite 250
Santa Ana, California 92707

Dear [REDACTED]

Subject to the terms of this letter, all appropriate regulatory and other approvals, the approval of appropriate committees and the completion of our due diligence, Bear, Stearns & Co. Inc. ("Bear Stearns") believes that we can arrange financing in an amount up to \$200 million, on terms and conditions to be mutually agreed upon, to assist Southport Asset Management ("Southport") in the purchase and recapitalization of Lincoln.

It is our understanding that such a transaction will be structured as an "A-B" bank, with certain assets placed under Southport's management. It is our further understanding that Southport has not yet completed its due diligence examination of Lincoln, and that we expect to agree upon the final transaction structure upon our respective completion of due diligence.

Sincerely,

BEAR, STEARNS & CO. INC.

[REDACTED]
[REDACTED] Investment Banking

cc: [REDACTED] Washington, DC
[REDACTED] Bear, Stearns & Co. Inc.
[REDACTED] Bear, Stearns & Co. Inc.



SPECIAL

FBI FACSIMILE
COVERSHEET

CLASSIFICATION

PRECEDENCE

☐ Immediate
☒ Priority
☐ Routine

☐ Top Secret
☐ Secret
☐ Confidential
☐ Sensitive
☒ Unclassified

Time Transmitted: _____

Sender's Initials: _____

Number of Pages: _____

To: SANTA ANA RA
(Name of Office)Date: 11-14-90

Facsimile number: _____

Attn: SA
 (Name Room Telephone No.)

From: LA HQ
 (Name of Office)

Subject: Allegations Concerning U.S
Senators Alan Cranston, et al
CF PO - Legislative 58C-PX-41605

FACSIMILE	
REC.	INT.
DATE TIME	
11/14/90	
SENT.	INT.
DATE TIME	
11/14/90	

Special Handling Instructions: _____

Originator's Name: SSA Telephone: X-3522

Originator's Facsimile Number: _____

Approved: LG
RBB

FBI/DOJ

SPECIAL

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P 132122Z NOV 90

FM FBI WMFO (58C-PX-41005) (P) (C-9)

TO FBI LOS ANGELES/PRIORITY/

FBI PHOENIX/PRIORITY/

BT

UNCLAS

CTTE: //3920//

PASS: LOS ANGELES. SANTA ANA RA, [REDACTED] PHOENIX. BOB
BUNPERS.

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SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON,
DENNIS D. DE CONCINI, JOHN GLENN JOHN MCCAIN, DONALD REIGLE,
CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN
ASSOCIATION OF CALIFORNIA (LSL) AND AMERICAN CONTINENTAL
CORPORATION (ACC), PHOENIX, ARIZONA; CORRUPTION OF FEDERAL
PUBLIC OFFICIALS-LEGISLATIVE; OO: PHOENIX.

RE LOS ANGELES TELCALL OF SA [REDACTED] TO WMFO, ON

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TELETYPE COPY
SARA

58C-PX-41005-155

SEARCHED	INDEXED
SERIALIZED	FILED
NOV 13 1990	
FBI - LOS ANGELES	

PAGE TWO DE FBIWMFO 0023 UNCLAS

11/7/90; AND WMFO TELCALLS OF SA [REDACTED] TO LA,
SANTA ANA RA, ON 11/8/90.

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ON 11/9/90, [REDACTED] WAS CONTACTED BY WMFO SA

[REDACTED] PLACE OF EMPLOYMENT, [REDACTED]

[REDACTED] NW, WASHINGTON, D.C., WORK

TELEPHONE NUMBER [REDACTED] FACSIMILE NUMBER [REDACTED]

[REDACTED] AFTER BEING REQUESTED TO SCHEDULE AN INTERVIEW WITH THE
FBI DURING THE PERIOD OF 11/14/90 TO 11/16/90, [REDACTED] STATED

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[REDACTED]

THEREFORE, HE HAS SCHEDULED AN INTERVIEW WITH LA SA [REDACTED]

[REDACTED]

[REDACTED] ASKED ABOUT THE SUBJECT MATTER OF THE INTERVIEW
AND WAS TOLD THAT IT RELATES TO CONGRESSIONAL EFFORTS TO
MODIFY DIRECT INVESTMENT LIMITATIONS OF SAVINGS AND LOAN
INSTITUTIONS. [REDACTED] STATED THAT HE HAS ALSO BEEN CONTACTED
BY THE SENATE ETHICS COMMITTEE, REGARDING MATTERS BEING
ADDRESSED BY THE COMMITTEE.

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PAGE THREE DE FBIWFO 0023 UNCLAS

[REDACTED] STATED THAT HE RESIDES AT [REDACTED]

[REDACTED] WASHINGTON, D.C., HOME TELEPHONE NUMBER [REDACTED]

[REDACTED] HIS BUSINESS PHONE NUMBER, ABOVE. [REDACTED]

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ON 11/9/90, WASHINGTON D.C. DIRECTORY ASSISTANCE

FURNISHED THE NUMBER [REDACTED]

BT

0023

NNNN

[Handwritten signature]

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 9/27/90

[redacted] was interviewed in the presence of his attorney, [redacted]

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[redacted] Washington, D. C., telephone [redacted]
[redacted] After being advised of the interviewing agents' identities and the nature of the interview, [redacted] provided the following information:

[redacted] said he was born on [redacted] at [redacted]
[redacted] His residential and business address is [redacted]
[redacted] Southeast, Washington, D. C., telephone [redacted]

[redacted] advised that [redacted]

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[redacted] Since then he has worked as a lobbyist using the business name of [redacted]
[redacted] said he works by himself and he has no employees or associates.

[redacted] advised that in early 1985, he began working for a group of state-charter savings and loan associations to monitor legislation. This group was formed by [redacted] of ANAHEIM SAVINGS AND LOAN OF CALIFORNIA (ASLC). This group had informal meetings five or six times a year, and LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL) of Irvine, California, became a member of the group. [redacted] was the LSL Representative to this group. On behalf of the group, [redacted] monitored committee meetings, read testimony and tried to determine the feelings of Congress regarding the savings and loan industry. [redacted] said he did not do any lobbying of the Senate, because he did not know the Senators and his work was primarily with the House.

[redacted] stated that approximately one and one-half to two years after he began working with the ULVESTAD group, he met CHARLES KEATING. [redacted] said he met with KEATING six or eight times over several years. [redacted] said, in addition to representing this group of savings institutions, he also represented individual institutions, including LSL.

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[redacted] advised that in 1986, he began providing services

Investigation on 9/21/90 at Washington, D. C. File # 58C-PX-41605-154X3
by SA [redacted]
SA [redacted] JAJ:kbq Date dictated 9/26/90

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Continuation of FD-302 of [REDACTED], On 9/21/90, Page 2

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to LSL. [REDACTED] contact with LSL was [REDACTED] and he served LSL until just before LSL was placed in conservatorship in early 1989. On behalf of LSL, [REDACTED] informed and educated congressmen and their staffs on LSL's types of investments, such as land development, because these investments were different than traditional home loans. [REDACTED] said he set up meetings with congressmen and staffs for [REDACTED] to meet and explain the LSL position. [REDACTED] also kept LSL posted on particular issues before the Congress. [REDACTED] attended Congressional hearings and obtained testimony on behalf of LSL, and also attended trade association meetings to determine how effective the trade associations were. EVANS stated he did virtually no active lobbying on behalf of LSL because there were no bills pending of interest to LSL, and because the trade associations were involved in their own lobbying. [REDACTED] said he did no regulatory work on behalf of LSL, and he never attended any meetings with FEDERAL HOME LOAN BANK BOARD (FHLBB) staff or members.

[REDACTED] said he met FHLBB [REDACTED] only once in 1986 or 1987 at a cocktail party. EVANS said he knew [REDACTED] slightly from when [REDACTED] was the Staff Director of the Senate Banking Committee, but that EVANS has never spoken with [REDACTED] since [REDACTED] left the Senate Banking Committee. [REDACTED] said he has never met former FHLBB member [REDACTED]

[REDACTED] advised that he has attended fund raising events for Senator ALAN CRANSTON and trade association meetings where CRANSTON was present. [REDACTED] stated that he had no individual meetings or small group meetings with CRANSTON. [REDACTED] stated that [REDACTED] he may have met [REDACTED] and CRANSTON at CRANSTON's office in a superficial, non-business context. [REDACTED] stated that he cannot recall being in CRANSTON's office talking about anything of substance about LSL.

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[REDACTED] stated he was not involved in the negotiations between LSL and the FHLBB which resulted in an agreement made in May, 1988.

[REDACTED] advised that he has never had any contact with Senator DENNIS DE CONCINI. [REDACTED] said he has met Senator JOHN GLENN and Senator JOHN MC CAIN, but he has had no conversations with either of them regarding LSL. [REDACTED] stated he knows Senator DONALD RIEGLE from when they served in the House together, but [REDACTED] has had no client-related meetings with RIEGLE. [REDACTED]

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Continuation of FD-302 of [redacted], On 9/21/90, Page 3

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explained that his lobbying efforts were generally directed to members of the House Banking Committee and their staffs.

[redacted] advised that he asked his clients to contribute to his political action committee known as the NATIONAL ACTION COMMITTEE (NAC). [redacted] used the NAC funds to attend fund raisers and the like. [redacted] said he generally asked his clients to contribute \$5,000 per year. [redacted] said AMERICAN CONTINENTAL CORPORATION (ACC) employees contributed approximately \$20,000 to the NAC. [redacted] said he would decide how the NAC funds would be spent, and most of the funds went to campaigns of House Banking Committee members.

[redacted] stated that [redacted] never mentioned to him about the other contributions ACC and LSL employees were making. [redacted] said he first learned of these contributions by reading about them in the newspaper.

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[redacted] stated he recalls attending a fund raiser for Representative DOUG BARNARD at KEATING's home in Phoenix, Arizona, probably in July, 1986. [redacted] stated he traveled to Phoenix separately from BARNARD. [redacted] said he does not remember anything about the BARNARD fund raiser, because he did not organize it, he was just in attendance. [redacted] advised that he may have attended one or two other fund raisers put on by KEATING or ACC, but he cannot recall any other he attended in Phoenix or California.

[redacted] said he knows of four politicians who took trips to Phoenix to visit the ACC facilities; namely Representative CARROLL HUBBARD, Representative THOMAS MC MILLEN, Representative DOUG BARNARD, and Representative FRANK ANNUNZIO's Staff Assistant, [redacted] was present for each of these four visits to ACC, and [redacted] sometimes flew to Phoenix with the congressmen. [redacted] said the purpose of these meetings was for the congressmen to see the ACC and LSL operations. Except for BARNARD, none of these Phoenix visits involved a campaign fund raiser.

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[redacted] said he never saw anything he considered to be improper at LSL, and he never heard of anything unusual about LSL's lobbying. As far as he knew, LSL was not heavy handed and engaged only in routine lobbying.

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Continuation of FD-302 of [redacted], On 9/21/90, Page 4

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[redacted] advised that he knew [redacted] was working on getting LEE HENKEL appointed to the FHLBB in 1986, but [redacted] was not involved in this effort. [redacted] said [redacted] took HENKEL around to meet influential people. [redacted] said [redacted] never mentioned who HENKEL's supporters were.

[redacted] stated that in 1989, he arranged meetings for [redacted] to talk with House Banking Committee members regarding the proposed sale of LSL. [redacted] attended some of these meetings and observed [redacted] explain to the Congressman why the sale would be a good thing. [redacted] stated that he arranged no such meetings with Senators. [redacted] explained that most Congressmen will not meet with someone unless that person is a constituent, and that was why [redacted] was needed to arrange these appointments. [redacted] stated he believed [redacted] did most of the Senate lobbying on his own. [redacted] said he had a professional relationship with [redacted] and has spoken with [redacted] once or twice during the past year.

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[redacted] advised he was spending as much as one-half of his time working on LSL matters. [redacted] stated he was unaware of any funneling of political contributions through other entities, except for the funds contributed to the NAC. [redacted] said he has never seen any indication that LSL was not following the law in all respects.

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/6/90

[redacted] also known as [redacted]
 date of birth [redacted] was interviewed at his place of
 business, [redacted] Washington, D.C.,
 telephone [redacted] After having been advised of the
 interviewing agents' identities and the nature of the interview,
 [redacted] provided the following information:

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[redacted] said he resides at [redacted] Northwest,
 Washington, D.C.

[redacted] stated he first met CHARLES KEATING in 1975 at a
 dinner hosted by JOHN CONNOLLY. In 1978, [redacted]
 [redacted] in CONNOLLY's presidential campaign. [redacted]
 stated he became reacquainted with KEATING then, because KEATING
 was a campaign fundraiser. [redacted] stated that in 1980, he was
 appointed to head the Federal Communications Commission Transition
 Team, and thereby became knowledgeable about the communications
 industry. In approximately 1981 or 1982, [redacted] told KEATING
 that he thought the broadcasting business would experience
 explosive growth, due to anticipated deregulation.

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[redacted] advised that while an attorney for the
 Washington, D.C. firm of AKIN, GUMP, he handled a license
 application on behalf of KEATING for a station located in Phoenix,
 Arizona, in 1983-84.

[redacted] advised that in 1984, KEATING was considering
 devoting large resources of AMERICAN CONTINENTAL CORPORATION (ACC)
 to the broadcasting business, and KEATING wanted [redacted] to be
 president of KEATING's broadcasting group when it was in existence.
 [redacted] said he told KEATING he did not wish to be president of the
 broadcasting group. [redacted] said he and KEATING talked a few
 times, and [redacted] finally agreed that he would stay with his law
 firm, and yet would work two or three days per week with whatever
 broadcasting company ACC acquired. [redacted] advised that shortly
 thereafter, ACC attempted to acquire GULF BROADCAST. Because of a
 technical conflict of interest of [redacted] law firm, AKIN, GUMP,
 [redacted] did not represent KEATING in the GULF BROADCAST acquisition
 attempt. [redacted] said KEATING was unsuccessful in acquiring GULF
 BROADCAST, but that ACC made a \$55 million to \$80 million profit

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b7CInvestigation on 11/16/90 at Washington, D.C.by SA [redacted] and
SA [redacted] JAJ/caw

Date dictated

58A-LA-111204-155X
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 SEARCHED INDEXED
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 NOV 1991

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58C-PX-41605

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, On 11/16/90, Page 2

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on the stock it had acquired. Because [] could not represent KEATING in the GULF BROADCAST matter, KEATING had bad feelings about AKIN, GUMP. [] said that therefore he did no other legal work for KEATING or ACC. However, [] said he did consulting work for ACC on its investments during 1984 through 1986. [] added that KEATING would also telephone him as a "quasi-fiend" for advice on public relations problems he was experiencing. [] added that he previously was in the public relations business.

[] stated that he was not a lobbyist, and that he has never telephoned or visited any Congressman on behalf of KEATING, ACC, or LINCOLN SAVINGS AND LOAN (LSL). [] stated he has never been to the Federal Home Loan Bank Board, except when he attended meetings on other matters in the FHLBB auditorium.

[] advised that he never submitted a bill for his consulting fees for ACC. [] said KEATING paid him consulting fees of \$1 million in 1985 and \$500,000 in 1986. [] stated that these fees represented primarily a premium for his advice on the GULF BROADCAST matter.

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[] stated that KEATING never asked [] to make any political contributions. [] explained that he is an independent person, and KEATING knew that it would have been inappropriate to ask [] to contribute.

[] advised that he did not know what "900 M" meant on KEATING's agenda for June 17, 1985. [] stated he was not paid a \$900,000 bonus.

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[] advised he met LEE HENKEL in 1972 when CONNOLLY left the Treasury Department. [] said he was acquainted with HENKEL throughout the 1970s because [] then was traveling with CONNOLLY, and HENKEL hosted some events for CONNOLLY in Atlanta, Georgia.

[] advised that in the Summer or Fall of 1986,

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Continuation of FD-302 of _____, On 11/16/90, Page 3b6
b7C

HENKEL telephoned _____ for free advice when HENKEL came to Washington, D.C. in connection with HENKEL's attempt to be nominated to the Federal Home Loan Bank Board. _____ said he talked with HENKEL throughout this time, mainly about HENKEL's demeanor.

_____ advised that HENKEL wanted to be chairman of the FHLBB, and _____ had recommended to HENKEL that he travel around the country and talk to groups and to take a statesmanlike approach, as a way to become considered for chairman. _____ said he could not recall talking with HENKEL before HENKEL made his proposal at the FHLBB meeting on December 18, 1986. After HENKEL made the proposal and the adverse publicity began, _____ told HENKEL that the proposal was stupid and that HENKEL was "finished". _____ explained that he did not know the substance of the proposal, and _____ could not recall any conversation about the merits of HENKEL's proposal.

_____ stated he probably gave HENKEL advice on getting appointed to the FHLBB, but that _____ did not do any lobbying on HENKEL's behalf. _____ said he believed that, on the merits, HENKEL was an excellent nominee.

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_____ said he was not aware of which senators were supporting HENKEL, although possibly Senator FOWLER was a supporter.

_____ stated he was aware of the close vote on the confirmation of JUDGE DANIEL MANION in 1986, but that he was not aware of any connection between the MANION vote and the HENKEL nomination until he read about it in the newspaper.

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_____ advised that he had no prior knowledge of the four senators meeting with _____ in 1987. _____ stated he probably did have lunch with KEATING and _____ on March 24, 1987, as indicated in KEATING's agenda, but _____ could not recall any details. _____ said KEATING generally did not discuss his political lobbying with him. _____ stated he had "no idea" that KEATING was raising money for senators, although

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Continuation of FD-302 of

[Redacted]

, On 11/16/90, Page 4

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[Redacted] said he knew KEATING was politically active.

[Redacted] advised that he did not contact anyone in the Justice Department regarding the HENKEL nomination.

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/3/90

[redacted] was interviewed at the offices of [redacted]
[redacted] N.W., Washington, D.C., telephone [redacted]
[redacted] Present for the entire interview were Assistant United
States Attorney [redacted] attorney, [redacted]
[redacted] The interview was
conducted according to the agreement originally dated [redacted]
22, 1990, [redacted] between the
United States Attorney for the Central District of California and
[redacted] which is attached hereto. [redacted] provided the
following information:

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Investigation on 11/15/90 at Washington, D.C. File # 58C-PX-41605 - 155x2
by SA [redacted] and
SA [redacted] JAJ/caw Date dictated 11/19/90

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/6/90

[redacted] was contacted at his place of employment, [redacted] Washington, D.C., telephone [redacted]. After having been advised of the interviewing agents' identities and the nature of the interview, [redacted] provided the following information:

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[redacted] said his date of birth is [redacted]. He resides at [redacted] Northwest, Washington, D.C. [redacted] said he began working for Senator WILLIAM PROXMIRE on the staff of the Senate Banking Committee [redacted] Senate Banking Committee. [redacted] the Senate Banking Committee. [redacted] the Senate Banking Committee. [redacted] said he is an economist.

[redacted] advised that in 1986, the Senate Banking Committee had reported a bill that would re-capitalize the Federal Savings and Loan Insurance Corporation (FSLIC) for \$15 billion. Within the last week or two of the 1986 Senate session, PROXMIRE wanted to attach an amendment to the FSLIC re-capitalization bill to close the "non-bank loophole". [redacted]

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[redacted] concerned that prospective appointees to the FHLBB, such as LEE HENKEL, would terminate the FHLBB's direct investment limitations, and so PROXMIRE desired to renew the FHLBB direct investment limitations by statute. [redacted]

[redacted] with approximately five days left in the 1986 Senate session, PROXMIRE proposed this compromise of a \$3 billion re-capitalization and a limit on direct investments. [redacted] explained that during this time, the Senate was operating under rules where unanimous consent was required to any offered

Investigation on 11/16/90 at Washington, D.C. File # 58C-PX-41605- 15543
by SA [redacted] and SA [redacted] Date dictated 11/26/90
JAJ/caw

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Continuation of FD-302 of [REDACTED]

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amendment. [REDACTED] said he learned in the last couple of days of the 1986 Senate session from a staff member (name unrecalled) of the Democratic Policy Committee that there was a "hold" on PROXMIRE's amendment. [REDACTED] said he tried to find out who had placed the hold, and he was told that the Senator doing so wished to remain anonymous. [REDACTED] said he learned from the Democratic Policy Committee staff that the hold was placed on PROXMIRE's amendment in opposition to the provision that would limit direct investments. [REDACTED] explained that the Democratic Policy Committee was Senate Minority Leader ROBERT BYRD's staff to assist him in managing the Senate floor activities. [REDACTED] said PROXMIRE asked BYRD who had placed the hold on his amendment, and BYRD told PROXMIRE that the Senator doing so did not wish to be identified. [REDACTED] advised that the practice of anonymous holds was fairly unusual.

[REDACTED] advised that in the last hours of the 1986 Senate session, PROXMIRE relented and agreed to drop the direct investment limitation from his bill, just so that the stopgap FSLIC re-capitalization measure could get passed. [REDACTED] said [REDACTED] introduced the PROXMIRE FSLIC re-capitalization amendment, and BYRD then rose and asked PROXMIRE some questions about the amendment, including whether the amendment contained limits on direct investments. [REDACTED] said he noticed that BYRD was reading these questions from a yellow sheet of paper. [REDACTED] said he observed BYRD, after his questions, walk to PROXMIRE's desk with the yellow sheet in his hand, and BYRD told PROXMIRE and [REDACTED] that it was not BYRD's objection to PROXMIRE's amendment, and that BYRD would have done the same for any Senator who objected. [REDACTED] said BYRD then walked away from PROXMIRE's desk, but BYRD left the yellow sheet behind on PROXMIRE's desk. [REDACTED] said he took the yellow sheet and brought it back to his office, where he observed the text on the sheet to be the questions BYRD had asked on the Senate floor. [REDACTED] said he compared the handwriting on the yellow sheet to handwriting that he knew had been written by [REDACTED] and in [REDACTED] opinion, the handwriting on the yellow sheet was [REDACTED] stated he later discarded the yellow sheet.

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[REDACTED] advised that he later had a conversation with [REDACTED] where [REDACTED] said he knew that Senator ALAN CRANSTON and [REDACTED] were the ones who objected to PROXMIRE's limit on direct investments, because [REDACTED] had seen [REDACTED] handwriting on BYRD's yellow sheet. [REDACTED] said [REDACTED] responded by simply

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Continuation of FD-302 of [REDACTED]

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laughing, and she did not confirm nor deny [REDACTED] accusation.

[REDACTED] advised that he remembered this incident because he was outraged and appalled by what had occurred, because of the objecting Senator's anonymity, and because of his concerns about HENKEL. [REDACTED] explained that it was PROXMIRE and his view, that the HENKEL nomination was an effort to get CHARLES KEATING's man in a policy position at the FHLBB.

[REDACTED] advised that in March, 1987, when PROXMIRE was Chairman of the Senate Banking Committee, the committee approved a new FSLIC re-capitalization bill that also closed the non-bank loophole. [REDACTED] stated that when this bill came up on the Senate floor, [REDACTED] told [REDACTED] about the lawsuit filed by KEATING challenging the FHLBB's authority on regulating direct investments. [REDACTED] said [REDACTED] was nervous about whether the FHLBB would prevail in the lawsuit, although [REDACTED] thought [REDACTED] was being too nervous. [REDACTED] asked PROXMIRE to put something in his bill that would help the FHLBB in its lawsuit.

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[REDACTED] said he checked with Senate Banking Committee [REDACTED] [REDACTED] said such a provision would be fine with him. [REDACTED] explained that at the time, he was working on a "Manager's Amendment" for the FSLIC re-capitalization bill. [REDACTED] explained that the ground rules for a manager's amendment was that it would contain only technical amendments of a non-controversial nature. [REDACTED] stated that language was placed in the manager's amendment that clarified that the FHLBB had authority to issue the direct investment regulations. The next day, [REDACTED] spoke with [REDACTED] several times in opposition to the direct investment limitation provision. [REDACTED] argued that the provision was not a technical amendment, but that it was a change in policy, and that CRANSTON opposed the provision and wanted it out of the bill. [REDACTED] said he ignored [REDACTED] stated that he was on the Senate floor, when CRANSTON approached him and forcefully said he wanted the direct investment limitation provision out of the bill. [REDACTED] said he told PROXMIRE of CRANSTON's comment, and [REDACTED] explained to PROXMIRE that if the provision were removed from the bill, that the result could be worse, because it could look like the Senate decided not to give such authority to the FHLBB. [REDACTED] stated that he advised PROXMIRE that if the direct investment limitation provision were removed from the bill, PROXMIRE should state on the record that the reason was because the FHLBB already had such authority and so that the

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Continuation of FD-302 of [REDACTED]

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legislation was unnecessary. [REDACTED] stated PROXMIRE did so on March 26, 1987.

[REDACTED] advised that several days later, he was reading the Congressional Record and he saw a statement made by CRANSTON challenging PROXMIRE's statement that the direct investment limitation provision was redundant. [REDACTED] identified CRANSTON's statement as appearing in the Congressional Record for March 27, 1987, at page S-4060. [REDACTED] stated he was on the Senate floor for the whole day on March 27, 1987, and he did not hear CRANSTON make such a speech, and if CRANSTON had done so, [REDACTED] said he would have had PROXMIRE challenge CRANSTON's statement. Therefore, [REDACTED] believes that CRANSTON's statement was submitted to the Congressional Record without having been spoken on the Senate floor. [REDACTED] said it was typical for a Senator to correct grammar and to state a reason for voting a particular way in the Congressional Record, but it was atypical to put a statement in the Congressional Record that conflicted with the statement of the floor manager. [REDACTED] said he felt CRANSTON had done an "end run", and he was upset that CRANSTON had made the statement, particularly in such a way that PROXMIRE could not challenge it.

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[REDACTED] stated he later told [REDACTED] that he had noticed that she had slipped CRANSTON's statement into the Congressional Record, and [REDACTED] responded by laughing, and she seemed amused by the maneuver.

[REDACTED] said he had learned from [REDACTED] that KEATING was making sizeable campaign contributions. [REDACTED] said [REDACTED] felt that KEATING was trying to control the FHLBB. [REDACTED] said that he knew from his position that most of the opposition to the direct investment regulation came from LINCOLN SAVINGS AND LOAN (LSL). [REDACTED] said the National Council of Savings Institutions also opposed the limits on direct investments, but that there was a question of how broad based the National Council was. [REDACTED] added that the National Council had published full-page advertisements on the direct investment issue, but that the press had reported that the entire campaign against direct investments was financed by LSL.

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[REDACTED] advised that PROXMIRE told him that shortly before the 1986 Senate session ended, CRANSTON asked PROXMIRE if there was any way they could get LEE HENKEL's nomination through

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Continuation of FD-302 of [REDACTED]

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Congress before adjournment. [REDACTED] said PROXMIRE and he were surprised by this, because PROXMIRE had stated he opposed HENKEL's nomination, and PROXMIRE was in a position to block the confirmation of HENKEL in 1986.

[REDACTED] advised that in early 1987, PROXMIRE directed Senate Banking Committee investigator [REDACTED] now employed by a labor union in Washington, D.C., telephone (202) 429-1095, to investigate HENKEL and HENKEL's connections to LSL. [REDACTED] said [REDACTED] informed him during the investigation that [REDACTED] was interested in the HENKEL nomination and in his investigation.

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[REDACTED] provided a copy of his affidavit dated October 31, 1990, which he provided to the Senate Ethics Committee. [REDACTED] explained that the affidavit does not describe the anonymous hold on PROXMIRE's bill in October, 1986, because the Senate Ethics Committee investigator initially did not ask him about this. However, he has recently been recontacted by an Ethics Committee investigator and has described to the investigator what happened in October, 1986 with respect to PROXMIRE's bill.

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FBI — LOS ANGELES	

Memorandum



To : SAC, LOS ANGELES (58C-PX-41605)
(SARA) (P)

Date 11/26/90

From : SA [redacted]

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Subject: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON, ET.
AL;
CORRUPTION OF FEDERAL PUBLIC OFFICIALS - LEGISLATIVE;
OO: PHOENIX/LOS ANGELES

Re SA [redacted] telcal to Public Corruption Unit SSA [redacted]
[redacted] on 11/9/90, and SA [redacted] telcal with WMFO Relief
Supervisor [redacted] on 11/8/90.

In reference telcals, FBIHQ and WMFO were informed that
SA [redacted] intended to travel to WMFO 11/13/90 through 11/17/90 for
the purpose of conducting interviews in captioned matter.
Interviews were planned of [redacted]
[redacted]

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In fact, SA [redacted] traveled to WMFO 11/14/90 through
11/17/90 and with the assistance of WMFO SA [redacted]
[redacted] were interviewed. Interview of [redacted]
could not be arranged, and attorneys for [redacted]
delayed their interviews until a later time.

A teletype to FBIHQ and WMFO confirming this travel was
dictated on 11/9/90, but due to delays in the typing pool, the
teletype was not typed until 11/19/90. Consequently, the
confirming teletype was not sent.

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/10/90

[redacted]
[redacted] San Francisco, California, telephone [redacted]
was contacted by telephone. After being advised of the
interviewing agent's identity and the nature of the interview,
[redacted] provided the following information:

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[redacted] advised that [redacted]
[redacted]

[redacted] said she recalled the CALIFORNIA DEMOCRATIC PARTY receiving a large contribution from AMERICAN CONTINENTAL CORPORATION (ACC) of Phoenix, Arizona, in the fall of 1986, but [redacted] did not recall that the contribution came in the form of two separate checks. [redacted] stated that the CALIFORNIA DEMOCRATIC PARTY did not keep any record as to who raised the ACC contributions, and [redacted] said she did not know who had raised the contributions. [redacted] refused to speculate as to who may have solicited the ACC contributions.

[redacted] recalled that the CALIFORNIA DEMOCRATIC PARTY had the goal of raising approximately \$650,000.00 to \$700,000.00 in the period of September through November, 1986 for the party's get out to vote program, but she could not recall if the goal was obtained. [redacted] recalled the party receiving other large checks from contributors other than ACC. [redacted] explained that, as the November, 1986 election day approached, Democratic party supporters throughout the nation finally began to realize that there was going to be a close senate race in California. This caused money to be contributed from outside of California, and [redacted] assumed that all such contributions were motivated by interest in the United States Senate race in California.

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[redacted] stated that if the ACC contributions were sent to the CALIFORNIA DEMOCRATIC PARTY with a cover letter, then the cover letter should have been kept in the CALIFORNIA DEMOCRATIC PARTY archives. [redacted] stated that she could not say whether a thank you note was written to ACC, because the party was unorganized and hurried at that time, but that any thank you note

Investigation on 11/29/90 at Santa Ana, California File # 58C-PX-41605-156X1
by SA [redacted] cmm Date dictated 12/04/90

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Continuation of FD-302 of

[REDACTED]

, On 11/29/90, Page 2

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would have been routine. [REDACTED] advised that [REDACTED]
[REDACTED]

[REDACTED] explained that the normal procedure for checks arriving at the Democratic Party in 1986 was for them to be processed at the San Francisco office, where some record of the checks was probably made in a computer for the purpose of sending a thank you note. The checks were then sent by Federal Express to the CALIFORNIA DEMOCRATIC PARTY'S Sacramento office, where a bookkeeper and bank accounts were located. Copies of the checks were made in Sacramento, not in San Francisco, and copies of the checks were kept in the Sacramento files. Any cover letters accompanying the checks were kept in San Francisco, and the thank you notes were generated from San Francisco.

11/6/90

The following investigation was conducted by Special Agent (SA) [] at Santa Ana, California:

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On October 22, 1990, volume 133 of the Congressional Record was reviewed, and the following information was obtained:

On March 25, 1987, Senator PROXMIRE offered an amendment to the Competitive Equity Banking Act of 1987 (S.B. 790) that would have added a provision authorizing the FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION (FSLIC) to issue regulations to carry out the purposes of the National Housing Act, "including regulation of unsafe or unsound practices by insured banks." 133 Congressional Record S-3812 (March 25, 1987). The next day, March 26, 1987, PROXMIRE deleted this provision ~~and~~ "PROXMIRE Amendment number 57" to S.B. 790. According to PROXMIRE, the provision was deleted because "the FSLIC already has such authority under existing law." 1133 Congressional Record S-3961 (March 26, 1987). On March 27, 1987, Senator CRANSTON commented on the significance of the amendment that Senator PROXMIRE offered and then withdrew. Senator CRANSTON's comments are found at 133 Congressional Record S-4060, and are attached hereto.

In a speech by Senator RIEGLE on March 27, 1987, RIEGLE states that he talked with ED GRAY "yesterday". 133 Congressional Record S-4035 (3/27/87).

On November 6, 1990, volume 132 of the Congressional Record was reviewed, and the following information was obtained:

On October 18, 1986, the "Expedited Funds Availability Act" (H.R. 2443) was amended in the Senate to become the "Federal Savings and Loan Insurance Corporation and Financial Regulations Act". H.R. 2443, as so amended, passed the Senate on October 18, 1986. 132 Congressional Record S-17339 (10/18/86). During the Senate discussion of H.R. 2443, Senator BYRD asked Senator PROXMIRE whether the bill as amended contained any language limiting direct investments by thrifts. Senator PROXMIRE responded that the bill contained no limitation on direct investment, although he wished that it did. PROXMIRE added that "we took that out at the request of a number of Senators." This comment is found at 132 Congressional Record S-17340 (10/18/86), and a copy is attached hereto. October 18, 1986, was the last day the Senate was in session during its 1986 session.

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A review of volume 42 of the Congressional Quarterly Almanac for the 99th Congress, 2nd Session (1986), provided the following commentary on the 1986 Senate Legislation:

The Senate passed on October 18, 1986, at approximately 4:00 p.m., Senate Bill 2747 (the Graham-St. Germain Depository Institutions Act), expecting the House of Representatives to add the FSLIC and Bank Regulatory Provisions to the bill, and send it back to the Senate. The House could not do so because of parliamentary restrictions ~~en~~force. So at approximately 7:30 p.m., on October 18, 1986, the Senate passed H.R. 2443, as amended. The House adjourned for the session on October 18, 1986, without acting on either S.B. 2747, or H.R. 2443. 42 Congressional Quarterly Almanac (1986), pages 588 and 591.

urge the Senate to approve this much-needed reform.

The bill, as amended, instead of ignoring Congress' responsibility to update the laws governing financial institutions, also creates a process for achieving real reform. Within 4 months of the date of enactment of this legislation, a Governing-Industry Commission will present a proposal to Congress for making necessary changes in our financial services laws. Only this kind of cooperation can produce the real improvements which are needed.

Mr. President, in addition the Proxmire-Breaux-Boren compromise skillfully deals with the most controversial provisions of the bill originally reported by the Banking Committee. The original bill would impose a 1-year moratorium to prevent the Federal Reserve from granting banks new powers to offer securities, insurance, and real estate services. This provision, more than any other, threatened to kill the FSLIC recapitalization bill.

The bill, as amended, would allow the Federal Reserve to rule on giving banks securities and insurance powers, but would stay the effective date of that ruling until March 1, 1988. The purpose of this provision is to give Congress adequate time to study the recommendations of the new Commission created in this bill. This provision should give Congress time to enact legislation concerning insurance and securities powers, before the decisions of the Federal regulators become effective.

Mr. President, the bill, in its final form, also preserves the moratorium preventing the Federal Reserve from granting banks real estate powers. Giving banks real estate powers creates the potential for conflicts of interest and abuse. I applaud the architects of this compromise for their decision to retain the original real estate moratorium.

The bill as amended also clearly states that it is the intent of Congress that none of these moratoria be extended. The compromise states further that no part of this bill should be construed as preempting any State laws concerning securities and insurance powers for banks. This is a simple matter of States' rights.

Finally, Mr. President, I strongly support the provisions in the bill which protect consumers, including new limits on the time banks may hold consumers checks for clearance. The compromise reached by Senators PROXMIRE, BREAU and BOREN, not only cleared the way for the recapitalization of FSLIC, but also made possible the enactment of these important consumer provisions. Under the bill, consumer checks will eventually be cleared in 3 days nationwide.

Mr. President, S. 790, as amended, will set FSLIC on a sound footing, closes the nonbank bank loophole and sets in motion a process for true reform of the laws governing financial

institutions. I urge the adoption of this vital measure.

Mrs. KASSEBAUM. Mr. President, yesterday Senator DANFORTH offered an amendment to require nonbank banks to divest all their assets within 4 years. In essence, Senator DANFORTH's amendment would have eliminated all nonbank banks. I supported Senator DANFORTH's amendment and I regret that he decided to withdraw it. I think Mr. DANFORTH would have been surprised by the support its amendment would have enjoyed in a rollcall vote.

Mr. President, commercial banks are heavily regulated and thoroughly supervised institutions. Commercial banks have served families and communities well for generations. To the extent nonbank banks operate outside our bank regulatory framework, they unfairly compete for consumer deposits. Congress should take action to insure all banking institutions are brought under the same regulatory structure. Four years is ample time for nonbank banks to be brought into the regulatory system. There should be no exemptions or exceptions.

Mr. CRANSTON. Mr. President, yesterday the Senate adopted an amendment deleting section 313 of the bill. That section would have given the Federal Savings and Loan Insurance Corporation the authority "to issue such rules, regulations, and orders as necessary to define any terms used in this act and administer and carry out its purposes, including regulation of unsafe or unsound practices by insured institutions." I was grateful to see the Senate delete the provision because it would have significantly expanded the authority of the Federal Home Loan Bank Board as the operating head of the Federal Savings and Loan Insurance Corporation.

In striking the provision, Senator PROXMIRE noted that the provision was redundant, given the authority that the Bank Board already has under existing law. There is no doubt that the provision would have been redundant to some degree in regard to the Bank Board's authority over federally chartered savings and loan. The Bank Board has the authority, under section 402(a) of the National Housing Act, to issue bylaws, rules, and regulations that govern how it will operate the Federal Savings and Loan Insurance Corporation as a procedural matter. It does not have the authority, however, to issue substantive rules and regulations that will govern the conduct of all regulated institutions.

In particular, it notably lacks the authority to issue regulations defining what are unsafe and unsound practices for State-chartered institutions. To grant the Board that authority would run directly counter to our dual system of financial institution regulation, under which the States are the primary regulators of State-chartered institutions. Section 313 would, in fact, have granted it that authority, and it is for that reason that I strongly op-

posed that section being included as a technical amendment and was delighted to see it removed.

Mr. PROXMIRE. Mr. President, I ask for the yeas and nays on final passage.

Mr. PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Mr. PRESIDING OFFICER. The bill is open to further amendment. If there be no further amendment to be proposed, the question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading and was read the third time.

UNANIMOUS CONSENT AGREEMENTS—S. 825, S. 410

Mr. BYRD. Mr. President, while Senators are here—I will not detain them long—they should understand that on Monday we hope to transact business.

I ask unanimous consent that at the hour of 1 o'clock on Monday, the Senate proceed to the consideration of Calendar Order No. 68, S. 825, a bill to amend and extend certain laws relating to housing, and for other purposes.

I have discussed this with the distinguished Republican leader, who is on the floor, and I believe that it is all right to proceed to this measure.

Mr. PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. BYRD. Mr. President, I ask unanimous consent that upon the disposition of the housing bill—and this would not occur on Monday—the majority leader be authorized to proceed to the consideration of Calendar Order No. 24, S. 410, after consultation with the distinguished Republican leader.

Mr. PRESIDING OFFICER. Without objection it is so ordered.

Mr. BYRD. Mr. President, I ask unanimous consent that when the Senate turns to the consideration—

Mr. President, I do not want to detain Senators. We will be working on this agreement after this vote.

This will be the last rollcall vote today. I thank Senators. There will be rollcall votes on Monday.

COMPETITIVE EQUALITY BANKING ACT

The Senate continued with the consideration of S. 790.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass? On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from Texas [Mr. BENTSEN], the Senator from Iowa [Mr.

ment in the nature of a substitute to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Kansas [Mr. DOLE], for Mr. GARN, proposes an amendment in the nature of a substitute numbered 3516.

Mr. DOLE. Mr. President, I ask unanimous consent that further reading for the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

(The text of the amendment is printed in today's RECORD under amendments submitted.)

Mr. BYRD. Mr. President, if I might inquire for the Record, I ask the distinguished Senator from Wisconsin does this bill consist of more than his FSLIC recapitalization plan regulators and does it contain any language limiting direct investment by thrifts?

Mr. PROXMIRE. It contains the bridge bank but no limitation on the direct investment. I wish it did, but it does not. We took that out at the request of a number of Senators.

Mr. BYRD. Mr. President, if the distinguished majority leader would suggest the absence of a quorum, please.

Mr. DOLE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. PROXMIRE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. PROXMIRE. Mr. President, at the request of the minority leader, I want to make very clear what this includes and does not include. It consists only of an FSLIC recapitalization. That is the Federal Savings and Loan Insurance Corporation recapitalization and the regulators bill, including a bridge bank proposal. It eliminates the net worth certificate, which was a problem. And there is nothing here limiting direct investment by thrifts. So I think it complies with all the objections we have here and I have been watching this bill closely all day.

By BYRD. Mr. President, I thank the distinguished Senator from Wisconsin. I am duty bound to ask these questions and to elicit the statement from the distinguished Senator from Wisconsin, who is the ranking member of the Banking Committee. I did this as part of my responsibility to certain other Senators who could not be here at this point. So I have no problem.

I thank the Senator.

Mr. GARN. Mr. President, I have asked the majority leader to introduce an amended version of S. 2752, the Federal Savings and Loan Insurance Corporation and Financial Regulations Act. This bill takes the absolute

minimum steps necessary to preserve the safety and soundness of the banking system until Congress convenes next year. The principal parts of the bill are first, the recapitalization of the Federal Savings and Loan Insurance Corporation; second, the emergency acquisition provisions—the so-called regulators' bill; third, FDIC bridge bank authority; and fourth, enhanced conservatorship authority for the National Credit Union Administration.

Mr. President, before I set forth the details of these provisions, let me summarize the tortuous path that has resulted in this compromise among Banking Committee Senators and the full Senate as to what banking legislation absolutely must be done before Congress adjourns.

No one in the Senate or the House wants comprehensive banking legislation more than I do. No one has worked harder to achieve such legislation than I. In 1984, the Senate passed such a comprehensive bill by a vote of 89 to 5—only to have the House fail to act. Earlier this year, I introduced new comprehensive legislation and was prepared to proceed to pass it this year.

However, from discussions with my counterparts in the House I was convinced there was no way that such comprehensive legislation could be enacted into law in the 99th Congress—even though extremely necessary.

As a consequence, I decided to pare back my earlier bill to include only emergency safety and soundness items. In good conscience, I could neither waste the Senate's time on a bill that would never become law, nor jeopardize this legislation. It is not simply advisable, it is not simply necessary. It is urgent.

Let me now discuss in detail the provisions of this bill.

1. FSLIC RECAPITALIZATION

This part of the bill will infuse up to \$3 billion into FSLIC over the next year, with funds coming entirely from the thrift industry, using no tax dollars and no Federal guarantee. It also establishes the mechanisms to raise a total of \$25 billion over 5 years, although borrowing authority will sunset at the end of 1987 unless renewed by Congress.

Mr. President, FSLIC recapitalization is urgently needed. FSLIC primary reserves have dropped to \$2.5 billion, and the ratio of these reserves to insured deposits has deteriorated steadily in recent years. At the same time, FSLIC's caseload includes 125 severely troubled thrifts with \$42 billion in assets, and will include another 96 troubled thrifts with \$35 billion assets in the next 12 months. The cost of resolving the current caseload—without the expected additions—is \$7 to \$10 billion. This is three to four times the primary reserves now available to the insurance fund.

The result is that FSLIC must now keep insolvent thrifts open because it does not have the funds to close them.

This risks far larger losses to the fund in the future and unfairly permits insolvent institutions to compete for deposits with healthy thrifts and banks. GAO estimates that the minimum cost of delaying case resolution will be \$1.4 billion over the next 2 years—if interest rates remain the same. If they rise, the costs will be far, far greater. Furthermore, these estimates do not take into account credit risk, deteriorating asset quality, or deposit losses of competing institutions, all of which could make the overall losses even worse.

There is no question in anyone's mind—including all the financial regulators—that FSLIC recap is necessary. The real question is whether it's necessary this month, next month, or in 6 months, and the answer is that we should not tempt the hand of fate by doing nothing now. The consequences of that kind of inaction are bleak: potentially devastating losses to the FSLIC fund, the possibility of a merger of the FSLIC fund with the FDIC fund, and even the possibility of direct Federal appropriations.

2. EMERGENCY ACQUISITION PROVISIONS

This part of the bill extends and moderately strengthens the regulators' authority to arrange the interstate acquisition of failed and failing banks and bank holding companies by out-of-State banks. This new authority will sunset on August 1, 1987, unless renewed, giving Congress the opportunity to review the effectiveness of the legislation at an early opportunity. These provisions will result in far less cost to the FDIC insurance fund and far less disruption to both State and national banking systems. They are urgently needed to resolve banking problems in the Southwest and Midwest, where depressed economies have hit banks hard. Furthermore, they will be just as urgently needed in the future where other regional economic problems occur and where problems arise from changed banking structures. In short, the financial regulators need this flexibility to save money for all parties concerned: the problem banks, the insurance funds, and ultimately the American consumer.

3. FDIC BRIDGE BANK AUTHORITY

This part of the bill authorizes the FDIC to establish bridge banks that would take over failing banks for a limited time until buyers could be found from the private sector. This will give the FDIC more time than it now has to arrange purchases of failing banks, particularly large banks. Such purchases are far less expensive to the insurance funds than closing the banks and paying off depositors, and far less disruptive to local communities' banking services. Furthermore, the additional time would permit buyers to better assess assets in the troubled bank, making it more likely that more assets would be acquired in any purchase, leaving the FDIC stuck with fewer assets to liquidate. Finally, bridge banks will minimize disruption

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R 041825Z DEC 90

FM FBI PHOENIX (58C-PX-41605) (P)

TO DIRECTOR FBI/ROUTINE/

FBI LOS ANGELES (58C-PX-41605)/ROUTINE/

BT

UNCLAS

CITE: //3630//

PASS: FBI HEADQUARTERS PUBLIC CORRUPTION UNIT, SSA [REDACTED]

b6
b7c

SUBJECT: ALLEGATIONS CONCERNING U. S. SENATORS ALAN CRANSTON,
ET AL; CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN
ASSOCIATION, AMERICAN CONTINENTAL CORPORATION; CORRUPTION OF
PUBLIC OFFICIALS - LEGISLATIVE; OO: PHOENIX.

RE TELEPHONE CALL OF SSA [REDACTED] TO SSA [REDACTED]

12/3/90.

FOR THE INFORMATION OF THE BUREAU, THE FOLLOWING

SARA
TELETYPE

58C-PX-41605-158
SARA
[Handwritten initials and signature]

PAGE TWO DE FBIPX 0009 UNCLAS

INVESTIGATION REMAINS TO BE CONDUCTED IN THIS MATTER:

1. INTERVIEW OF SENATORS CRANSTON, REIGLE, GLENN, MCCAIN, AND DECONCINI REGARDING CAPTIONED MATTER.

2. INTERVIEW OF WASHINGTON, D.C., LOBBYIST [REDACTED]

3. INTERVIEW OF [REDACTED]

REGARDING CAPTIONED MATTER.

4. INTERVIEW OF SENATOR WILLIAM PROXMIRE, FORMER CHAIRMAN OF THE SENATE BANKING COMMITTEE REGARDING HIS KNOWLEDGE OF CAPTIONED MATTER.

5. REVIEW OF ALL EXHIBITS AND TRANSCRIPTS EMANATING FROM THE ONGOING SENATES ETHICS COMMITTEE HEARINGS BEING HELD IN WASHINGTON, D.C.

6. REVIEW OF AMERICAN CONTINENTAL CORPORATION PRIVILEGED DOCUMENTS RECENTLY MADE AVAILABLE AT THE CENTRAL DEPOSITORY IN PHOENIX TO DETERMINE IF THERE IS ANY CORRESPONDENCE RELATING TO KEATING'S CONTACTS WITH THE FIVE SENATORS.

RECENT MEETINGS HELD WITH PROSECUTORS IN LOS ANGELES, CALIFORNIA, HAVE DETERMINED THAT CAPTIONED INVESTIGATION MAY TAKE AN ADDITIONAL SIX MONTHS TO COMPLETE. THE BUREAU WILL BE KEPT APPRISED BY TELETYPE OF PERTINENT DETAILS.

IT SHOULD ALSO BE NOTED THAT NO EVIDENCE HAS BEEN DEVELOPED

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PAGE THREE DE FBIPX 0009 UNCLAS

TO DATE TO CLEARLY ESTABLISH THAT THE FIVE SENATORS TOOK BRIBES
FROM KEATING ET AL IN RETURN FOR POLITICAL FAVORS.

BT

#0009

NNNN

FBI

TRANSMIT VIA:

☒ Teletype
☒ Facsimile
☐ _____

PRECEDENCE:

☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☒ UNCLAS

Date 12/17/90

1 FM FBI LOS ANGELES (58C-PX-41605) (SARA) (P)

2 TO FBI WMFO/ROUTINE/ PST 201 11/2/90

3 INFO FBI PHOENIX/ROUTINE/

4 BT

5 UNCLAS

6 CITE: //3410:0670//

8 SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON,
 9 ET AL; CORRUPTION OF FEDERAL PUBLIC OFFICIALS - LEGISLATIVE;
 10
 11 OO: PX/LA.

12 RE SANTA ANA SA [REDACTED]

TELCALL WITH WMFO SA

13 [REDACTED] ON 12/14/90.

14 INVESTIGATION HAS REVEALED THAT SENATOR ALAN CRANSTON OR
 15 HIS STAFF SUBMITTED A SPEECH FOR PUBLICATION IN THE
 16 CONGRESSIONAL RECORD FOR MARCH 27, 1987 (AT PAGE S-4060)
 17 REGARDING THE AUTHORITY OF THE FEDERAL HOME LOAN BANK BOARD TO
 18 ISSUE CERTAIN REGULATIONS. THIS SPEECH WAS REPORTEDLY WRITTEN
 19 BY A LOBBYIST FOR LINCOLN SAVINGS AND LOAN ASSOCIATION (LSL).

20 JAJ/cpt
 21 (1)

SEARCHED _____

INDEXED _____

SERIALIZED _____

FILED _____

Approved: Vol/m

Transmitted

(Number) (Time)

Per

Sent 1/2 2:00pm

58C-PX-41605-159

JAJ

PAGE TWO (58C-PX-41605)

[REDACTED] REPORTEDLY HAS TESTIFIED THAT SHE SUBMITTED THIS SPEECH FOR PUBLICATION TO THE CONGRESSIONAL RECORD WITHOUT THE KNOWLEDGE OF SENATOR CRANSTON.

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LEAD, WMFO AT WASHINGTON, D.C.: CONTACT THE CONGRESSIONAL RECORD TO LEARN THE CIRCUMSTANCES OF THE PUBLICATION OF CRANSTON'S SPEECH ON 3/27/87 AT VOLUME 133 OF THE CONGRESSIONAL RECORD, PAGE S-4060. DETERMINE THE PROCEDURE FOR THE PUBLICATION OF STATEMENTS THAT WERE NOT ACTUALLY MADE ON THE SENATE FLOOR, INCLUDING WHETHER A STAFF MEMBER HAS AUTHORITY TO SUBMIT A STATEMENT WITHOUT A SENATOR'S APPROVAL. OBTAIN ANY DOCUMENTARY EVIDENCE AVAILABLE REGARDING THE CIRCUMSTANCES OF THE SUBMISSION OF CRANSTON'S STATEMENT.

BT

/READ/REWDG
0036 MRI 02508

DEC 6 11 00 PM '90

TELETYPE ROOM

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DE RUCNFB #0236 3410647

ZNR UUUUU

P 062309Z DEC 90

FM DIRECTOR FBI (58-12513)

TO FBI LOS ANGELES/PRIORITY/

FBI PHOENIX (58C-41605)/PRIORITY/

BT

UNCLAS

CITE: //0622//

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS (ALAN CRANSTON,
DENNIS DECONCINI, JOHN GLENN, JOHN MCCAIN, DONALD RIEGLE;
CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN
ASSOCIATION, AMERICAN CONTINENTAL CORPORATION; CORRUPTION OF
FEDERAL PUBLIC OFFICIALS - LEGISLATIVE; OO: PHOENIX/LOS
ANGELES.

RETELCALLS OF SSA [REDACTED] TO PHOENIX ASAC

[REDACTED] AND UNIT CHIEF [REDACTED] TO LOS

ANGELES ASAC [REDACTED] ON 12/3/90, AND TELCALL OF

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TELETYPE
SARA

58C-PX-41605-160
DEC 7 1990
4
[Signature]

PAGE TWO DE RUCNFB 0236 UNCLAS

SSA [REDACTED] TO PHOENIX SSA [REDACTED] ON 12/5/90.
DURING REFERENCED TELCALLS, THE LOS ANGELES AND PHOENIX
DIVISIONS WERE APPRISED OF RECENT NEWSPAPER ARTICLES
CONCERNING CAPTIONED MATTER, SPECIFICALLY, ARTICLES IN "THE
WASHINGTON TIMES" ON 12/3/90 AND 12/4/90. LOS ANGELES AND
PHOENIX WERE ADVISED TO ENSURE THAT ALL PERSONNEL INVOLVED IN
CAPTIONED MATTER ARE AWARE OF THE BUREAU'S PRESS GUIDELINES,
AND THAT THEY ARE STRICTLY ADHERED TO. ANY AND ALL PRESS
INQUIRIES SHALL BE REFERRED TO THE OFFICE OF PUBLIC AFFAIRS,
FBIHQ.

IT IS REQUESTED THAT APPROPRIATE INDIVIDUALS FROM THE
LOS ANGELES AND PHOENIX DIVISIONS TRAVEL TO FBIHQ DURING THE
WEEK OF 1/7/91 TO PROVIDE THE WHITE-COLLAR CRIMES SECTION AN
UP-TO-DATE BRIEFING ON CAPTIONED MATTER.

BT

#0236

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U. S. Department of Justice

United States Attorney
Central District of California

United States Courthouse
812 North Spring Street
Los Angeles, California 90012

FACSIMILE TRANSMISSION
COVER PAGE

Pls file in
58C-PX-41605

FROM:

ORGANIZATION: ASST. U.S. ATTORNEY OFFICE

PHONE: 894-3358

TO:

DATE: 12/11/90

NUMBER OF PAGES: 11 + Cover Sheet

FAX: 894-6436

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b7C

CONTENTS:

Memorandum plus attachment

NOTE: If you do not receive the total number of pages indicated, please call the sending individual listed above.

Please use this cover when transmitting multiple pages or directing document(s) to individuals not identified in contents.

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58C-PX-41605 161

SEARCHED	INDEXED
SERIALIZED	FILED
DEC 13 1990	
FBI — LOS ANGELES	

Memorandum



LGB:RLB:SAM:smm:07961
(213) 894-3358

Subject 58C-PX-4 Investigative Plan
for the next month

Date December 11, 1990

To FBI SSA [redacted] From [redacted] Assistant U.S. Attorney
FBI SSA [redacted]
SA [redacted]
SA [redacted]
SA [redacted]

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During the next month or so there are some very important documents that we need to review. First, there are approximately 13 boxes of ACC-LSL documents in the depository which were previously withheld from us on the ground of attorney-client privilege. The privilege has been waived, however, and the documents are available for our inspection and copying. We need to begin reviewing these documents, and any leads arising from these documents, as soon as possible. Our focus, aside from our obvious interest in documents concerning Keating's/ACC's dealings with Senators and regulators, should be on documents that relate to Messrs. [redacted] To the extent we are able to locate their ACC business or personal files in the depository, we need to review such documents.

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In addition, we should begin our review of documents and transcripts released from the Senate Ethics Committee, but only those documents and transcripts pertaining to hearings conducted on or before December 11, 1990. As set forth in the December 10, 1990 memorandum "Non-Use of Immunized Testimony", no documents or transcripts relating to the hearings on December 12, 1990 or thereafter may be reviewed until further notice.

After we have completed the above-described document review, we will meet to discuss what evidence and leads we have uncovered and make a determination at that time as to whether we need to continue or abandon the procedures set forth in the December 10, 1990 memorandum. Depending on when we are able to complete review of the documents, and given the upcoming holiday season, I propose January 16, 1991 a tentative date for the meeting.

58C-PX-41605-1162

SEARCHED	INDEXED
SERIALIZED	FILED
DEC 17 1990	
FBI - LOS ANGELES	

[Signature]

*Rec'd
12/17/90
Jhr*

Memorandum



To : SSA JOHN ELLIS CARPENTER

Date 12/14/90

From : SA

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b7C

Subject: ALLEGATIONS CONCERNING U.S. SENATORS
ALAN CRANSTON, DENNIS D. DECONCINI,
JOHN GLENN, JOHN MC CAIN, DONALD RIEGLE;
CHARLES H. KEATING, JR., dba
AMERICAN CONTINENTAL CORPORATION,
Phoenix, Arizona, and
LINCOLN SAVINGS AND LOAN ASSOCIATION,
Irvine, California;
CORRUPTION OF FEDERAL PUBLIC OFFICIALS - LEGISLATIVE;
OO: PHOENIX/LOS ANGELES
(58C-PX-41605)

CHARLES H. KEATING, JR.,
CHAIRMAN,
AMERICAN CONTINENTAL CORPORATION,
Phoenix, Arizona;
UNSUBS,
Principals and Officers of
AMERICAN CONTINENTAL CORPORATION;
UNSUBS,
Principals and Officers of
LINCOLN SAVINGS AND LOAN ASSOCIATION,
Irvine, California;
ELECTION LAW VIOLATION;
OO: Los Angeles
(56C-LA-101615)

LEE H. HENKEL, FORMER MEMBER,
FEDERAL HOME LOAN BANK BOARD,
Washington, D.C.;
CHARLES H. KEATING, JR., dba
LINCOLN SAVINGS AND LOAN ASSOCIATION,
Irvine, California;
CORRUPTION OF FEDERAL PUBLIC OFFICIALS - REGULATORY;
OO: Los Angeles
(58A-LA-111204)

- 4 - Los Angeles
- ① - 58C-PX-41605
- 1 - 56C-LA-101615
- 1 - 58A-LA-111204
- 1 - 194A-LA-108012

JAJ/clh
(4)

58C-PX-41605-1163

SEARCHED	INDEXED
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DEC 17 1990	
FBI - LOS ANGELES	

[REDACTED]
CALIFORNIA DEPARTMENT OF SAVINGS AND LOAN;
CHARLES H. KEATING, JR., dba
LINCOLN SAVINGS AND LOAN ASSOCIATION,
Irvine, California;
CORRUPTION OF STATE AND LOCAL
POLITICIANS - STATE LEVEL;
OO: LOS ANGELES
(194A-LA-108012)

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Re your recent request for short summaries of the
referenced investigations.

58C-PX-41605

This matter was opened as a preliminary investigation
on 11/14/89, by FBIHQ on the written request of the DOJ, which
asked for an investigation of former FEDERAL HOME LOAN BANK BOARD
(FHLBB) [REDACTED] allegations of undue pressure asserted
by Senators CRANSTON, DECONCINI, RIEGLE, MC CAIN, and GLENN, at
two meetings with GRAY and San Francisco Bank regulators in
April, 1987. Initial investigation showed that there were
numerous services performed by the subject senators on behalf of
LINCOLN SAVINGS AND LOAN (LSL), and that these services could
have been connected with campaign contributions received by the
senators. Therefore, by Phoenix LHM dated 12/19/89, authority
for a full investigation was requested. By Bureau teletype dated
2/22/90, the investigation was upgraded to a full investigation.

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Investigation has focused on services performed by the
senators for LSL in the period 1986 through 1989, and the
campaign and other related contributions received by the senators
from CHARLES KEATING and his companies and associates. AUSA
[REDACTED] has advised that a successful prosecution will
require that a link between the contributions and the services be
proven. Investigation has failed to establish any criminal wrong
doing by Senators GLENN and MC CAIN. The evidence shows that
Senators CRANSTON and DECONCINI frequently provided services to
LSL, and on some occasions, the services were extraordinary. In
the case of DECONCINI, no evidence of a link between DECONCINI'S
actions and contributions to DECONCINI has been found. There is
evidence that Senator RIEGLE organized the 4/2/87 meeting of [REDACTED]
and the Senators within one week after KEATING had sponsored a
major fund raising event for RIEGLE in Detroit, which raised
approximately \$100,000.00 for RIEGLE'S campaign. Other than the
timing, there is no evidence of a link between the fund raiser
and RIEGLE'S action. The best case to date is against Senator
CRANSTON, who on several occasions solicited contributions from

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KEATING at the same time KEATING was asking for services from CRANSTON. Further investigation is necessary to locate additional evidence linking the CRANSTON services with the contributions.

56C-LA-101615

This investigation was opened in Santa Ana on 4/27/89, and on 6/22/89, the Bureau authorized a preliminary investigation. By FD-761 dated 9/27/89, Los Angeles requested that the investigation be upgraded to a full investigation, and this was done so in 10/89.

This investigation initially related to allegations that campaign contributions raised by KEATING from his employees were then reimbursed by AMERICAN CONTINENTAL CORPORATION (ACC) or LSL, in violation of Federal Election Law. Investigation failed to uncover any evidence of any such "conduit contributions", and this aspect of the investigation was dropped. In Los Angeles FD-761 and LHM dated 3/12/90, a new aspect of the investigation was described. This new aspect involved "soft money", tax-exempt, voter registration organizations affiliated with Senator CRANSTON. ACC and LSL contributed \$850,000.00 to these organizations in 1987 and 1988. The voter registration organizations claimed their tax exempt status and their exemption from Federal Campaign Reporting Laws by virtue of their non-partisan status. This aspect relates to investigation of the allegation that the California CRANSTON-affiliated groups, the Center for Participation of Democracy and the Organizing Institute, were established as a ruse to circumvent federal election law and federal tax law in that they were actually partisan organizations and that they diverted resources to the partisan campaigns in 1988. The INTERNAL REVENUE SERVICE is assisting in this investigation.

Presently, there is insufficient evidence to support the allegation. It is contemplated that approximately seven interviews and the review of financial records are necessary, and if this investigation results in no evidence of wrong doing or no additional leads, the matter should be submitted to the UNITED STATES ATTORNEY'S OFFICE for a declination.

58A-LA-111204

This preliminary investigation was opened on 3/27/90, by Los Angeles SAC. This matter had been previously investigated by WMFO, but Los Angeles re-opened the matter based on new information unavailable to WMFO.

LEE HENKEL was nominated to the three-member FHLBB on 10/7/86, and he was sworn in as a member of the FHLBB on 11/11/86. On 11/26/86, HENKEL'S interest in CONTINENTAL SOUTHERN, supposedly held by HENKEL'S blind trust established in connection with his FHLBB appointment, was purchased by an ACC subsidiary for \$3,700,000.00. At HENKEL'S first FHLBB meeting on 12/18/86, HENKEL proposed a rule change that would have protected LSL from enforcement of the direct investment regulation.

This investigation focuses on whether there was a link between HENKEL'S action at the FHLBB meeting and the purchase of HENKEL'S interest in CONTINENTAL SOUTHERN. Little investigation has been done by Los Angeles in this matter. In connection with the DESERT GEM Investigation, the question of the fair value of HENKEL'S interest in CONTINENTAL SOUTHERN is being investigated by Phoenix agents. [REDACTED]

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194A-LA-108012

This matter was opened as a preliminary investigation on 12/20/89, and a full investigation was requested in a FD-761 dated 3/12/90.

This investigation relates to whether there was a link between [REDACTED] expedited approval of \$349,000,000.00 of LSL direct investments immediately before the 12/10/84 deadline for the investments to qualify as grandfathered investments under new FHLBB regulations, and the \$150,000.00 consulting contract [REDACTED] obtained from LSL on 1/4/85, immediately after [REDACTED] left the CALIFORNIA DEPARTMENT OF SAVINGS AND LOAN. Investigation has failed to establish any link between the two, [REDACTED]

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FBI

TRANSMIT VIA:

☒ Teletype
☒ Facsimile
☐ _____

PRECEDENCE:

☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☒ UNCLAS
Date 1/16/91

1 FM FBI LOS ANGELES (58C-PX-41605) (SARA) (P)

2 TO FBI PHOENIX/ROUTINE/

3 BT

4 UNCLAS

5 CITE: //3410:0670//

7 SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON,
 8 DENNIS DECONCINI, JOHN GLENN, JOHN MCCAIN, DONALD RIEGLE;
 9 CHARLES H. KEATING, JR.; DBA LINCOLN SAVINGS AND LOAN
 10 ASSOCIATION, IRVINE, CALIFORNIA, AND AMERICAN CONTINENTAL
 11 CORPORATION, PHOENIX, ARIZONA; CORRUPTION OF FEDERAL PUBLIC
 12 OFFICIALS - LEGISLATIVE; OO: PHOENIX/LOS ANGELES.

14 RE MEETING OF SANTA ANA SSA [REDACTED] AND PHOENIX
 15 SSA [REDACTED] IN LOS ANGELES ON 1/15/91.

16 AS DISCUSSED IN REFERENCE MEETING, LOS ANGELES SA'S

17 [REDACTED] INTEND TO TRAVEL TO

18 PHOENIX 1/22/91 THROUGH 1/26/91 FOR THE PURPOSE OF REVIEWING

19 JAJ/cpt
 20 (1)

58C-PX 1/16/91 164

SEARCHED	INDEXED
SERIALIZED	FILED
JAN 16 1991	
FBI - LOS ANGELES	

Approved: JAJ

Transmitted _____

(Number) (Time)

Per _____

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PREVIOUSLY PRIVILEGED DOCUMENTS AT THE PHOENIX DOCUMENT
DEPOSITORY, AND IF TIME PERMITS, TO REVIEW SELECTED PORTIONS
OF MATERIALS PROVIDED BY THE SENATE ETHICS COMMITTEE. LOS
ANGELES AGENTS ALSO INTEND TO LOCATE AND INTERVIEW FORMER



SAC PHOENIX AND SAC LOS ANGELES CONCUR WITH PROPOSED
TRAVEL.

BT

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sent Phoenix 1/16/91 5:00pm PST lpt



FBI FACSIMILE COVERSHEET

CLASSIFICATION

PRECEDENCE

Immediate
Priority
☒ Routine

☐ Top Secret
☐ Secret
☐ Confidential
☐ Sensitive
☒ Unclassified

Time Transmitted: 5:00pm
Sender's Initials: lpt
Number of Pages: 2

To: FBI Phoenix (58C-PX-41605)
(Name of Office)

Date: 1/16/91

Facsimile number:

Attn:

(Name)

Room

Telephone No.

From: FBI Los Angeles - SARA
(Name of Office)

Subject: Allegations Concerning U.S. Senators;
dba Lincoln Savings and Loan Association;
OO: PX/LA

Special Handling Instructions:

Originator's Name:

Telephone:

Originator's Facsimile Number:

Approved:

A handwritten signature, likely of the originator, is written over the "Approved:" label.

FBI DCJ

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 2/1/91

[redacted] California Democratic Party (CDP), San Francisco, California, telephone [redacted] was previously contacted by telephone as to whether the CDP had any records or documents relating to funds contributed by the AMERICAN CONTINENTAL CORPORATION (ACC) in October, 1986, to the CDP, other than copies of the two ACC checks previously provided by [redacted]. [redacted] advised that she has completed a thorough search of all logical places where such records and documents would be located, and she could find no records relating to the 1986 contributions to the CDP, other than those records maintained by [redacted].

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Investigation on 1/15/91 at Santa Ana, California File # 58C-PX-41605-1165
by SA [redacted] lk1 Date dictated 1/18/91

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- 1 -
FEDERAL BUREAU OF INVESTIGATION

Date of transcription 2/1/91

[redacted] date of birth [redacted] was interviewed [redacted] Los Angeles, California, telephone [redacted] Present during the entire interview were [redacted] attorney [redacted] and his associate, [redacted] After having been advised of the interviewing agents' identities and the nature of the interview, [redacted] provided the following information:

[redacted] advised that [redacted] the California Democratic Party (CDP) [redacted]

[redacted] fund raising for the 1986 "Get Out the Vote" (GOTV) drive.

[redacted] said that the 1988 CDP GOTV [redacted] the DUKAKIS for President campaign. [redacted]

[redacted] CDP GOTV. [redacted]

[redacted] the Center for Participation in Democracy (CPD), but this was separate from the CDP. [redacted]

[redacted] the 1988 CDP GOTV. [redacted]

56C-LA-101615

Investigation on 1/18/91 at Los Angeles, California File # 58C-PX-41605 ✓ -166by SA [redacted]

IKI

Date dictated 1/28/91

INDEX

Memorandum



To : SAC, LOS ANGELES (58C-PX-41605)
(SARA) (P)

Date 2/1/91

From : SA [REDACTED]

b6
b7C

Subject: UNITED STATES SENATORS ALAN CRANSTON,
DENNIS DE CONCINI, JOHN GLENN,
JOHN MC CAIN, DONALD RIEGLE;
CHARLES H. KEATING, dba
Lincoln Savings and Loan Association, Irvine,
California, and American Continental Corporation,
Phoenix, Arizona;
CORRUPTION OF FEDERAL OFFICIALS - LEGISLATIVE
OO: Phoenix
OO: Los Angeles

The following is an updated chronological list of events in this matter obtained from interviews, newspaper articles, and other investigation to date:

5/1/83 [REDACTED] FEDERAL
HOME LOAN BANK BOARD (FHLBB)

2/22/84 AMERICAN CONTINENTAL CORPORATION (ACC) buys
LINCOLN SAVINGS AND LOAN ASSOCIATION (LINCOLN)
for \$51,000,000

6/6/84 KEATING, [REDACTED] meet with [REDACTED]
[REDACTED] in Los Angeles

6/7/84 KEATING meets with DE CONCINI

7/11/84 Date of ALAN CRANSTON's letter to [REDACTED] in
which he requests that [REDACTED] defer issuance of
direct investment limitation.

7/ /84 [REDACTED] approaches CRANSTON at Democratic
Party convention in San Francisco and says
LINCOLN wishes to "establish a contact" with
CRANSTON and offers to "help" with campaign
contributions

8/26-31/84 JOHN MC CAIN [REDACTED] and LEE [REDACTED]
HENKEL vacation at KEATING's place at Cat Cay,
Bahamas

9/12/84 [REDACTED] meets with DE CONCINI

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58C-PX-41605-1167

SEARCHED	INDEXED
SERIALIZED	FILED
JAN 11 1991	
FBI - LOS ANGELES	

9/22/84 KEATING dines with JOHN MC CAIN and [] in Phoenix

9/26/84 KEATING dines with MC CAIN in Washington

10/15/84 DE CONCINI dines with KEATING in Phoenix

12/7/84 CALIFORNIA DEPARTMENT OF SAVINGS AND LOAN (LARRY TAGGART, Commissioner), approves \$349,000,000 of direct investments by LINCOLN immediately before the 12/10/84 deadline for the investments to qualify as grandfathered investments under new FHLBB regulation

12/10/84 FHLBB re-proposes direct investment regulation (12CFR563.9-8) - would generally limit direct investments to ten percent of assets - contains grandfather clause

12/17/84 KEATING meets separately in Washington with [] and Senators ALAN CRANSTON, JOHN GLENN, MACK MATTINGLY, PAUL LAXALT, and DENNIS DE CONCINI

12/84-1/85 Congressman CHARLES "CHIP" PASHAYAN lobbies [] to not adopt direct investment regulation

1/1/85 []

1/4/85 [] of TCS visit KEATING in Phoenix; KEATING offers to buy 20 percent of TCS FINANCIAL; KEATING and [] solidify \$200,000 consulting contract

1/18/85 LINCOLN invests \$2,900,000 in TCS FINANCIAL for a 22 percent stake sold in private offering - 578,000 shares at \$5.00 per share

1/29/85 KEATING meets separately with Congressmen MC CAIN and JACK KEMP, and Senator DE CONCINI

1/31/85 FHLBB adopts the ten percent direct investment rule, which is implemented 3/18/85.

2/1/85 LINCOLN applies to FHLBB for approval to exceed the impending 10 percent limit on direct investments. The application is denied on 5/17/85

2/13/85 [] writes the FHLBB of San Francisco on behalf of LINCOLN requesting that LINCOLN be

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exempted from the ten percent direct investment rule

2/27/85

[REDACTED]

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2/28/85

KEATING testifies before House Subcommittee

4/2/85

KEATING has dinner with Senator DE CONCINI in Washington. Meets with MC CAIN on next day

4/8/85

KEATING and associates contribute \$15,000 to Senator PETE WILSON

4/9/85

KEATING and associates contribute \$15,000 to Senator ALAN CRANSTON in connection with LINCOLN fundraiser held in Orange County

4/16/85

CRANSTON meets with [REDACTED]

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5/27/85

[REDACTED] and UNIVERSITY OF ROCHESTER Professor [REDACTED] on behalf of LINCOLN, before Government Operations Oversight Subcommittee in opposition to FHLBB's direct investment position

7/10/85

KEATING, [REDACTED] meet separately in Washington with Congressman JOHN MC CAIN, Congressman JIM KOLBE, Senator CRANSTON, and Senator DE CONCINI

7/20/85

White House staffer [REDACTED] that White House Chief of Staff DON REGAN said in June personnel meeting that he wanted [REDACTED] out soon

7/31-8/15/85

KEATING and associates contribute \$22,000 to Senator GLENN

7/31-8/15/85

KEATING and associates contribute \$16,000 to Senator DENNIS DE CONCINI

8/28/85

ACC contributes \$100,000 to the non-federal account of National Council on Public Policy, a PAC affiliated with Senator JOHN GLENN

8/22-29/85

JOHN MC CAIN and family are guests of KEATING's in Cat Cay, Bahamas

9/15/85

MC CAINS have dinner at KEATING's house in Phoenix

9/30/85 White House staffer [] relays REGAN's request to [] resign

10/1/85 [] told by Washington attorney [] that he had a job offer for [] had previously been so advised by FHLBB member []

10/27/85 KEATING and associates contribute \$8,000 to Senator CRANSTON at fundraiser in Phoenix

11/13/85 KEATING and associates contribute \$8,000 to Congressman JACK KEMP

11/20/85 KEATING, [] meet separately with [] of FHLBB in Washington

11/21/85 KEATING meets separately with Congressman DOUG BARNARD, Senator CRANSTON, Congressman MC CAIN, Congressman PASHAYAN, Senator MATTINGLY, Senator PETE WILSON, Congressman CARROLL HUBBARD, Congressman CHALMERS WYLIE, Senator WILLIAM ARMSTRONG. Has dinner with Senators DE CONCINI and GLENN

11/22/85 [] meets with KEATING and [] in Washington regarding job offer for []

11/ /85 TAGGART, [] California Assemblyman PAT NOLAN successfully lobby CALIFORNIA SAVINGS AND LOAN Commissioner WILLIAM CRAWFORD to drop proposed rule that would have limited LINCOLN's investments by requiring 80 percent be mortgage loans

11/26/85 KEATING and [] contribute \$4,000 to DEMOCRATIC CONGRESSIONAL CAMPAIGN COMMITTEE

11/27/85 NOLAN, TAGGART, [] lobby CALIFORNIA LEAGUE OF SAVINGS INSTITUTIONS (Chairman-GERALD BARRONE; Director-DEAN CANNON), to drop support of CRAWFORD's proposal

12/13/85 KEATING meets with Vice President GEORGE BUSH in Washington

12/ /85 NOLAN reportedly receives \$9,000 campaign contribution from KEATING

12/ /85 At CRANSTON's request, [] begins to organize America Votes and the fundraising

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program for nonpartisan voter registration

1/23/86 KEATING attends Governor DEUKMEJIAN campaign luncheon in Los Angeles

2/6/86 KEATING has telephone conference with LEE HENKEL

2/28/86 ACC contributes an additional \$100,000 to NATIONAL COUNCIL ON PUBLIC POLICY - affiliated with Senator JOHN GLENN - non-federal fund

3/1/86 KEATING and Senator DON RIEGLE meet in Detroit at opening of HOTEL PONTCHARTRAIN. ACC pays travel expenses for RIEGLE and his wife round trip from Washington to Detroit.

3/3/86 KEATING and associates contribute \$12,000 to KOLBE

3/6/86 Eleven ACC officers attend DEUKMEJIAN campaign dinner in Los Angeles

3/12/86 Regularly scheduled FHLBB examination of LINCOLN begins

3/26/86 KEATING, [REDACTED] meet separately with Treasury Undersecretary GEORGE GOULD, Congressman JOHN DINGELL, Senator GLENN, Congressman JACK KEMP, Senator DE CONCINI, and [REDACTED] in Washington

3/17-31/86 KEATING and associates contribute \$54,000 to Senator JOHN MC CAIN

4/4/86 KEATING and associates contribute \$10,000 to Senator MACK MATTINGLY (Georgia)

4/ /86 [REDACTED]

4/9/86 KEATING and associates contribute \$5,000 to NATIONAL ACTION COMMITTEE, former Congressman DAVE EVANS' political action committee (PAC)

6/2/86 KEATING and associates contribute \$11,000 to Congressman CHARLES PASHAYAN

6/4/86 [REDACTED] announces he will resign from FHLBB

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6/6/86 DE CONCINI writes White House Chief of Staff REGAN and recommends LEE HENKEL for the FHLBB post vacated by [REDACTED]

7/2/86 [REDACTED] is nominated by the President to the FHLBB. The nomination is later withdrawn

7/3/86 KEATING meets with San Francisco examiners and reportedly threatens to sue members of FHLBB

7/7/86 KEATING and [REDACTED] meet with Senator PAULA HAWKINS in Phoenix. Senator DE CONCINI has lunch with KEATING at ACC, Phoenix

7/9/86 KEATING and [REDACTED] meet separately in Washington with Treasury Undersecretary GEORGE GOULD and Senator GLENN. Have dinner with [REDACTED] to discuss status of FHLBB nominations

7/15/86 KEATING and [REDACTED] meet separately with [REDACTED] and Congressman JOHN DINGELL

7/16/86 KEATING and [REDACTED] in Washington separately meet Senators HAWKINS, RIEGLE and CRANSTON (with [REDACTED]) regarding FHLBB regulations and LEE HENKEL nomination to FHLBB

7/17/86 LEE HENKEL telephones KEATING in Miami

7/20/86 Congressman DOUG BARNARD has dinner with KEATING, [REDACTED] at KEATING's home in Phoenix. [REDACTED] receives \$19,000 in campaign contributions and ACC pays his travel expenses

7/23/86 Reconsideration of Judge Daniel Manion confirmation defeated in Senate on a tie vote. DE CONCINI does not vote (pairs with Goldwater), after KEATING lobbies him to support Manion, so the White House will support HENKEL.

7/25/86 KEATING and associates contribute \$20,000 to Senator PAULA HAWKINS

7/25/86 LEE HENKEL spends day at ACC in Phoenix - discuss Atlanta properties and HENKEL's possible appointment to FHLBB

7/29/86 KEATING meets with Senator HAWKINS in Washington and HENKEL and [REDACTED] in Atlanta

8/4/86 TAGGART writes White House Chief of Staff DONALD REGAN complaining about [REDACTED] and mentioning his

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adverse effect on Republican fundraising.

8/4-6/86 KEATING and associates contribute \$11,000 to Senator CRANSTON

8/11/86 KEATING and [] meet separately with [] and Congressman BARNARD re HENKEL and [] nominations

8/12/86 KEATING and [] meet separately with FHLBB member [] MC CAIN, PASHAYAN, []

8/14/86 PASHAYAN writes [] requesting information on institutions requesting waiver of 10 percent direct investment limitation. The letter was signed by 15 other House Republicans.

8/16/86 FHLBB member [] leaves the Board

8/14-17/86 KEATING and associates contribute an additional \$13,000 to Congressman PASHAYAN for a total of \$24,000

8/19/86 KEATING meets with HENKEL and [] in Atlanta

8/20/86 KEATING and associates contribute \$10,000 to Senator DE CONCINI

8/22/86 KEATING and associates contribute \$4,000 to HARRY REID

8/23-29/86 MC CAIN family travels from Phoenix to Miami on ACC airplane to spend week in Cat Cay

8/22-9/4/86 KEATING and associates contribute \$21,150 to Congressman JON KYL

8/28/86 KEATING and associates contribute \$9,000 to Congressman RHODES

9/10/86 KEATING meets separately with [] CRANSTON, MC CAIN, and RIEGLE regarding FHLBB matters and HENKEL, [] nominations. KEATING and Senator HAWKINS meet with DON REGAN at White House regarding same

9/ /86 FHLBB member [] quits Board effective 10/17/86

9/16/86 [] meets with DE CONCINI

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9/20/86 "Washington Post" writes that LINCOLN officials claim FHLBB harassment. [] asks FHLBB of San Francisco to explain - San Francisco blames LINCOLN for delays in examination

Fall 1986 ACC contributes \$100,000 to the Florida Republican Party for the benefit of []

10/7/86 LEE HENKEL is nominated to the FHLBB by the President

10/8/86 ACC contributes \$35,000 to the California Democratic Party, primarily for CRANSTON's benefit

10/13/86 KEATING and HENKEL have telephone conversation

10/14/86 ACC contributes an additional \$50,000 to the California Democratic Party, primarily for CRANSTON's benefit

10/17/86 KEATING and [] have telephone conversation

10/18/86 On last day of the Senate's 1986 session, Senator PROXMIRE introduces a FSLIC recapitalization bill with no direct investment limitation. CRANSTON interceded with PROXMIRE on behalf of LINCOLN to delete the direct investment limitation.

10/21/86 CRANSTON's Senate campaign borrows \$350,000 from Deauville Savings and Loan, [] on line of credit arranged on 10/6/86

10/23/86 CRANSTON's Los Altos commercial property is appraised at the request of LINCOLN in connection with loan application of CRANSTON's campaign to LINCOLN. The loan was not made because it was not needed

10/31/86 FHLBB exam of LINCOLN that began 3/12/86 is completed. Closing meeting with LINCOLN official held on 11/7/86

11/4/86 KEATING and [] attend DEUKMEJIAN and CRANSTON victory celebrations in Los Angeles

11/11/86 Atlanta attorney LEE HENKEL, JR., a friend of KEATING and borrower from and attorney for LINCOLN, is sworn in as a member of the FHLBB

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11/26/86 HENKEL's interest in CONTINENTAL SOUTHERN is purchased by an ACC subsidiary for \$3,700,000

12/5/86 and 12/16/86 KEATING meets in San Francisco with FHLBB-SF regulator [] regarding LINCOLN exam

12/18/86 HENKEL proposes at FHLBB meeting a rule change that would protect LINCOLN from enforcement of the direct investment rule. HENKEL's proposal died for lack of a second

12/19/86 FHLBB authorizes 407(m) fraud investigation of LINCOLN regarding file-stuffing and back-dating

1/8/87 [] meets with DE CONCINI, (may have canceled)

1/9/87 [] meet with CRANSTON

1/26/87 KEATING and [] meet with Congressman BARNARD in Washington

1/27/87 A second closing meeting is held, at KEATING's request, between LINCOLN and FHLBB officials. KEATING and [] meet [] in Congressman CARROLL HUBBARD's office, and separately meet with Senators DE CONCINI and PHIL GRAMM in Washington.

1/28/87 KEATING and [] have separate meetings with MC CAIN, CRANSTON (with [], GLENN, PASHAYAN, DE CONCINI, and RIEGLE in Washington

1/29/87 KEATING meets with Senator HAWKINS at her home in Orlando regarding [] replacement

2/5/87 [] meet with MC CAIN, RIEGLE and []

2/13 - 3/18/87 KEATING and associates contribute \$11,000 to Senator TIM WIRTH

2/18/87 KEATING meets with [] at FHLBB in Washington. KEATING and [] meet separately with Senators ARMSTRONG, MC CAIN, and TERRY SANFORD and Representative JIM WRIGHT

2/26/87 Senator RIEGLE meets with [] to discuss LINCOLN's dispute with regulators

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2/27/87 CRANSTON meets with [] possible []

2/27/87 FHLBB (HENKEL abstaining) adopts "equity risk investment rule" to be effective 4/15/87; shortly thereafter, LINCOLN sues to block the rule as unconstitutional

3/3/87 DE CONCINI has lunch with []

3/3/87 KEATING and [] contribute \$4,000 to [] [] PAC

3/3/87 LINCOLN contributes \$100,000 to AMERICA VOTES, later known as USA VOTES. Contribution was solicited by CRANSTON

3/6/87 Senator RIEGLE meets with [] - says Arizona senators are quite concerned about FHLBB regulation of LINCOLN and suggests that [] meet with them

3/8/87 RIEGLE and top aide [] visit KEATING in Phoenix and after a helicopter tour, RIEGLE reportedly states, "I like what I see here. I can reason with []"

3/13/87 [] (later of ACC) writes letter to senators critical of regulators

3/16/87 RIEGLE meets with CRANSTON, [] [] and later with []

3/17/87 RIEGLE meets with []

3/18/87 LINCOLN sues FHLBB, challenging the direct investment limitations. DE CONCINI meets with RIEGLE re ACC.

3/19/87 Senator DE CONCINI's staffer, [] writes confidential memo to DE CONCINI summarizing what ACC "wants from [] and what ACC is "willing to do." DE CONCINI meets with MC CAIN

3/20/87 LINCOLN files a petition to recuse [] from decisions regarding LINCOLN

3/23/87 KEATING raises \$95,150 for [] at luncheon fundraiser held at the Hotel Ponchartrain. Of the \$95,150, \$78,250 was given by persons connected to ACC.

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3/24/87 Senator JOHN MC CAIN meets with KEATING and KEATING asks for MC CAIN's negotiating assistance. MC CAIN declines and six-year friendship ends. KEATING and [] meet separately with Senators DE CONCINI, CRANSTON (with [] and ROBERT DOLE

3/25/87 Senator PROXMIRE offers amendment to FSLIC recap bill (SB790) that would authorize FSLIC to define unsafe and unsound practices

3/26/87 CRANSTON convinces PROXMIRE to withdraw his amendment - at request of LSL.

3/27/87 CRANSTON submits to Congressional Record language written by ACC's attorney [] that would assist LSL in litigation against FHLBB.

4/1/87 HENKEL resigns from FHLBB

4/2/87 [] meets with Senators DE CONCINI, MC CAIN, CRANSTON and GLENN in DE CONCINI's office regarding LINCOLN

4/9/87 [] and three other FHLBB regulators meet in DE CONCINI's office with DE CONCINI, MC CAIN, CRANSTON, GLENN and RIEGLE - DE CONCINI tries to make deal for LINCOLN - offers that LINCOLN will invest 55 percent of assets in home mortgages if FHLBB yields on direct investment rule and property appraisals. Before this meeting, [] meets with DE CONCINI

4/ /87 CRANSTON's aide, [] visits ACC in Phoenix at ACC's expense

4/20/87 FHLB Report of Examination sent to LINCOLN

4/21/87 RIEGLE meets with []

5/1/87 FHLB OF SAN FRANCISCO recommends to FHLBB that LINCOLN be seized. This recommendation is the conclusion of a 285-page Recommendation and Statement of Supervisory Concerns

6/30/87 [] leaves FHLBB post; replaced by []

7/10/87 CENTER FOR PARTICIPATION IN DEMOCRACY and THE ORGANIZING INSTITUTE (originally known as MONTEREY LEADERSHIP TRAINING INSTITUTE) are incorporated - []

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7/17/87 LINCOLN sues FHLBB over leaks of information regarding LINCOLN examination; lawsuit is dropped on 7/29/87, after assurances received from [redacted]

7/23/87 [redacted] of FHLBB's Office of Regulatory Policy, Oversight and Supervision (ORPOS) recommends LINCOLN be placed in receivership and that FHLBB be briefed on all supervisory options

7/23/87 [redacted] meets with FHLBB's [redacted] to resolve LINCOLN's lawsuit alleging leaks

8/7/87 [redacted] joins the FHLBB

8/21/87 LINCOLN contributes \$10,000 to the GARN INSTITUTE

8/28/87 LINCOLN informed of proposed field visit by FHLB OF SAN FRANCISCO examiners in connection with re-examination based on LINCOLN's claim of new facts. LINCOLN responds that no further information would be given without a court order

9/2/87 CPD obtains 501(C)(3) status from IRS

9/2/87 Following a meeting of [redacted] and FHLBB General Counsel [redacted] the FHLB OF SAN FRANCISCO was ordered not to conduct further examinations of LINCOLN - and LINCOLN was then free of supervision until mid July 1988

9/17/87 [redacted] meet with [redacted] re exam visits

9/24/87 KEATING, [redacted] meet with [redacted] regarding 1986 FHLB OF SAN FRANCISCO examination and it is decided FHLBB will take an independent review of San Francisco findings. KEATING, [redacted] meet separately with Senators DE CONCINI and RIEGLE, Congressman RHODES and [redacted] KEATING meets with CRANSTON and [redacted] in Washington; KEATING agrees to contribute \$250,000 to USA VOTES and FORUM INSTITUTE after CRANSTON asks for it

10/16/87 FHLBB's [redacted], completes review of San Francisco exam of LINCOLN, concludes that LINCOLN is being operated

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in an "unsafe and unsound manner", and recommends FHLBB proceed with a cease and desist order

10/21/87 [] meets with [] - suggests transfer out of SF District

10/29/87 KEATING and associates contribute \$5,500 to DE CONCINI - brings total contribution to \$39,000

11/5/87 LINCOLN sends FHLBB a proposed memo of understanding to resolve issues of exam - includes transfer out of San Francisco district

11/6/87 [] delivers to CRANSTON ACC checks dated 11/5/87 for \$225,000 to the FORUM INSTITUTE, and \$25,000 to USA VOTES, an association chaired by CRANSTON and managed by NEW DIMENSION RESOURCES

11/12/87 CRANSTON calls [] to urge quick resolution of LINCOLN exam

11/18/87 RIEGLE meets with []

11/23/87 [] receive helicopter tour of ACC's Phoenix developments

1/4/88 [] submits proposed MOU to FHLB-SF; rejected by []

1/7/88 KEATING and [] dine with [], banking aide to Senator JOHN HEINZ, in Phoenix

1/8/88 ALAN [] CRANSTON have dinner with KEATING and [] in Beverly Hills

1/8/88 [] meet with [] to complain about FHLB-SF. [] suggest conditions for moving to a new district.

1/18/88 ACC contributes \$6,000 to California Assemblyman TOM BANE

1/18/88 In a memo to CRANSTON, USA VOTES fundraiser [] reports that KEATING has asked CRANSTON to arrange a meeting with [] so KEATING can hear from [] why the LINCOLN SAVINGS exam is continuing four months after [] told him it would end in two weeks

1/20/88 CRANSTON calls []

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allegation re examiner tasked to find something on LINCOLN. Also tells [] KEATING will be in town on 1/28.

1/27/88 KEATING and [] meet separately with Congressman BARNARD and Senator METZENBAUM

1/28/88 [] meets with KEATING regarding KEATING's complaints of news leaks and length of exam. This meeting may have been arranged by CRANSTON. On the same day, KEATING and [] meet separately with [] RIEGLE, DE CONCINI, GLENN and CRANSTON (with [])

2/2/88 KEATING and associates contribute \$4,000 to []

2/4/88 At [] request, FHLBB [] meets with KEATING for four hours, after [] told [] to try to achieve a "peaceful resolution". Separately, KEATING and [] meet with RIEGLE.

2/5/88 KEATING and [] negotiate a proposed memo of understanding with []

2/9/88 KEATING meets in Sacramento with JOHN GEOGHEGAN, California Secretary of Business, Transportation and Housing

2/10/88 CRANSTON visits KEATING in Phoenix at expense of NEW DIMENSION RESOURCES, and picks up \$400,000 ACC contribution to the CENTER FOR PARTICIPATION IN DEMOCRACY and an additional \$100,000 ACC contribution to the FORUM INSTITUTE

2/12/88 KEATING writes [] that he is in "full agreement" with a proposed Memorandum of Understanding that would transfer supervision of LINCOLN to FHLB-Seattle

2/16/88 CRANSTON has conversation with []

2/19/88 KEATING, [] [] meet with regulators from FHLBB of Seattle regarding potential acquisition by LINCOLN of savings and loan in 12th district

2/22/88 FHLB-SF again recommends conservatorship for LINCOLN to FHLB's Enforcement Review Committee; condemns ORPOS' proposed Memorandum of Understanding

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2/22/88 KEATING and [] agree to sponsor a fundraising event to be held in New York on May 10 or 11, with the goal of raising \$100,000 for RIEGLE

2/23/88 CRANSTON provides KEATING with a letter of introduction to the American Ambassador to Yugoslavia

2/23/88 [] attends special briefing held by USA VOTES and Democratic Victory Fund at U.S. Capitol

3/4/88 CPD receives determination from IRS that foundations may contribute without adverse tax consequences

3/11/88 Senator RIEGLE returns contributions made by KEATING and associates totalling \$76,100

3/11/88 KEATING contributes \$10,000 to former Congressman DAVE EVANS' PAC (NATIONAL ACTION COMMITTEE)

3/25/88 KEATING, [] appear before FHLBB's ERC

4/6/88 KEATING and associates contribute \$11,500 to Senator ORRIN HATCH at Crescent Hotel fundraiser/reception

4/18/88 CRANSTON talks with [] re ERC hearing

4/20/88 RIEGLE meets with []

4/21/88 CRANSTON talks with []

SAT 4/30/88 FHLBB's Enforcement Review Committee recommends to FHLBB that a new exam of LINCOLN be conducted

5/3/88 KEATING meets with [] in Sacramento

TH 5/5/88 [] vote to transfer regulation of LINCOLN from San Francisco to Washington and to negotiate a settlement with LINCOLN ; [] dissents

5/5/88 [] informs KEATING that Board voted to have supervisory agreement and to put monitor in LINCOLN. KEATING says this was totally unacceptable, and calls CRANSTON and DE CONCINI, asking them to call []

5/6/88 CRANSTON's aide [] calls [] aides [] - tells them that

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CRANSTON is "very concerned" about "supervisory approach" towards LINCOLN

5/9/88 ACC contributes \$10,000 to California Legislator PAT NOLAN in connection with SAMUELIAN fundraiser

TU 5/10/88 [] telephones KEATING to tell him to take or leave FHLBB's proposed agreement. KEATING attorney [] writes KEATING "you have the board right where you want them".

5/16/88 [] meets with CRANSTON

5/18/88 [] meets with RIEGLE

5/19/88 [] meets with []

5/20/88 FHLBB and LINCOLN sign memo of understanding, providing for an new examination to be conducted by ORPOS in Washington

6/5/88 KEATING and associates contribute \$100,000 to REPUBLICAN NATIONAL COMMITTEE and attend dinner with Vice President GEORGE BUSH in Los Angeles

6/8/88 CRANSTON meets with []

7/11/88 ORA (formerly ORPOS) begins exam of LINCOLN

8/1/88 RIEGLE meets with []

10/7/88 [] visits []

10/18-24/88 KEATING and associates contribute \$41,000 to Senator CHIC HECHT

10/24/88 ACC contributes \$5,000 to California Republican Party in connection with a Bob Hope Reception held on 10/27/88

10/31/88 ACC contributes \$75,000 to California Republican Party's Victory '88 fund - raised by SAMUELIAN

11/10/88 [] meets with []

11/17/88 KEATING and [] meet with Senator RIEGLE in Washington

12/2/88 KEATING tells ORA examiner [] that four entities are interested in acquiring LINCOLN

12/7/88 CRANSTON and [] meet with []

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12/8/88 RIEGLE and [] meet with [] and []

12/14/88 KEATING, [] meet with Congressman JON KYL in Phoenix. Later, KEATING and [] fly to Los Angeles for dinner meeting with Senator CRANSTON and his aide, [] - CRANSTON greets KEATING by saying this is a meeting of the mutual aid society.

12/20/88 ACC agrees to sell LINCOLN to LINCOLN ACQUISITION CORPORATION, represented by lobbyist and former FHLBB member []

1/10/89 ACC contributes \$10,000 to CRANSTON's PAC, Committee for Democratic Consensus, in connection with Super Bowl party

1/17/89 KEATING and [] visit [] to deliver response to exam report. Later, KEATING and [] meet with CRANSTON, [] meets with RIEGLE

2/7/89 [] meets with KEATING in [] office

2/8/89 CRANSTON's aide, [] telephones [] demanding to know why LINCOLN sale had not yet been approved. CRANSTON calls [] re pending sale

2/14/89 FHLBB begins third examination of LINCOLN

2/23/89 REIGLE and [] meet with []

3/27/89 CRANSTON meets with []

4/7/89 At end of meeting with [] on another matter, DE CONCINI raises issue of pending offer to sell LINCOLN. [] meets with CRANSTON and []

4/11/89 At KEATING's request, DE CONCINI telephones [] and asked him to support the sale of LINCOLN to ROUSSELOT. CRANSTON's staffer, [] reportedly calls California officials in support of the sale

4/11/89 JOHN ROUSSELOT named LINCOLN Chairman and Chief Executive Officer as prelude to impending sale

4/12/89 CRANSTON urges [] and FHLBB member [] to reconsider sale of LINCOLN to ROUSSELOT

4/13/89 CRANSTON urges FHLBB member [] to hear ROUSSELOT's offer and consider the effect of

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bankruptcy on California, Arizona, and the FSLIC.
ACC files for Chapter 11 reorganization

4/14/89 FHLBB seizes LINCOLN - placed in conservatorship.
CRANSTON telephones [] - says Board made a
serious mistake. Congressman HUBBARD and []
[] also call [] re LINCOLN.

6/22/89 [] meets with []

7/13/89 [] meets with []

8/3/89 LINCOLN put in receivership

9/18/89 Senator DE CONCINI says he will return \$48,000 in
campaign contributions made by KEATING and
associates

11/8/89 Congressman PASHAYAN says he will return \$26,000
in campaign contributions made by KEATING and
associates

12/4/89 [] announces his resignation

12/21/89 Senator WILSON announces he has returned \$17,500
in campaign contributions received from KEATING
and his associates in one package on 4/8/85

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MGA004W.036

FBI

TRANSMIT VIA:

☒ Teletype
☐ Facsimile
☐ _____

PRECEDENCE:

☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☒ UNCLAS

Date

2/5/91

1 FM FBI LOS ANGELES (58C-PX-41605) (P)

2 TO DIRECTOR FBI/ROUTINE/

3 FBI PHOENIX (58C-PX-41605)/ROUTINE/

4 BT

5 UNCLAS

6 CITE: //3410:0670//

7 PASS: FBIHQ PUBLIC CORRUPTION UNIT, SSA [REDACTED]

8
9 SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON,
10 ET AL; CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN
11 ASSOCIATION, AMERICAN CONTINENTAL CORPORATION; CORRUPTION OF
12 PUBLIC OFFICIALS - LEGISLATIVE; OO: PHOENIX-LOS ANGELES.

13 RE TELCALL BETWEEN SANTA ANA SA [REDACTED] AND BUREAU SSA

14 [REDACTED] ON 2/5/91, AND PHOENIX LHM DATED 8/7/90.

15 REQUEST OF THE BUREAU: THE BUREAU IS REQUESTED TO AUTHORIZE

16

17

18 JAT/ngz

19

20

21

58C-PX-41605 160

SEARCHED	INDEXED
SERIALIZED	FILED
FEB 6 1991	
FILED - LOS ANGELES	

Approved:

LGL/bkc

Transmitted

(002) 324-4705 9:10am 2/6 clh
 (602) 279-5511 9:15am 2/6 clh
 (Number) (Time)

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FIELD INTERVIEW OF UNITED STATES SENATOR ROBERT BYRD IN
CONNECTION WITH CAPTIONED INVESTIGATION.

FOR FURTHER INFORMATION OF THE BUREAU, THIS INVESTIGATION
INVOLVES WELL-PUBLICIZED ALLEGATIONS THAT CAPTIONED UNITED STATES
SENATORS INTERCEDED ON SUBJECT CHARLES H. KEATING'S BEHALF WITH
FEDERAL HOME LOAN BANK BOARD (FHLBB) REGULATORS, IN EXCHANGE FOR
CONTRIBUTIONS TO THE SENATORS' CAMPAIGNS, POLITICAL ACTION
COMMITTEES, AND CRANSTON'S VOTER REGISTRATION GROUPS. THE
ALLEGED INTERFERENCE WAS ON BEHALF OF TROUBLED LINCOLN SAVINGS
AND LOAN ASSOCIATION (LSL), WHICH WAS ULTIMATELY PLACED IN
CONSERVATORSHIP BY THE FHLBB ON 4/14/89. INVESTIGATION IS
FOCUSING ON SENATOR CRANSTON, AND THE PATTERN OF SERVICES
PERFORMED BY CRANSTON FOR KEATING CLOSE IN TIME TO KEATING
CONTRIBUTIONS TO CRANSTON ORGANIZATIONS.

FORMER KEATING AIDE [REDACTED] ADVISED THAT [REDACTED]

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[REDACTED]
[REDACTED] HAS

ADVISED THAT PROXMIRE AGREED ON 10/18/86, TO DROP THE DIRECT
INVESTMENT LIMITATION IN THE BILL, TO REMOVE AN ANONYMOUS "HOLD"

ON THE FSLIC RECAPITALIZATION BILL. [] SAID PROXMIRE ASKED
SENATE MINORITY LEADER ROBERT BYRD TO IDENTIFY THE SENATOR WHO
HAD PLACED THE HOLD ON THE BILL, AND BYRD RESPONDED THAT THE
SENATOR WISHED TO REMAIN ANONYMOUS, BUT THAT THE HOLD WAS AIMED
AT THE DIRECT INVESTMENT LIMITATION. THE CONGRESSIONAL RECORD
FOR 10/18/86, AT PAGE S-17340 REFLECTS THAT, AFTER PROXMIRE
INTRODUCED THE FSLIC RECAPITALIZATION BILL, BYRD ASKED PROXMIRE
WHETHER THE BILL CONTAINED ANY LANGUAGE LIMITING DIRECT
INVESTMENT BY THRIFTS, AND PROXMIRE RESPONDED THAT THE DIRECT
INVESTMENT LIMITATION HAD BEEN REMOVED. BYRD THEN STATED THAT HE
ASKED THIS QUESTION AS PART OF HIS RESPONSIBILITY TO CERTAIN
OTHER UNNAMED SENATORS WHO WERE NOT PRESENT. [] HAS STATED
THAT WHEN BYRD MADE THESE STATEMENTS, HE WAS READING THEM FROM A
PAPER, AND [] LATER OBSERVED THE HANDWRITTEN QUESTIONS ON THE
PAPER, AND IN [] OPINION, BYRD'S QUESTIONS WERE WRITTEN BY
CRANSTON'S AIDE, []

DURING OCTOBER 1986, KEATING CONTRIBUTED \$85,000 OF AMERICAN
CONTINENTAL FUNDS TO THE CALIFORNIA DEMOCRATIC PARTY FOR
CRANSTON'S BENEFIT, AND LSL ARRANGED A \$350,000 LINE OF CREDIT
FOR CRANSTON.

SENATOR BYRD SHOULD BE INTERVIEWED TO DETERMINE WHETHER IT

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WAS CRANSTON WHO PLACED THE ANONYMOUS HOLD ON PROXMIRE'S DIRECT
INVESTMENT LIMITATION. INTERVIEW OF FORMER SENATOR WILLIAM
PROXMIRE IS ALSO CONTEMPLATED.

BT

4*

FBI

TRANSMIT VIA:

☒ Teletype
☐ Facsimile
☒ _____

PRECEDENCE:

☐ Immediate
☐ Priority
☒ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☒ UNCLAS

Date 2/21/91

1 FM FBI LOS ANGELES (58C-PX-41605) (SARA) (P)

2 TO DIRECTOR FBI/ROUTINE/

3 FBI WMFO (58C-PX-41605)/ROUTINE/

4 FBI PHOENIX/ROUTINE/

5 BT

6 UNCLAS

7 CITE: //3410:0670//

8 PASS: FOR THE BUREAU, SSA [REDACTED] PUBLIC CORRUPTION UNIT;
 9 FOR WMFO, NVMRA.

10
 11 SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON,
 12 DENNIS DECONCINI, JOHN GLENN, JOHN MCCAIN, DONALD RIEGLE;
 13 CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN
 14 ASSOCIATION, IRVINE, CALIFORNIA, AND AMERICAN CONTINENTAL
 15 CORPORATION, PHOENIX, ARIZONA; CORRUPTION OF FEDERAL PUBLIC
 16 OFFICIALS - LEGISLATIVE; OO: PHOENIX/LOS ANGELES (58C-PX-41605).
 17
 18

b6
 b7c

19 JAJ/mga.
20
21Approved: WCL/mr

Transmitted _____

(Number) (Time)

58C-PX-41605 170
SEARCHED _____ ME

INDEXED _____

SERIALIZED gFILED g

CHARLES KEATING, JR., CHAIRMAN, AMERICAN CONTINENTAL CORPORATION,
PHOENIX, ARIZONA; UNSUBS, PRINCIPALS AND OFFICERS OF AMERICAN
CONTINENTAL CORPORATION; UNSUBS, PRINCIPALS AND OFFICERS OF
LINCOLN SAVINGS AND LOAN ASSOCIATION, IRVINE, CALIFORNIA;
ELECTION LAW VIOLATIONS; OO: LOS ANGELES (56C-LA-101615).

LEE H. HENKEL, JR., FORMER MEMBER OF THE FEDERAL HOME LOAN BANK
BOARD, WASHINGTON, D.C.; CHARLES H. KEATING, JR., DBA LINCOLN
SAVINGS AND LOAN, IRVINE, CALIFORNIA; CORRUPTION OF FEDERAL
PUBLIC OFFICIALS - EXECUTIVE; OO: LOS ANGELES (58A-LA-111204).

RE SANTA ANA SA [REDACTED] TELCALL TO PUBLIC
CORRUPTION UNIT, SSA [REDACTED] ON 2/19/91, AND SA [REDACTED]
TELCALL WITH WMFO RELIEF SUPERVISOR [REDACTED] ON 2/11/91.

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b7C

AS DISCUSSED IN REFERENCED TELCALLS, LOS ANGELES SAS
[REDACTED] AND PHOENIX SA [REDACTED]
INTEND TO TRAVEL TO WMFO 2/25/91 THROUGH 2/28/91, FOR THE PURPOSE
OF CONDUCTING INTERVIEWS IN CAPTIONED MATTERS. INTERVIEWS ARE
PLANNED OF THE FOLLOWING:

1)

[REDACTED] LOBBIED SENATOR ALAN CRANSTON AND OTHER
CONGRESSMAN ON BEHALF OF LINCOLN SAVINGS AND LOAN (LSL).

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2)

[REDACTED] LOBBIED THE FEDERAL HOME LOAN BANK BOARD (FHLBB), ON BEHALF OF
LSL, AND SHE LOBBIED TO OBTAIN LEE HENKEL'S APPOINTMENT TO THE
FHLBB IN 1986.

3) [REDACTED] ATTORNEY. [REDACTED] WAS PREVIOUSLY INTERVIEWED BY THE FBI. FOLLOW-UP INTERVIEW IS NECESSARY IN LIGHT OF NEW INFORMATION, PARTICULARLY IN REGARD TO \$500,000 [REDACTED] RECEIVED FROM LSL IN LATE 1986, DURING THE SAME TIME THAT HE MAY HAVE ASSISTED IN GETTING HENKEL APPOINTED TO THE FHLBB.

4) UNITED STATES SENATOR ROBERT BYRD, PROVIDED FBIHQ APPROVAL IS GIVEN AND AN APPOINTMENT CAN BE ARRANGED. BYRD REPORTEDLY IS KNOWLEDGEABLE ABOUT CRANSTON'S EFFORTS TO KILL SENATOR PROXMIRE'S 1986 BILL THAT WOULD HAVE LIMITED DIRECT INVESTMENTS. FORMER LSL EMPLOYEE [REDACTED] HAS ADVISED THAT CRANSTON KILLED THE PROXMIRE BILL ON BEHALF OF LSL.

5) [REDACTED] FORMER SENATOR WILLIAM PROXMIRE. [REDACTED] IS REPORTEDLY KNOWLEDGEABLE ABOUT CRANSTON AIDE CAROLYN JORDAN'S INTEREST IN THE LEE HENKEL NOMINATION TO THE FHLBB IN 1986.

6) FORMER UNITED STATES SENATOR WILLIAM PROXMIRE. PROXMIRE REPORTEDLY WITHDREW LEGISLATION THAT WAS OPPOSED BY LSL, AT CRANSTON'S REQUEST.

NO ASSISTANCE OF WMFO IS REQUIRED. SAC WMFO AND SAC LOS ANGELES CONCUR WITH PROPOSED TRAVEL.

BT



FBI FACSIMILE COVERSHEET

CLASSIFICATION

PRECEDENCE

Immediate

Priority

☒ Routine

☐ Top Secret
☐ Secret
☐ Confidential
☐ Sensitive
☒ Unclassified

Time Transmitted: _____

Sender's Initials: _____

Number of Pages: 3

To: FBI Phoenix
(Name of Office)

Date: 2/8/91

Facsimile number: _____

Attn: _____

(Name)

Room

Telephone No.

From: FBI Los Angeles - SARA
(Name of Office)

Subject: Allegations concerning U.S. Senators;
dba Lincoln Savings and Loan and
American Continental Corp.;

OO: PX/LA

Special Handling Instructions: _____

Originator's Name: _____

Telephone: _____

Originator's Facsimile Number: _____

Approved: LGL/jcc

FBI DCJ

5x8

2/22/91

TO: SAC, LOS ANGELES (58C-PX-41605) (SARA-3) (P)

FROM: SA [REDACTED]

b6
b7C

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS
ALAN CRANSTON, DENNIS DECONCINI,
JOHN GLENN, JOHN MC CAIN, DONALD RIEGLE;
CHARLES H. KEATING, JR., dba
AMERICAN CONTINENTAL CORPORATION,
Phoenix, Arizona, and
LINCOLN SAVINGS AND LOAN ASSOCIATION,
Irvine, California;
CORRUPTION OF FEDERAL PUBLIC OFFICIALS - LEGISLATIVE;
OO: PHOENIX/LOS ANGELES

For information, Santa Ana SA'S [REDACTED]
[REDACTED] are scheduled to interview former U.S. Senator
WILLIAM PROXMIRE on 2/26/91 in Washington, D.C. On 2/22/91,
Bureau approved an interview of U.S. Senator ROBERT BYRD, and
Santa Ana agents are attempting to schedule an appointment with
BYRD for the week of 2/25/91. Phoenix SA [REDACTED] may
attend one or both of the interviews.

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Interview of PROXMIRE will relate primarily to three
matters:

1. Any influence Senator ALAN CRANSTON may have had on
PROXMIRE'S withdrawal of legislation in October, 1986, that would
have limited direct investments.

2. Any influence CRANSTON may have had on PROXIMIRE'S
withdrawal of legislation in March, 1987, that would have
authorized FEDERAL HOME LOAN BANK BOARD (FHLBB) regulation of
state-chartered savings institutions.

- 1 - SAC LAWRENCE G. LAWLER
- 1 - Senior ASAC [REDACTED] Division #1
- 1 - ASAC [REDACTED] Division #2
- 1 - ASAC [REDACTED] Division #3
- 1 - ASAC [REDACTED] Division #4
- 1 - SSA [REDACTED] WCC-4
- 1 - Media Coordinator
- 1 - Night Supervisor
- ✓ 1 - 58C-PX-41605

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JAJ/clh
(9)

58C-PX-41605-171

SEARCHED _____
INDEXED _____
SERIALIZED 9
FILED 9

RE

58C-PX-41605

3. Whether CRANSTON asked PROXMIRE to expedite Senate confirmation of KEATING'S friend LEE HENKEL, to the FHLBB in the fall of 1986.

Interview of BYRD would relate to the circumstances of the anonymous "hold" on PROXMIRE'S October 1986 legislation that would have limited direct investments, which caused PROXMIRE to withdraw the legislation. KEATING aide [REDACTED] has advised that CRANSTON killed the direct investment legislation, on behalf of KEATING.

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b7c



FBI FACSIMILE COVERSHEET

CLASSIFICATION

PRECEDENCE

- ☐ Immediate
☐ Priority
☒ Routine

- ☐ Top Secret
☐ Secret
☐ Confidential
☐ Sensitive
☒ Unclassified

Time Transmitted: _____

Sender's Initials: _____

Number of Pages: 4

To: FBIHQ — Public Corruption Unit Date: 2/21/91
(Name of Office)

Facsimile number: 202/324-6492

Attn: SSA
(Name) Room Telephone No.

From: SAC, LOS ANGELES (SANTA ANA RA)
(Name of Office)

Subject: ALAN CRANSTON, et al

Special Handling Instructions: _____

Originator's Name: Telephone: 714/542-8825

Originator's Facsimile Number: _____

Approved: _____

FBI DCJ

b6
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Sent
2/21/91
3:52 p.m.
Jm

[Handwritten signature]



FBI FACSIMILE COVERSHEET

CLASSIFICATION

PRECEDENCE

- ☐ Immediate
☐ Priority
☒ Routine

- ☐ Top Secret
☐ Secret
☐ Confidential
☐ Sensitive
☒ Unclassified

Time Transmitted: _____

Sender's Initials: _____

Number of Pages: 4

To: SAC, WMFO (NUMRA) Date: 2/21/91
(Name of Office)

Facsimile number: 202/ 252-7801

Attn: _____
(Name Room Telephone No.)

From: SAC, LOS ANGELES
(Name of Office)

Subject: 58C-PX-41605

Special Handling Instructions: _____

Originator's Name: Telephone: 714/542-8825

Originator's Facsimile Number: _____

Approved: _____

FBI DCJ

Sent
2/21/91
3:58 pm
jef

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FBI FACSIMILE COVERSHEET

CLASSIFICATION

PRECEDENCE

- ☐ Immediate
- ☐ Priority
- ☒ Routine

- ☐ Top Secret
- ☐ Secret
- ☐ Confidential
- ☐ Sensitive
- ☒ Unclassified

Time Transmitted: 3:48
Sender's Initials: JE
Number of Pages: 4

To: SAC, Phoenix Date: 2/21/91
(Name of Office)

Facsimile number: 602/279-5511

Attn: SSA No.
(Name)

From: SAC, LOS ANGELES (SANTA ANA)
(Name of Office)

Subject: _____

Special Handling Instructions: _____

Originator's Name: SA Telephone: 714/542-8825

Originator's Facsimile Number:

Approved: _____

FBI DCJ

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*Sent
2/21/91
3:48 pm
JE*

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 2/15/91

[redacted]
[redacted] was contacted by [redacted] who identified himself to [redacted] as a Special Agent (SA) with the FEDERAL BUREAU OF INVESTIGATION (FBI). [redacted] thereafter provided the following information:

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b7Db6
b7C
b7DInvestigation on 2/11/91

at [redacted]

File # 58C-PX-41605-172b6
b7C
b7D

by SA [redacted]

tr*

Date dictated 2/11/91

FBI

TRANSMIT VIA:

☐ Teletype
☐ Facsimile
☒ AIRTEL

PRECEDENCE:

☐ Immediate
☐ Priority
☐ Routine

CLASSIFICATION:

☐ TOP SECRET
☐ SECRET
☐ CONFIDENTIAL
☐ UNCLAS E F T O
☐ UNCLAS

Date 2/15/91

TO : SAC, LOS ANGELES (58C-PX-41605)
 FROM : SAC, [REDACTED] (58C-PX-41605) (PRA) (RUC)
 SUBJECT : ALLEGATIONS CONCERNING UNITED STATES
 SENATORS ALAN CRANSTON;
 DENNIS DECONCINI;
 JOHN GLENN;
 JOHN MCCAIN;
 DONALD RIEGLE;
 CHARLES H. KEATING, JR., dba
 LINCOLN SAVINGS AND LOAN ASSOCIATION,
 IRVINE, CALIFORNIA;
 AMERICAN CONTINENTAL CORPORATION,
 PHOENIX, ARIZONA;
 CORRUPTION OF FEDERAL PUBLIC OFFICIALS-
 LEGISLATIVE;
 OO: PHOENIX/LOS ANGELES

Reference Los Angeles teletype to [REDACTED] dated
 February 8, 1991.

Enclosed for Los Angeles is the original and one
 copy of an FD-302 reflecting interview on February 11, 1991,
 of [REDACTED] Also enclosed for Los Angeles is a 1A
 envelope containing original interview notes regarding [REDACTED]
 [REDACTED]

Enclosed for Phoenix are two copies of FD-302
 reflecting interview of [REDACTED] on February 11, 1991.

2 - Los Angeles (58C-PX-41605) (Enc. 3)
 2 - Phoenix (58C-PX-41605) (Enc. 2)
 2 - [REDACTED]
 HSH:tr*
 (6)

SARA

58C-PX-41605-173

SEARCHED	INDEXED
SERIALIZED	FILED
FEB 27 1991	

Approved: _____

Transmitted _____

(Number) (Time)

Per _____

0042 MRI 00364

RR RUCNFB FBILA

DE FBIPX #0008 0541324

ZNR UUUUU

R 230340Z FEB 91

FM FBI PHOENIX (58C-PX-41605) (P)

TO DIRECTOR FBI/ROUTINE/

FBI LOS ANGELES/ROUTINE/

BT

UNCLAS

CITE: //3630//

PASS: PUBLIC CORRUPTION UNIT, SSA [REDACTED]

b6
b7C

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON,
ET AL; CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN
ASSOCIATION, AMERICAN CONTINENTAL CORPORATION; CORRUPTION OF
PUBLIC OFFICIALS AND LEGISLATIVE; OO: PX/LA.

RE SSA [REDACTED] TELCAL TO SSA [REDACTED]

b6
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2/20/91; AND PHOENIX FAX TO FBIHQ REGARDING CAPTIONED MATTER,
2/21/91.

DURING THE PAST TWO WEEKS, PHOENIX AND LOS ANGELES HAVE

TELETYPE

58C-PX-41605-174

SEARCHED	INDEXED
SERIALIZED	FILED
WCC	
4 FEB 23 1991	

[REDACTED]

SARA
called 2/25/91
[Signature]

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b7C

PAGE TWO DE FBIPX 0008 UNCLAS

BEEN REVIEWING DEPOSITIONS, EXHIBITS, AND TRANSCRIPTS
GENERATED FROM THE RECENT SENATE ETHICS COMMITTEE HEARINGS.
THIS RECORD REVIEW EXCLUDES TESTIMONY AND ANY DOCUMENTS

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[REDACTED]
[REDACTED]
FOR KEATING WHO WAS GRANTED IMMUNITY BY THE COMMITTEE.

ON 2/20/91, AUSA [REDACTED] INDICATED THAT HE WOULD
RESOLVE THE ISSUE OF IMMUNITY REGARDING [REDACTED] WITHIN
THE NEXT TWO WEEKS. AFTER THIS DETERMINATION HAS BEEN MADE BY
AUSA [REDACTED] AND IF IMMUNITY IS GIVEN [REDACTED] REVIEW OF THE
SENATE ETHICS COMMITTEE DOCUMENTS WOULD INCLUDE THOSE RECEIVED
AFTER [REDACTED] TESTIMONY.

ADDITIONALLY, A SUBPOENA WAS ISND LOAN ASSOCIATION (LSL), TO
PRODUCE DOCUMENTS OF CERTAIN LOAN RECORDS TO DETERMINE IF
THERE WAS ANY FINANCIAL INVOLVEMENT ON THE PART OF SENATOR
DECONCINI AND LSL. THE LAW FIRM OF MORRISON, HECKER WHICH NOW
REPRESENTS LSL, HAS IDENTIFIED APPROXIMATELY 15 BOXES AT THE
PHOENIX DEPOSITORY WHICH MAY OR MAY NOT INCLUDE THESE
DOCUMENTS. THESE BOXES ARE BEING REVIEWED FOR THESE LOAN
DOCUMENTS.

RECORDS SUBMITTED TO THE PHOENIX DEPOSITORY FROM THE LAW

PAGE THREE DE FBIPX 0008 UNCLAS

FIRM OF MILLER AND CHEVALIER HAVE BEEN REVIEWED. THIS LAW
FIRM EMPLOYS [REDACTED] LOBBYIST FOR KEATING.

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AUSA [REDACTED] DEVELOPED INFORMATION THAT SENATOR
CRANSTON [REDACTED] MAY HAVE UNDISCLOSED BUSINESS
DEALINGS, WITH COMPANIES THAT [REDACTED] IN
PARTICULAR, THE INFORMATION SUGGESTED THAT [REDACTED]

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[REDACTED]
AUSA [REDACTED] REQUESTED THAT THE FBI SERVE A SUBPOENA AT
[REDACTED]
[REDACTED]

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[REDACTED] WAS INTERVIEWED BY AUSA [REDACTED]

PREVIOUSLY HAD INDICATED HE COULD PROVIDE INFORMATION OF VALUE
TO THE GOVERNMENT IN RETURN FOR LESSENING HIS CRIMINAL
EXPOSURE IN THE 29 MATTER RELATING TO [REDACTED]

[REDACTED] AUSA [REDACTED] INDICATED THAT THE INFORMATION

[REDACTED] COULD PROVIDE WAS NOT SIGNIFICANT AND STATED THAT

THERE APPEARED TO BE [REDACTED]

[REDACTED] AUSA [REDACTED] SAID THE

[REDACTED] AUSA [REDACTED] WANTED THE

FBI TO CONDUCT A DETAILED INTERVIEW OF [REDACTED] HOWEVER, THE

PAGE FOUR DE FBIPX 0008 UNCLAS

NEGOTIATIONS FELL THROUGH AND THIS INTERVIEW HAS NOT BEEN CONDUCTED.

DURING THE WEEK OF 2/25/91 AND 3/1/91, THE FOLLOWING INDIVIDUALS WILL BE INTERVIEWED IN WASHINGTON, D.C.; WILLIAM PROXMIRE (FORMER U.S. SENATOR), REGARDING ACC/LSL ATTEMPTS TO INFLUENCE LEGISLATION AND IN PARTICULAR, CRANSTON'S INFLUENCE ON LEGISLATION REGARDING DIRECT INVESTMENTS IN 10/86 AND 3/87.

SENATOR ROBERT BYRD REGARDING THE CIRCUMSTANCES OF THE FSLIC RECAPITALIZATION LEGISLATION IN OCTOBER 1986. PROXMIRE AID, [REDACTED] WAS INTERVIEWED ON 11/90 AND INDICATED THAT DURING THE FINAL DAYS OF THE 1986 SENATE SESSION, AN ANONYMOUS "HOLD" HAD BEEN PLACED ON PROXMIRE'S AMENDMENT LIMITING DIRECT INVESTMENTS OF THRIFTS. [REDACTED] IN HIS EFFORT TO ATTEMPT TO DETERMINE WHO PLACED A HOLD ASKED SENATOR ROBERT BYRD WHO PLACED THIS HOLD, HOWEVER, BYRD DID NOT WISH TO DISCLOSE THE IDENTITY OF THE SENATOR. BYRD, HOWEVER, INDICATED THAT THE HOLD WAS AIMED AT THE DIRECT INVESTMENT LIMITATION. AFTER PROXMIRE WITHDREW THE AMENDMENT AFFECTING DIRECT INVESTMENTS, THE HOLD ON THE FSLIC RECAPITALIZATION BILL WAS REMOVED. [REDACTED] BELIEVES THE HOLD WAS PLACED BY SENATOR CRANSTON.

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[REDACTED]

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[REDACTED] WILL BE INTERVIEWED REGARDING LOS ANGELES FILE ENTITLED "CHARLES KEATING, JR., CHAIRMAN, AMERICAN CONTINENTAL CORPORATION, PHOENIX, ARIZONA; UNSUBS, PRINCIPALS AND OFFICERS OF AMERICAN CONTINENTAL CORPORATION; UNSUBS; PRINCIPAL AND OFFICERS OF LINCOLN SAVINGS AND LOAN, IRVINE, CALIFORNIA, ELECTION LAW VIOLATION, OO: LOS ANGELES" (56C-LA-101615).

[REDACTED] ATTORNEY AND LOBBYIST WILL BE INTERVIEWED REGARDING HIS LOBBYING OF POLITICIANS AND NEGOTIATIONS WITH THE FEDERAL HOME LOAN BANK BOARD ON BEHALF OF ACC/LSL.

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[REDACTED] ATTORNEY AND LOBBYIST, WILL BE INTERVIEWED REGARDING HIS LOBBYING EFFORTS ON BEHALF OF LEE HENKEL AND HIS CONTACTS WITH HENKEL AFTER HIS APPOINTMENT AS A FHLBB BOARD MEMBER.

[REDACTED] ATTORNEY AND LOBBYIST, WHO ACTIVELY LOBBIED ON BEHALF OF KEATING, WILL BE INTERVIEWED REGARDING A LETTER SHE SENT TO KEATING WHERE SHE STATES IN THE OPENING PARAGRAPH "YOU HAVE THE BOARD (REFERRING TO THE FHLBB) RIGHT WHERE YOU WANT THEM AND YOU SHOULD BE ABLE TO REACH AN AGREEMENT TOMORROW WHICH WILL COMPLETELY SATISFY YOU."

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PAGE SIX DE FBIPX 0008 UNCLAS

AS OF THE DATE OF THIS TELETYPE, THE BUREAU HAS NOT
AUTHORIZED THE INTERVIEW OF SENATOR ROBERT BYRD AND IT IS
REQUESTED THAT THIS AUTHORITY BE OBTAINED IN ORDER THAT THE
INTERVIEW OF BYRD CAN OCCUR DURING THE WEEK OF 2/25 - 3/1/91.

BT

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FEB 25 8 17 PM '91
TELETYPE ROOM

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DE RUCNFB #0079 0570308

ZNR UUUUU

P 251721Z FEB 91

FM DIRECTOR FBI

TO FBI LOS ANGELES (58C-PX-41605)/PRIORITY/

FBI PHOENIX (58C-PX-41605)/PRIORITY/

BT

UNCLAS

CITE: //0622//

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTON,
DENNIS D. DECONCINI, JOHN GLENN, JOHN MCCAIN, DONALD RIEGLE;
CHARLES H. KEATING, JR., DBA AMERICAN CONTINENTAL
CORPORATION, PHOENIX, ARIZONA, AND LINCOLN SAVINGS AND LOAN
ASSOCIATION, IRVINE, CALIFORNIA; CORRUPTION OF FEDERAL PUBLIC
OFFICIALS - LEGISLATIVE; OO: PHOENIX/LOS ANGELES.

RELATEL TO THE DIRECTOR DATED 2/5/91, AND TELCALL OF SSA

[REDACTED] TO SA [REDACTED] SANTA ANNA RESIDENT
AGENCY, ON 2/22/91.

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TELETYPE

2/26/91
SARA
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58C-PX-41605-175

SEARCHED	INDEXED
SERIALIZED	FILED
FEB 25 1991	
ANGELES	

PAGE TWO DE RUCNFB 0079 UNCLAS

REFERENCED COMMUNICATION REQUESTED FBIHQ AUTHORITY FOR THE LOS ANGELES DIVISION TO CONDUCT AN INTERVIEW OF U.S. SENATOR ROBERT C. BYRD, WEST VIRGINIA, CONCERNING CAPTIONED MATTER. ON 2/21/91, THE ASSISTANT DIRECTOR, CRIMINAL INVESTIGATIVE DIVISION, FURNISHED APPROVAL FOR THE LOS ANGELES DIVISION'S REQUEST. LOS ANGELES IS REQUESTED TO EXPEDITIOUSLY FURNISH FBIHQ WITH RESULTS OF THIS INTERVIEW UPON COMPLETION.

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TELETYPE ROOM

0089 MRI 00450

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DE FBIPX #0012 0661426

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FM FBI PHOENIX (58C-PX-41605) (P)

TO DIRECTOR FBI/ROUTINE/

FBI LOS ANGELES/ROUTINE/

BT

UNCLAS

SECTION ONE OF TWO SECTIONS

CITE: //3630:0004//

PASS: PUBLIC CORRUPTION UNIT, SSA

b6
b7C

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTAN,
ET AL; CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN
ASSOCIATION, AMERICAN CONTINENTAL CORPORATION; CORRUPTION OF
PUBLIC OFFICIALS-LEGISLATIVE; OO: PX/LA.

RE PHOENIX TELETYPE TO THE BUREAU, 2/20/91.

DURING THE WEEK OF 2/25-28/91, THE FOLLOWING INTERVIEWS
WERE CONDUCTED IN WASHINGTON, DC:

FILE REVIEWED
4-7-99
INITIALS

TELETYPE

SARA

58C-PX-41605-176

SEARCHED	INDEXED
SERIALIZED	FILED
MAR 07 1991	

WJC
4

[Signature]

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PAGE TWO DE FBIPX 0012 UNCLAS

FORMER U.S. SENATOR WILLIAM PROXMIRE STATED HE COULD NOT RECALL THE DETAILS CONCERNING HIS AMENDMENT LIMITING DIRECT INVESTMENTS OF THRIFTS. PROXMIRE, HOWEVER, RECALLED THAT SENATOR ALAN CRANSTON AND OTHER U.S. SENATORS EXPRESSED CONCERN ABOUT THE DIRECT INVESTMENT ISSUE. PROXMIRE STATED IN MARCH 1987 SOMEONE UNRECALLED (POSSIBLY COULD HAVE BEEN

[REDACTED] AID OF SENATOR CRANSTON) CONTACTED HIM ASKING THAT HE WITHDRAW THE LANGUAGE REGARDING THE FEDERAL HOME LOAN BANK BOARD'S (FHLBB) AUTHORITY TO REGULATE STATE CHARTERED SAVINGS AND LOANS.

[REDACTED]
STATED [REDACTED] TO SENATOR CRANSTON) WAS ACTIVELY INVOLVED IN THE NOMINATION OF [REDACTED] POSITION. [REDACTED] FURTHER STATED [REDACTED]

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PAGE SIX DE FBIPX 0012 UNCLAS

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b7C
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[REDACTED] FORMER LOBBYIST FOR ACC, PROVIDED THE FBI COPIES OF BANK RECORDS WHICH HE STATED WOULD SHOW THAT THE \$500,000 RECEIVED FROM LSL WAS NOT A CONDUIT CONTRIBUTION, BUT WAS "COMPENSATION" FOR PAST SERVICES IN REGARDS TO THE GULF BROADCASTING TRANSACTION. [REDACTED] FURTHER STATED THAT HE DID NOT RECEIVE ANY ADVANCE COPIES OF THE LEE HENKEL PROPOSAL AND FIRST SAW IT WHEN IT HAD BEEN MADE PUBLIC.

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SENATOR ROBERT BYRD OF WEST VIRGINIA DID NOT RECALL ANY DETAILS CONCERNING A HOLD PLACED ON A FSLIC RECAPITALIZATION LEGISLATION IN OCTOBER 1986. BYRD COULD NOT IDENTIFY ANY U.S. SENATOR WHO WOULD HAVE PLACED SUCH A HOLD. SENATOR BYRD FURTHER COULD NOT ASSIST IN IDENTIFYING ANY SENATE RECORD WHICH WOULD ENABLE THE FBI TO IDENTIFY THE SENATORS WHO PLACED

BT

#0012

NNNN

0090 MRI 00451

RR RUCNFB FBILA

DE FBIPX #0013 0661427

ZNR UUUUU

R 070542Z MAR 91

FM FBI PHOENIX (58C-PX-41605) (P)

TO DIRECTOR FBI/ROUTINE/

FBI LOS ANGELES/ROUTINE/

BT

UNCLAS

SECTION TWO OF TWO SECTIONS

CITE: //3630:0004//

PASS: PUBLIC CORRUPTION UNIT, SSA [REDACTED]

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b7c

SUBJECT: ALLEGATIONS CONCERNING U.S. SENATORS ALAN CRANSTAN,
ET AL; CHARLES H. KEATING, JR., DBA LINCOLN SAVINGS AND LOAN
ASSOCIATION, AMERICAN CONTINENTAL CORPORATION; CORRUPTION OF
PUBLIC OFFICIALS-LEGISLATIVE; OO: PX/LA.

TEXT CONTINUES:

THIS HOLD.

[REDACTED] AN ATTORNEY AND LOBBYIST FOR ACC, STATED

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b7c

PAGE TWO DE FBIPX 0013 UNCLAS

SHE DID NOT LOBBY ON BEHALF OF THE HENKEL APPOINTMENT TO THE FHLBB AND MERELY ASSISTED HENKEL IN FILLING OUT THE NECESSARY FORMS FOR THE GOVERNMENT ETHICS OFFICE AND THE WHITE HOUSE.

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[] SAID SHE RECEIVED A TELEPHONE CALL FROM LEE HENKEL ON 12/18/86 ASKING HER TO TYPE HIS HANDWRITTEN PROPOSAL WHICH WAS TO BE PRESENTED TO THE BOARD THE SAME DAY. HENKEL TOLD [] THAT HE DID NOT TRUST ANYONE IN THE FHLBB AND WAS CONCERNED HIS PROPOSAL WOULD BE LEAKED. [] SAID SHE CALLED []

[] AFTER SHE RECEIVED THE HANDWRITTEN COPY AND HE INSTRUCTED HER TO SEND COPIES TO []

[] SAID SHE BELIEVES SOME CHANGES WERE MADE TO THIS PROPOSAL BUT COULD NOT RECALL WHAT THE CHANGES WERE.

b6
b7c

[] STATED SHE HAD NO INFORMATION WHATSOEVER CONCERNING THE SALE OF THE CONTINENTAL SOUTHERN STOCK OR HOW THE PRICE WAS ESTABLISHED. [] SAID IN REGARDS TO HER LETTER OF 5/10/88 TO CHARLES H. KEATING, JR., WHERE SHE INDICATED PRESSURE HAD BEEN APPLIED ON [] DID NOT RELATE TO POLITICAL PRESSURE BUT THE PRESSURE OF NEGOTIATION. [] SAID SHE HAD NEVER MET WITH [] AND HAD NO CONTACT WITH ANY OF THE FIVE SENATORS OR THEIR STAFF REGARDING LSL.

BT

PAGE THREE DE FBIPX 0013 UNCLAS

#0013

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FEDERAL BUREAU OF INVESTIGATION
FOI/PA
DELETED PAGE INFORMATION SHEET
FOI/PA# 1259813-1

Total Deleted Page(s) = 15

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X For this Page X
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Allegations Concerning U.S.
Senators Alan Cranston, Dennis
D. DeConcini et al.

(Title)

(File No.)

58C-PX-41603-1A

Item	Date Filed	To be returned:		Disposition
		Yes	No	
1	12/1/89			INTV NOTES re [redacted] b6 b7C b7D
2	12/1/89			INTV NOTES re [redacted] (u) b6 b7C b7D
3	12/18/89			Original notes re Int of [redacted] b6 b7C
4	12/18/89			Original notes re Int of [redacted] b6 b7C
5	12/18/89			Notes of [redacted] b6 b7C b7D
6	12/18/89			Original notes re Int of [redacted] b6 b7C b7D
7	12/18/89			[redacted] notes submitted for [redacted]
8	1-11-90			Accuracy by [redacted]
9	1-11-90			INTV Notes re [redacted]
10	4-23-90			INTV Notes re [redacted] (u) b6 b7C
11	4-23-90			ORIG. INTV. NOTES re [redacted]
12	4-23-90			ORIG. INTV. NOTES re [redacted]
13	4-26-90			COPIES OF [redacted]
14	4-26-90			PAY STUB. FRANKLIN S. BULLOCK re [redacted]
14	4-26-90			ORIG. INTV. NOTES re [redacted] known

b6
b7C

58C-PX-41603-1A

SEARCHED	INDEXED
SERIALIZED	FILED
DEC 12 1989	
FBI - LOS ANGELES	

RS

Field File No.

58C-PX-41605-1A1

Serial # of Originating Document

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Date Received

11/21/89

From

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By

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(Name of Special Agent)

To Be Returned ☐ Yes ☐ No Receipt Given ☐ Yes ☐ No

Grand Jury Material - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure ☐ Yes ☐ No

Title:

Reference:

(Communication Enclosing Material)

Description:

☒ Original notes re interview of

b6
b7C

b6
b7C
b7D

12/12/89 EM

Field File No.

41605
58C-PX-46105

Serial # of Originating Document

OO and File No.

PX - 58C-PX-46105 - 1A2

Date Received

11/9/89

From

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To Be Returned ☐ Yes ☐ No Receipt Given ☐ Yes ☐ No

Grand Jury Material - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure ☐ Yes ☐ No

Title: SENATOR A. CRANSTON, ET AL
CORRUPTION OF FEDERAL PUBLIC
OFFICIALS - LEGISLATIVE
OO: PX/LA.

Reference:

(Communication Enclosing Material)

Description: ☒ Original notes re interview of

[Redacted]

b6
b7C

b6
b7C

Rm 12/12/89

①

58C-PX-41605-1A2

11/9/89

Political Climate -

[redacted] WHY ARE YOU NOT TAKING ME -

+ Response - WAS - I WAS TOLD NOT TO BRING STAFF.

Only recalls ONE OTHER OCCASION TO HAVE KNOWLEDGE
WHEN [redacted] MET ABOUT [redacted]AFTER SOME MEETINGS AT LEAST AT FIRST WOULD
SPECIFICALLY RECALLS CARLY - "YOU GUYS WOULD NOT BELIEVE
WHAT THEY ASKED ME TO DO - WASHINGTON REF. FOR MORE THAN
TWO MONTHS."MAKING A RECORD OF MEETING -
DECLINING & WOULD SOMEONE PUT INTO ON
A 5X7 CARD.AFTER MEETINGS - GENERALLY - A BRIEFING
WOULD TAKE PLACE USUALLY WITH THOSE WHO
WOULD BE CONCERNED W/ SUBJECT MATTER -
THEY MAY HAVE MORE INFO -[redacted] NO QUESTION - HE DIDN'T TALK ABOUT
HIS PROPOSAL IN THE LATE NIGHT MEETING -THEN PRESENTED HIS PROPOSAL - ALL TYPED UP -
THE NEXT DAY AT THE BOARD MEETING

MINUTES WERE TAKEN AT THE BOARD MEETING -

(MAY HAVE BEEN TAPED - [redacted])

RECALLS - COMPLAINTS ABOUT OPPORTUNITIES -

" COMPLAINTS ABOUT LENGTH OF EXHIBITS

Field File No. 58C-PX-41605-1A3

Serial # of Originating Document _____

OO and File No. PX-58C-PX-41605

Date Received 11/27/89

From [Redacted]
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(City and State)

By [Redacted]
(Name of Special Agent)

To Be Returned ☐ Yes ☐ No Receipt Given ☐ Yes ☐ No

Grand Jury Material - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure ☐ Yes ☐ No

Title: U.S. SENATOR ALVIN CRANSTON, ET AL
CORRUPTION OF FEDERAL OFFICIALS - LEGISLATOR
OO: PX

Reference: _____
(Communication Enclosing Material)

Description: ☒ Original notes re interview of
[Redacted]

Saf 12-18-89

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1

11/27/89

b6
b7C

[REDACTED]
POSITION: (CARD)

DOB: [REDACTED]

DOB: SF, CA

[REDACTED] RICHMOND, CA

ADDRESS: [REDACTED]
(ACCOUNTING DEPT)

FORMER POSITION: [REDACTED]

Time Period - w/ FBI - SF - [REDACTED]

Position on Lincoln Exam - Manual/Review 1986 -
got involved w/ Lincoln - [REDACTED]

REPORTED TO: [REDACTED]

Reported to [REDACTED]

Was involved in 1984 Exam? NO
IF SO WHAT POSITION -

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[REDACTED]
Monitor Institutions

Approve Applications - Assigned approx 20 institutions

Supervisory + Examinative - Departments -

He was in the Supervisory side

Act upon Recommendations

Prison Agent [REDACTED]

Reallocated to [REDACTED]

Assigned to [REDACTED]

(Also has Bank
Titles)

DRASTIC DECISIONS WOULD BE MADE BY BOARD.

Formerly Exam + Supervisory - now since 3/01 April 87

WAS REORGANIZED - FOR [REDACTED]
TO ALSO HAVE EXAMINERS REPORT TO THEM
BEFORE FINAL EXAM REPORTS. NOW KNOW
THE PROBLEMS - AS THEY ARE DISCUSSED.

BACK IN 1986 DURING EXAM - HEARD PROBLEMS
W/ UNDERWRITING, LOANS, DIRECT INVESTMENTS -
HIGH RISK SECURITIES - HAD EXAM FILES -
SENT TO BANK - FOR REVIEW -
PROBLEMS EXISTED - (FIRST TIME TYPE PROBLEMS)
UNIQUE SITUATIONS -
MAJOR UNDERWRITING PROBLEMS, ^{IE} NO CREDIT APPS -
TO [REDACTED] - ETC. SET UP MEETING
IN JULY 1986 - W/ LINCOLN MANAGEMENT -
KEATING WAS PRESENT -
MEETING IN [REDACTED]
KEATING MADE IT CLEAR HE FELT THERE WAS
A "UNUSUAL" -

(ALSO TWO FISCAL MANAGERS PRESENT) - FOR SOME

- [REDACTED]
- FIRST TIME HE EVER SAW KEATING -
FELT KEATING MAY HAVE FELT A UNUSUAL DUE
TO:
1. SUBORDINATED DEBT APPLICATION - WAS DENIED
TO BE PART OF CAPITAL - CONDITION - FIRST
MUST SUBMIT A BUSINESS PLAN (LINCOLN
NOT HAPPY)
 2. APPLICATION FOR DIRECT INVESTMENTS -
DENIED TO SF OFFICE, APPROVED & THEN
BOARDS WHO DENIED

[REDACTED] WHO WAS IN CHARGE OF EXAM -
~~HE~~ CALLED THE MEETING & WAS IN CHARGE -
PURPOSE WAS TO DISCUSS FINDINGS TO DATE - KEATING

MELTING W/ SENAT

WAS UPSET - THOUGHT IT WAS A FINAL EXAM MEETING.

RECALLS BEING THREATENED W/ A PERSONAL LIABILITY LAW SUIT. -

ADDITIONAL MEETINGS TOOK PLACE - END OF 1986 BEGINNING OF 1987 -

FUND ON SIGHT ACTUALLY TERMINATED 10/31/86 - MANY MONTHS THEN ATTEMPTING TO GET MANAGEMENT RESPONSE - ~~DATE~~ 15 - ON ASSET EVALUATION ETC. ON MARCH 9th ALL RESPONSES WERE RECEIVED - STANDARD THEN RESPONSES ARE REVIEWED. FINAL REPORT SUBMITTED TO BOARD OF DIRECTORS + TO BANK BOARD - BELIEVED APRIL 1987.

MELTING W/ SENATORS

NOTIFIED A COUPLE DAYS BEFORE THE 9th - WAS IN SF

NOTIFIED BY HE

RECALLS BEING TOLD IT WAS TO REMAIN CONFIDENTIAL

RECALLS WRO W/ U.S. SENATORS - ~~DIDN'T KNOW~~ ~~WAS~~ EXACTLY WHO -

FLEW BACK W/

~~WAS~~ ~~DO NOT~~ ~~RECALL~~ RECALLS MENTIONING TO ^{TO} SENATORS

DIERDORF HE WAS GOING BACK BUT COULDN'T

DISCUSS IT - DIERDORF WASN'T REAL HAPPY ABOUT IT. WASN'T TOLD TO PREPARE ANYTHING -

HAD MEETING IN WDC - AT BANK BOARD OFFICES

WAS NOT TALKING FAIRBANKS NOT THERE -

LITIGATION ^{PEOPLE} MAY HAVE BEEN THERE -

DURING MEETING IT WAS DECIDED [REDACTED] WOULD THEN MAKE A PRESENTATION. DID PREPARE AN OUTLINE - (NO LONGER EXISTS). DOESN'T REMEMBER DISCUSSING IT ON THE PHONE - w/ [REDACTED] [REDACTED] [REDACTED] MEETING TOOK PLACE IN DECONCINI'S OFFICE - DOESN'T REMEMBER THE SENATORS TAKING NOTES OR REFERRING TO NOTES - DECONCINI TOOK THE LEAD - APPEARED TO PRESENT HIMSELF AS VERY KNOWLEDGEABLE IN ARIZONA REAL ESTATE - ADVISED [REDACTED] NOTES ARE VERY ACCURATE. WILL REVIEW & INITIAL - INTERPRETS - "FORBEARANCE" - DO NOT APPLY THE CAPITAL INCREMENT WHICH RESULTED FROM BEING OVER DIRECT INVESTMENT LIMITS - UNTIL SUIT IS DECIDED. (FORMULA FOR INCREMENT HE BELIEVES IS $10\% \text{ OF } \text{EXCESS}$ $\text{OF } \text{FUND}$ THE AMOUNT OVER THE LIMIT + ADD IT ON TO CAPITAL REQUIREMENT.)

IMPRESSION DECONCINI APPEARED TO BE AN ADVOCATE OF THE INSTITUTION - RATHER THAN JUST HEARING THE FACTS. & THE SENATORS SEEMED TO BE LOBBYING ON BEHALF OF LINCOLN. TURNED INTO A MEETING OF EXPLAINING THEIR POSITION RATHER THAN ONE OF PRESENTING THE FACTS.

AFTER - MEETING - TALKED OUTSIDE A BIT -
[REDACTED] WAS SURPRISED ALL THOSE SENATORS
WERE TOGETHER ON AN ISSUE. NO DISSENTING
AMONGST THE SENATORS.

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NEVER STALK TO OUTLINE - BUT DID
DISCUSS MOST POINTS.

ONCE CRIMINAL RECORD WAS MENTIONED -
THE MOOD DEFINITELY CHANGED -
DIDN'T FEEL LIKE THEY WERE TRYING TO
GET A DEAL.

DIDN'T BRIEF ANYONE AFTER THE MEETING -
BRIEFLY WENT BACK TO SF.

NO FURTHER CONTACT W/ ANY SENATOR OR
STAFF.

Field File No. 58C-PX-41605-1A4

Serial # of Originating Document _____

OO and File No. PX- 58C-PX-41605

Date Received 11/6/89

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To Be Returned ☐ Yes ☐ No Receipt Given ☐ Yes ☐ No

Grand Jury Material - Disseminate Only Pursuant to Rule 6(e), Federal Rules
of Criminal Procedure ☐ Yes ☐ No

Title: CHARLES KEATING, ET AL.

Reference: _____
(Communication Enclosing Material)

Description: ☒ Original notes re interview of

Self 12-18-89

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1

11/6/89

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b7C

[REDACTED]

[REDACTED]

4/2/87 -

DECONCINI - ASKED THAT REGULATION B2

WITHDRAWN -

WAS ADOPTED. WENT INTO EFFECT.
NEW REGULATION ~~WAS IN EFFECT~~.

4/15

APPROX 2 WEEKS PRIOR TO 4/2 MEETING.
WAS IN RIGOLE'S OFFICE SOLICITING SUPPORT - RIGOLE

WAS FRIEND - RIGOLE TOLD HIM ABOUT THE
OTHER SENATORS WANTED TO TALK TO HIM

DECONCINI TOLD HIM THEY WERE CONCERNED

ABOUT THE LINCOLN SITUATION. [REDACTED] INITIALLY

PROTESTED - BUT AGREED - RIGOLE SAID HE
WOULD GET A CALL. [REDACTED] DOES NOT RECALL

WHO CALLED BUT DID GET A CALL TO GO TO

DECONCINI'S OFFICE ON 4/2/87. RIGOLE STATED

IT MIGHT NOT BE A BAD IDEA TO MEET W/

THE SENATORS. CALL WENT TO [REDACTED]

(WORKS FOR [REDACTED] OTS) - SHE THEN TOLD

HIM WHEN THE MEETING WAS ^{TO TAKE PLACE} - SHE MAY HAVE

ASKED HIM ABOUT HIS SCHEDULE. [REDACTED] ALSO

RELAYED MESSAGE HE WAS TO COME ALONE. -

RECALLS FOR SURE HE DID NOT ~~WANT~~ TAKE THE

CALL. MAY HAVE PREVIOUSLY [REDACTED] ABOUT THE
CALL.

AT RIGOLE OFFICE FOR
SUPPORT OF FSLIE RECAP.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

PK.

- RUSA.

3/27/85 - Hearing -

12-184 - 1/85 - Comment period.
[redacted] called many times -

Also called [redacted] -

Was totally against the Direct Investment
of 10% limit

Very extraordinary to meet 4 Senators
alone - w/o staff. Didn't realize
this was the set-up.

Based on previous situation + conflict
w/ hearing. - Unplanned -

[redacted] -
Was surprised when arrived at office -
6:00 pm -

[redacted] For sure DeLoach did not call for meeting. ^{him directly}

Had met DeLoach once - 2 or 3 of 1985 -
^{other staffers - usually} [redacted]

When he + [redacted] went to

His office to explain the Direct Investment
Rule (10%) - Offered no opposition - no

^{either way -} feelings - just asked questions

Had met McCain maybe at some political event -
did not talk -

Had met Chastan - in (mid 1985) -

^{heavily} [redacted] worked w/ [redacted] of Chastan office -

[redacted] - got a meeting w/

Chastan - went w/ [redacted] -

Talked about problems of FSLIC - &

b6
b7C

Belivers talked about Direct Investment & other problems - Wanted him to know summary of situation. Was lobbying for support - Chairman didn't say much - 45 minutes long - only asked a few questions - No feeling given on Direct Investment Rule - Had previously been against Prudential Fund Regulation. Had previously accused Larry of "Corruption of the SEC industry" ^{US LEADER} during a ^{Senate Banking Committee} hearing - ^{based on} 3/1984 speech given by ^{Senate Banking Committee} [redacted] who stated they may have to raise premiums if BD Reg didn't go through. (General Herring) -

DECLINE - 6:00pm 4/2/87 - WSC - Meeting - Very Businesslike - DECLINE TOOK THE LEAD - STRATEGIC SEATING - FACING DECLINE - OTHER SENATORS - OFF TO SIDE - No Small Talk - All Business - DECLINE - MENTIONED "FRIEND" FROM Lincoln - THEY WERE RAISING CONCERNS ON HIS BEHALF - NEVER USED KEATING'S NAME - LARRY STATED "YOUR FRIEND" -

McCrain STATED "NOT IMPROPER" STATEMENT - [redacted] - NOT IMPROPER TO ASK QUESTIONS - DOES NOT RECALL SEEING DECLINE w/ any notes or memos - DEC - DID NOT LOOK AT OR REVIEW notes - DEC - SEEMED TO KNOW WHAT WAS GOING ON - FAMILIAR w/ Lincoln situation. Always used terms "WE" + "US" - OTHER SENATORS WENT ALONG w/ EVERYTHING DEC WAS SAYING - NEVER ANY APPARENT OF DISSENTION AMONG THE SENATORS. - No Expressions or Hints of any differences.

~~DECLINING~~

McCaig SAID - 4-5 TIMES THROUGHOUT
THE MEETING - "WE DON'T WANT TO DO
ANYTHING IMPROPER" [] RESPONSE - "NOT
IMPROPER TO ASK QUESTIONS"

WAS ALMOST PROTESTING TOO MUCH!! -

ATMOSPHERE - "JUST NOT RIGHT" -

DEC - MENTIONED REGULATION (DE) - CONCERNED
ABOUT UNCONSTITUTIONAL (MAYBE)

DOS NOT RECALL ANY MENTION OF THE SUIT
FILED BY KEATING -

DEC - STATED - WE WOULD LIKE ~~THE~~ ~~HE~~ YOU
TO WITHDRAW THE REGULATION UNTIL IT
CAN BE DETERMINED IF IT IS
UNCONSTITUTIONAL.

DEC - STATED - WE KNOW YOU ([]) ARE
CONCERNED LINCOLN IS NOT MAKING ENOUGH
HOME LOANS.

"WE WILL GET OUR FRIENDS TO MAKE MORE
HOME LOANS" IF YOU WILL WITHDRAW
THE REGULATION.

[] STATED - ALL RESEARCH HAS BEEN DONE -
COUNCILS HAVE REVIEWED - IT IS CONSTITUTIONAL -
+ IF WITHDRAWN IT WOULDN'T BE
TESTED AS CONSTITUTIONAL

FELT IDEA WAS PRESENT TO WITHDRAW
REGULATION FOR THEIR FRIENDS -

[MEMO - REPORTED CALLED APPROX 10/15/89 - +
STATED HE HAD COPY OF MEMO - OF DECLINING
OF MARCH 1985 - TOLD HIM WHAT WAS
IN THE MEMO -

CARRY ASKS IF ANYTHING WAS SAID ABOUT
WITHDRAWING REGULATION - - READING SAID
NO -

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(Meeting: Continued.) -

SENATORS ALSO BROUGHT UP APPRAISAL SITUATION -
BROUGHT UNDERSTANDABLE WAY THE SF ~~EXAMINERS~~ ^{REGULATIONS}
SF WAS BEING UNDERSTANDABLE.
WELL REQUIRING APPRAISALS TO BE DONE -

THEY WERE COMPLAINING IN BLIND OF LINCOLN.
THIS WAS MAINLY A COMPLAINT ABOUT SF ~~EXAMINERS~~ ^{REGULATIONS}.

[] EXPLAINED HE HAD NO DETAILED KNOWLEDGE
OF EXAM - HE RELIED ON HIS STAFF.

McName TRACED THE MOST ABOUT APPRAISALS -
(MOST OF HIS COMPLAINTS).
ALL COMPLAINED ABOUT LENGTH OF EXAMINATION.
THEY ALL APPEARED TO ME MORE FAMILIAR
W/ THE LINCOLN SITUATION THAN HE
WAS - OBVIOUSLY HAD BEEN ~~FOR~~ ^{BEFORE} BUILT.
THEY ALL TOOK THE POSTURE OF A LOBBYIST.
DID NOT GET INTO DETAIL ABOUT ANY
PARTICULAR PROPERTY.

ALL APPEARED TO BE UNHAPPY ABOUT THE
LENGTH OF THE EXAMINATION.

SPOKE TO THEM ABOUT THE "TEAM" IN
SAN FRANCISCO - ABOUT THEIR QUALIFICATIONS
NO QUESTION - THEY WERE PUSHING FOR
THE EXAM TO BE "WRAPPED UP" -
THEY SPENT MUCH TIME ASKING ABOUT
THE LENGTH OF THE EXAM.

ALSO QUESTIONED BEFORE - LENGTH OF EXAM.
THEY WANTED TO KNOW WHY HE
DIDN'T HAVE MORE DETAIL AS TO EXAM -
GLENN - RAISED HIS VOICE - AS TO "WHY HE
DIDN'T KNOW MORE DETAILS" -

[] EXPLAINED - HE RELIED ON HIS
STAFF. -

[] ADDED THAT IT WOULD BE
"UNSEEMLY" TO KNOW SO MUCH ABOUT
LINCOLN IN LIGHT OF THE ALLEGED "FUND"
+ DISCUSS W/ KATIE + LINCOLN.

b6
b7C

[] told them He had made it
a point not to specifically mention
about Lincoln - He trusted his staff -
"But Regulated in the Country"

Meeting concluded when [] + gave
suggested they meet w/ regulators ^{names}
Deconcine stated they would ^{qualifications}
look into it. They all agreed -
to be frustrated.

Deconcine said he would get back
to [] if they want to meet w/
the regulators -

Belius DEC. then called him at
home from Arizona - & stated
they wanted to meet the SF regulators
same time, same place 4/9/87.

After meeting - went directly back
to Bank Board meeting - about 7:20 -
had senior staff waiting -

[]

Directly met w/ them and took them
details of the meeting - Great detail -
[] was angry - they asked to withdraw the
regulation.
They were surprised! -

Doesn't know if any of the people took
notes -

Does Belius or he speak w/ [] on 4/9/89

Before He met w/ Senators - &
Requested A Full Report -

[] did come back to [] OFFICE -
& Briefed Him.

[] was impressed w/ His Recall -
& instructed Him to Review His notes
& put the meeting in a memo.

[] did not take any official
Action - may have if they were
not at that time trying to get
PASSAGE OF THE FSLIC RECAPITALIZATION
BILL

Had many other things going on.
Congress -

FELT Pressure from Senators due
to ISSUE OF FUNDING BEFORE THE
SENATORS -

Plus they were members of THE
OVERSIGHT COMMITTEE ~~AND~~ OVERSIGHTING THE
FHLBB. FHLBB IS ACCOUNTABLE TO OVERSIGHT
COMMITTEE. LEGISLATIVE & OVERSIGHT
COMMITTEE.

They could provide problems for
CRITICAL LEGISLATION - - RECAP []
Also FELT His Future was in DUBT -
WORKING IN FINANCIAL INDUSTRY.

Nomination: Probably []

[REDACTED]

Shifted Him During Transition period -
Began with [REDACTED]

Did Tell Him A Recommendation To
Close Lincoln would probably BL on His
Desk.

There would have been no time
to take Lincoln into RECISURSHIP -
BLANK [REDACTED] TERM EXPIRED.

Has been recommended to close by
SF REGULATORS.

[REDACTED]

SANITIZED

[REDACTED]

[REDACTED]

[REDACTED]

SUPPORTING

[REDACTED]

[REDACTED]

Only Competition was
Has KEATING Support - also had been
an UNDERSTANDING OF HUD.

Process appeared to BL proper - putting

[REDACTED]

[REDACTED]

Lincoln Cap clients -

And [REDACTED] more than the CEO -

John ~~Russell~~ Russell
Former Congressman -

Spring 1987 - Field insured BLUEN
FHEBD-SF AND ENFORCEMENT -

Field File No. 58C-PX-41605-1/10

Serial # of Originating Document _____

OO and File No. PX - 58C-PX-41605-1/10

Date Received 11/28/89

From [Redacted]
(Name of Contributor)

(Address of Contributor)

(City and State)
By [Redacted]
(Agent)

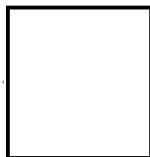
To Be Returned ☐ Yes ☐ No Receipt Given ☐ Yes ☐ No

Grand Jury Material - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure ☐ Yes ☐ No

Title: U.S. SENATOR: ALVIN CRANSTON, ET AL.
CORRUPTION OF FEDERAL OFFICIALS - LEGISLATIVE
OO: PX.

Reference: _____
(Communication Enclosing Material)

Description: ☒ Original notes re interview of
[Redacted]



b6
b7C

12-18-89

11/28/89.

b6
b7C

1409 Montgomery #2 - SF.

CURRENT POSITION:

DOB:

POB:

SSAN:

Time Period w/ FHLB -

Prior - THIEF Industry - Rochester NY - FFLS STL ROCK.

FHLB - San Francisco

Position AS FAR AS EXAM - OF Lincoln -
Involvement in EXAM

MEETINGS w/ KEATING ASSOCIATES -
1ST EXPOSURE TO Lincoln

NOT VERY INVOLVED IN THE EXAM PROCESS -
AFTER EXAM IS OVER - + PROBLEMS EXIST -
REVIEWED RESULTS - ON PROBLEM INSTITUTIONS -
+ DECISION ON ACTIONS TO TAKE -
Met Keating @ CAL STL LEAGUE - CONFERENCE -
LUNCHEON - RECEPTION - BEGINS IN 1986 -

Districts: CAL, ARIZONA + NEVADA -

WILKINSITE BANK: LEAD MONEY TO MEMBER
INSTITUTIONS - PLUS CORRESPONDENCE SERVICES.

NO MEETINGS / NO CALLS -

(2)

Lincoln people did not ~~meet w/~~
request any meetings -

Only conversations on Exam was w/
FHLBB -

4/9/87 meeting.

4/8/87 - WED. RECEIVED MESSAGE - from
Secretary - was in NY - on business
Called back for messages -
Message was from Chairman's Office -
"CONVOY OF SENATORS in DELONCINE OFFICE -
[REDACTED] ABOUT Lincoln Exam -

b6
b7C

Met in Bank Board - Arrived at 5:00 pm.
Others had been there
Had already made plans about presentation -
Plans were to [REDACTED] SAMPLE TO give details -
[REDACTED] WOULD TO FILL IN THE
DETAILS. BLANKS -

Purpose: Believe it was to justify the
length, + explain -

Basically -

Meeting was started as a lecture -
from SENATORS - CHANGED THE ORIGINAL TONE -

[REDACTED] "Leave them alone"

Felt they were PARLEYING with someone said -
REGARDING THE "55%" OF ASSETS.

[redacted] - WENT TO WORK FOR KEATING
LATE 1987 -

→ Called + wanted to talk to [redacted]
Met w/ Him -

TOLD Him they were returning
to being a traditional thrift.
(OCT/NOV 1987)

Eventually left Lincoln in Jan 1988 -

May 1, 1987 - REPORT WENT IN ~~RE~~ RECOMMENDING
RECOMMENDATION.

[redacted] - WOULD NOT ACT ON IT UNTIL
[redacted] CAME IN.
[redacted] DIDN'T WANT TO ACT AS HIS SWAN SONG -

July [redacted] TOOK OVER -
Hired [redacted] -

END July - [redacted] MET w/ KEATING
First Aug -

[redacted] ~~WENT~~ DID NOT TRY TO MEET w/
[redacted] EXAMINER

8/87 [redacted], [redacted] - COUNSEL
[redacted] LIKE - MET w/ KEATING

[redacted] APPOINTED AS HEADS OFFICE OF REGULATORY
Policy Oversight + Supervision (ORPOS)

8/87 - [] CALLED [] AND []
+ TOLD THEM NOT TO MAKE ANY
SUPERVISORY ACTION W/ LINCOLN UNTIL
CLEARED THROUGH WASHINGTON.

AT THIS POINT - THEY FELT THEY HAD
LOST THEIR AUTHORITY.

ENFORCEMENT REVIEW COMMITTEE - FORMED
FALL 87 -

MELTING -

EXTRAORDINARY

AWARDS -

NEVER HAPPENED BEFORE -

DIDN'T COME TO HEAR THE EXAMINERS -
THEY WERE SUMMONED TO HEAR
THEIR DISPLEASURE. HAD TO DEFEND
THEIR POSITION -



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b7C

Notes

Field File No. _____

Serial # of Originating Document 116

OO and File No. _____

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Grand Jury Material - Disseminate Only Pursuant to Rule 6(e), Federal Rules
of Criminal Procedure ☐ Yes ☐ No

Title: _____

Reference: _____
(Communication Enclosing Material)

Description: ☐ Original notes re interview of

COPIES OF [Redacted]
[Redacted]

SJK
12-18-89

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b7C
b7D

Field File No. 58C-PX-47605-1a7

Serial # of Originating Document _____

OO and File No. PX-58C-PX-41605

Date Received 12/11/89

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Grand Jury Material - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure ☐ Yes ☐ No

Title: U.S. SENATOR ALLAN CRANSTON ET AL.

OO: PX/LA.

Reference: _____
(Communication Enclosing Material)

Description: ☐ Original notes re interview of

NOTES- INITIALED

for Accuracy By

Sgt 12/18/89

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Smith

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b7C

[REDACTED]

April 10, 1987

[REDACTED]

April 9, 1987 Meeting
of FHLBSF Personnel
with Senators
Cranston, DeConcini,
Glenn, McCain &
Riegle

At your request I am providing you this memorandum, which reflects the substance of yesterday's meeting with Senators Cranston, DeConcini, Glenn, McCain and Riegle. The Federal Home Loan Bank of San Francisco ("FHLB^{SE}") personnel who attended the meeting were [REDACTED]

[REDACTED]

[REDACTED]


The meeting commenced at

6:00 p.m. and ended at approximately 8:15 p.m., with two breaks of approximately 15 and 10 minutes during which the Senators voted. Senator Cranston was present only very briefly, because of his responsibilities on the Senate floor. The other Senators were present for substantially the entire meeting.


This meeting was the product of an earlier meeting among yourself and Senators Cranston, DeConcini, Glenn and McCain. At that meeting, as related by you (and by these same Senators in yesterday's meeting) each of the Senators raised their concerns regarding the examination of Lincoln by FHLBSF, and you noted your unfamiliarity with any specifics of the examination, your confidence in FHLBSF, and your suggestion that the Senators ^{hear} ~~here~~ from FHLBSF our supervisory concerns regarding Lincoln. ✓ ✓


I was the only one at the April 8 meeting who took notes. While not verbatim, my notes are very extensive. At your request, I called you last night and read these notes to you. I have attached a copy of those notes to this memorandum. I have used these notes and my independent recall of the meeting to prepare this memorandum and provide the fullest possible record of the discussions at yesterday's meeting. I have circulating ^{led} this memorandum to Messrs. [redacted] for their review to ensure the accuracy of this memorandum. I believe that this memorandum is an accurate and complete record of the substance of yesterday's meeting.

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 [redacted] I am [redacted] Federal Home Loan Bank of San Francisco. [redacted]

[redacted] I am here in my capacity as Principal Supervisory Agent. We have jurisdic-


12/07/89

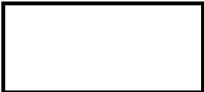
 tion over California, Arizona and Nevada savings and loans. Before becoming President I was in the industry for 20 years.

DeConcini: Where?


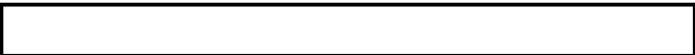


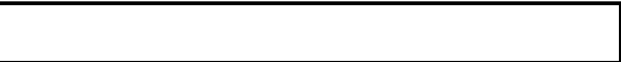
 In New York.

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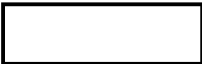
DeConcini: Did you know Bud Bavasi?


 Yes. Bud is a good guy.


DeConcini: Yes. He's great.

 With me is 
 has joined us recently from the
Comptroller of the Currency, 
 Before that he was
a lawyer for seven years.

McCain: We won't hold that against you.



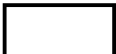

 You were a litigator.

 No, I was in enforcement for seven years.


 12/07/89

  Also with me is  our General Counsel.

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 Next to  is
 He's been with the San Francisco
Bank for ____ years, before that he was an auditor
for a commercial bank, and before that he was in
school.

DeConcini: Thank you for coming. We wanted to meet with you because we have determined that potential actions of yours could injure a constituent. This is a particular concern to us because Lincoln is willing to take substantial actions to deal with what we understand to be your concerns. Lincoln is prepared to go into a major home loan program -- up to 55 percent of its assets. We understand that that's what the Bank Board wants S&Ls to do. It's prepared to limit its high risk bond holdings and real estate investments. It's even willing to phase-out of the insurance process if you wish. They need to deal with, one, the effect of our reg . . . Lincoln is a viable organization. It made \$49 million last year, even more the year before. They fear falling below 3 percent and becoming subject to your regulatory control of the operations of their association. They have two major disagreements with you. First, with regard


 12/07/89




to direct investment. Second, on your reappraisal. They're suing against your direct investment regulation. I can't make a judgment on the grandfathering issue. We suggest that the lawsuit be accelerated and that you grant them forbearance while the suit is pending. I know something about the appraisal values [Senator Glenn joins the meeting at this point] of the Federal Home Loan Bank Board. They appear to be grossly unfair. I know the particular property here. My family is in real estate. Lincoln is prepared to reach a compromise value with you.

Cranston: [He arrives at this point] I'm sorry I can't join you, but I have to be on the floor to deal with the bill. I just want to say that I share the concerns of the other Senators on this subject. [Senator Cranston leaves]

DeConcini: I'm not on the Banking Committee, and I'm not familiar with how all this works. I asked Don Riegle to explain to me how the Federal Home Loan System works because he's on Senate Banking. He explained it to me and that's why he's here.

 12/17/84

 McCain:

 6
Thank you for coming. One of our jobs as elected officials is to help constituents in a proper fashion. ACC is a big employer and important to the local economy. I wouldn't want any special favors for them. It's like the Apache helicopter program that Dennis and I are active on. The Army wants to cutback the program. Arizona contractors make major components of the Apache helicopter. We believe that the Apache is important to our national defense. That's why we meet with General _____ and try to keep the program alive.

I don't want any part of our conversation to be improper. We asked about that and he said it wasn't improper to discuss Lincoln. I'd like to mention the appraisal issue. It seems to me, from talking to many folks in Arizona, that there's a problem. Arizona is the second fastest growing state. Land values are skyrocketing. That has to be taken account of in appraisals.

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Glenn:

I apologize for being late. Lincoln is an Ohio chartered corporation, and . . .

Excuse me, Lincoln is a California chartered S&L.

Glenn:

Well, Lincoln is wholly-owned by ACC.

 12/01/94

 DeConcini:

You said Lincoln was Ohio chartered, its California.

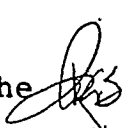
Glenn:


Well, in any event, ACC is an Ohio chartered corporation. I've known them for a long time, but it wouldn't matter if I didn't. Ordinary exams take maybe up to 6 months. Even the accounting firm says you've taken an unusually adversary view toward Lincoln. To be blunt, you should charge them or get off their backs. If things are bad there, get ^{to} them. Their view is that they took a failing business and put it back on its feet. It's now viable and profitable. They took it off the endangered species list. Why has the exam dragged on and on and on? I asked about this. Lincoln has been told numerous times that the exam is being directed to continue by Washington. said this wasn't true.

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b7C

Riegle:

I wasn't present at the earlier meeting. There are things happening that may indicate a pattern that do raise questions. There is broad concern on the Banking Committee about the American Banker article on the FADA and FSLIC fued. has great confidence in you as a team. He says you are some of the finest people in the system. The


12/01/89



appearance from a distance is that this thing is out of control and has become a struggle between Keating and [] two people I gather who have never even met. The appearance is that it's a fight to a death. This discredits everyone if it becomes the perception. If there are fundamental problems at Lincoln, OK.

b6
b7C

I've had a lot of people come through the door feeling that they've been put through a meat grinder. I want professionalism, and your backgrounds attest to that professionalism. But I want not just professionalism, but fairness and the appearance of fairness. So I'm very glad to have this opportunity to hear your side of the story.

Glenn:


I'm not trying to get any one off. If there is wrongdoing I'm on your side. But I don't want any unfairness against a viable entity. ✓

[]
How long do we have to speak to you? A half hour, an hour?




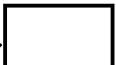
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DeConcini:

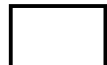
As quickly as possible. We have a vote coming up soon.

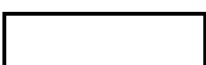
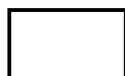



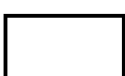

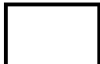
12/07/89

  First, if there's any fault to be had concerning the length of the examination, it's on my shoulders. We determine how examinations are conducted.  never gave me instructions on how to conduct this exam or any other exam. At this meeting you'll hear things that  doesn't know.


b6
b7C

DeConcini: Did  ever talk to you about the examination of Lincoln?


  talked to me when that article ran in the Washington Post.


  asked for a written response from us to the Washington Post article about the length of the exam at Lincoln.  is correct. We received no instructions from  about the exam of Lincoln. We decide how to do the exam.



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 This meeting is very unusual, to discuss a particular company.

DeConcini: It's very unusual for us to have a company that could be put out of business by its regulators.


 you're on, you have 10-12 minutes.


12/07/89

  An appraisal is an important part of underwriting. It is very important. If you don't do it right you expose yourself to loss. Our 1984 examination showed significant appraisal deficiencies. Mr. Keating promised to correct the problem. Our 1986 examination showed that the problems had not been corrected, that there were huge appraisal problems. There was no meaningful underwriting on most loans. We have independent appraisals. Merrill Lynch appraised the Phoenician. It shows a significant loss. Other loans had similar losses.

b6
b7C

DeConcini: Why not get an independent appraiser?



 We did.

b6
b7C


DeConcini: No, you hired them. Why not get a truly independent one or use arbitration, if you're trying to bend over backwards to be fair. There's no appeal from your reappraisal. Whatever it is you take it.


 If it meets our appraisal standards.


12/01/89

  The Phoenician reappraisal process is not complete. We have received Lincoln's rebuttal and forwarded it to our independent appraisers.


b6
b7C

 At this point the Senators left to vote. We resumed when Senators DeConcini and Riegle returned.] ✓


 Lincoln had underwriting problems with all of their investments, equity securities, debt securities, land loans and direct real estate investments. It had no loan underwriting policy manual in effect when we began our 1986 exam. When the examiners requested such a manual they were informed that it was being printed. The examiners looked at 52 real estate loans that Lincoln had made since the 1984 exam. There were no credit reports on the borrowers in all 52 of the loan files.

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b7C

DeConcini: I have trouble with this discussion. Are you saying that their underwriting practices were illegal or just not the best practice?

 These underwriting practices violate our regulatory guidelines.

b6
b7C

 12/01/84

They are also an unsafe and unsound practice.

b6
b7C

DeConcini: Those are two very different things.

You need credit reports for proper underwriting.

✓ [Senator Glenn returns at this point.]

Riegle: To recap what's been said for Senator Glenn, 52 of the 52 loans they looked at had no credit information. Do we have a history of loans to folks with inadequate credit?

\$47 million in loans were classified by examiners due to lack of adequate credit to assure repayment of the loans.

b6
b7C

They're flying blind on all of their different loans and investments. That's what you do when you don't underwrite.

Glenn: How long had these loans been on the books?

✓ [Senator McCain returns at this point.]

[Signature]
12/01/89

A fairly long time.

b6
b7C

Glenn: How many loans have gone belly-up?

We don't know at this point how many of the 52 have defaulted. These loans generally have interest reserves.

Glenn: Well, the interest reserve should have run out on many of these.

These are longer term investments.

b6
b7C

I know that Lincoln has refinanced some of these loans.

Glenn: Some people don't do the kind of underwriting you want. Is their judgment good?

That approach might be OK if they were doing it with their own money. They aren't, they're using federally insured deposits.

b6
b7C

Riegle: Where's the smoking gun? Where are the losses?

[Signature]
12/01/89

DeConcini: What's wrong with this if they're willing to clean up their act?

[] This is a ticking time bomb.

b6
b7C


[] I had another case which reported strong earnings in 1984. It was insolvent by 1985.


Riegle These people saved a failing thrift. ACC is reputed to be highly competent.

[] Lincoln was not a failing thrift before ACC acquired it. It met its net worth requirement. It had returned to profitability before it was acquired. It has ^{1d} one of the lowest ratios of scheduled assets in the 11th District, the area under our jurisdiction. Its losses were caused by an interest spread problem from high interest rates. It, as with most other California thrifts, would have become very profitable as interest rates ^{se} fall.

DeConcini: I don't know how you can consider it a success story. It lost \$24 million in 1982 and 1983. After it was acquired by ACC in [] it made \$49 million in one year.

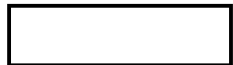
12/07/88

 McCain: I haven't gotten an answer to my question about why the exam took so long.

 It was an extremely complex examination because of their various investments. The examiners were actually in the institution from March to October -- 8 months. The asset classification procedure is very time consuming.

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McCain: What's the longest exam you ever had before?

 Some have technically never ended, where we had severe problems with a shop.

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b7C


McCain: Why would Arthur Young say these things about the exam -- that it was inordinately long and bordered on harassment?

Glenn: And Arthur Anderson said they withdrew as Lincoln's prior auditor because of your harassment.

Riegle: Have you seen the AY letter?


 No.

b6
b7C



12/01/99



Riegle:


I'd like you to see the letter. It's been sent all over the Senate. [Hands  the letter]

b6
b7C

 I'm relatively new to the savings and loan industry, but I've never seen any bank or S&L that's anything like this. This isn't even close. You can ask any banker you know about these practices. They violate the law and regulations and common sense.

Glenn:


What violates the law?

✓  Their direct investments violate the regulation. Then there's the file staffing. They took undated documents purporting to show underwriting efforts and put them into the files sometimes more than a year after they made the investment.


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Glenn:

Have you done anything about these violations of law?

 We're sending a criminal referral to the Department of Justice. Not maybe, we're sending one. This is an extraordinarily serious matter. It involves a whole range of imprudent actions. I can't tell you strongly enough how serious this is. This is not a profitable institution. Prior

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12/07/89

year adjustments will reduce that reported \$49 million profit. They didn't earn \$49 million. Let me give you one example. Lincoln sold a loan with recourse and booked a \$12 million profit. The purchaser rescinded the sale, but Lincoln left the \$12 million profit on its books. Now, I don't care how many accountants they get to say that's right, it's wrong. The only thing we have as regulators is our credibility. We have to preserve it.

DeConcini: Why would AY say these things, they have to guard their credibility too. They put the firm's neck out with this letter.

They have a client. The \$12 million in earnings was not unwound.

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DeConcini: You believe they'd prostitute themselves for a client?

Absolutely, it happens all the time.

W [The Senators left at this point for another vote.]

W
12/07/89

✓ [We resumed when Senators DeConcini, McCain and Riegle returned.]

[] I also wanted to note that the Bank Board has had a lot of problems with AY, and is thinking of taking disciplinary action against it.

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[] Not for its actions here. Primarily because of its Texas office, which has never met a direct investment. They think everything is a loan. This ~~have~~ ^{has} quite an effect on the income you can claim.

✓ Empire of Texas is a perfect example. It did acquisition, development and construction loans that were really direct investments because the borrowers had no equity in the projects. It booked all the points and fees upfront as income. It created interest reserves so the loans couldn't go into default. It provided takeout financing and then end loans so that the loans couldn't go into default for many years. All of this led it to report record profits. Even when the losses started, as long as it grew fast enough and could book new income upfront it could remain

✓
[Signature] 12/01/89

"profitable". It gets to be kind of a pyramid scheme with rapid growth. Lincoln has grown very fast.


Many Congressional hearings have been very critical of the Bank Board for not acting more quickly against unsafe and unsound practices. Representative Dingell our . . . our, I grew up in the 16th District; his hearings were very critical about Beverly Hills, which had a clean accounting opinion and then, at last count is over \$900 million insolvent.

Then there was Sunrise, also with a clean opinion, and it is expected to cost FSLIC over \$500 million. And Congressman Barnard's hearing was very critical there.

Also San Marino.

Yes. I can tell you from my experience as former Litigation Director, where I sued for many of these failed shops, that ¹⁴⁷⁵its routine for the accounting firm to serve as management's expert witnesses and adopt an extremely adversarial tone.

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12/01/88

What it all comes down to is that Congress has been on our ass, and many of us think rightly, to act before an institution fails. That's what we're doing here, and I think ^{it's} ~~its~~ laudable.

DeConcini: What?

Laudable.

Our exam has found that \$²⁵_____ million has to be written off Lincoln's books. That will leave them with a regulatory net worth of \$25 million. They will fail to meet their net worth requirement. They have \$103 million in goodwill on their books. If this were backed out they would be \$78 million insolvent.

They would be taken over by the regulators if they were a bank.

DeConcini: You're saying they're insolvent.


They'd be insolvent on a tangible capital basis, which is basically the capital standard for banks.

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b7c

[Signature] 12/01/99

 DeConcini:


They'd be insolvent if they were a bank, but by law you have to use a regulatory capital standard, and under that standard they have \$25 million in capital. Is that what you're saying?

✓  By regulation we have adopted a regulatory capital standard.

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b7C


DeConcini:

And you'll take control of them if they fail your net worth standard, you'll take operational control of them.


 That's speculative. We'd take steps to reduce their risk exposure.


Riegle:


What would you require them to sell?

 We'd probably have them decrease their growth. Time and again we've found rapid growth associated with loss. Lincoln has grown rapidly.

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b7C

 Are you sure you want to talk about this? We haven't made any recommendation to the Bank Board yet. The Bank Board decides what action to take. These are very confidential matters.

 12/01/09



DeConcini:

No, then we don't want to go into it. We were just asking very hypothetically, and that's how you [indicating] were responding.

That's right.

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DeConcini: Can we do something other than liquidate them?

I hesitate to tell an association what to do. we're not in control of Lincoln, and won't be. We want to work the problem out.

McCain: Have they tried to work it out?

We've met with them numerous times. I've never seen such cantankerous behavior. At one point they said our examiners couldn't get any association documents unless they made the request through Lincoln's New York litigation counsel.

Riegle: Well, that does disturb me, when you have to go through New York litigation counsel. What could they do? Is it too late?

It's never too late.


12/01/89

McCain:

What's the best approach? Voluntary guidelines instead of a compulsory order?

DeConcini:

How long will it take you to finish the exam?

Ten days.

Glenn:



Have they been told what you've told us.

We provided them with our views and gave them every opportunity to have us hear what they say. We gave them our classification of asset materials and went through them loan by loan. This is one of the reasons the exam has taken so long.


We gave them our classification materials on January _____. On March 9 we received 52 exhibits, amounting to a stack of paper this high (indicating approximately two feet of material) responding to that. We went through every page of that response.


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12/01/09

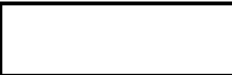
  We didn't use in-house appraisers. We sent the reappraisals out to independent appraisers. We sent the reappraisals to Lincoln. We got rebuttals from Lincoln and sent them to the independent appraisers. I don't think there was any case that Lincoln agreed with the reappraisal.

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 None where the reappraisal indicated insufficient collateral.


✓  In very case, after reviewing the rebuttal, the independent appraiser has stood by his conclusion.


DeConcini: Of course, they have to.

 No. The rebuttals claim specific problems with the independent appraiser's reappraisals; you didn't consider this feature or you used the wrong rental rate or approach to value. The independent appraiser has to come back to us and answer those specific claims by saying: yes I did consider that, and here's why I used the right rate and approach.




12/07/89

 DeConcini: I'd question those reappraisals. If you want to bend over backwards to be fair I'd arbitrate the differences.


✓ The criminality surprises me. We're not interested in discussing those issues. Our premise was that we had a viable institutions concerned that it was being over regulated. 

Glenn: What can we say to Lincoln?

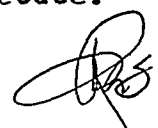
 Nothing with regard to the criminal referral. They haven't, and won't be told by us that we're making one.



b6
b7C

Glenn: You haven't told them?

 No. Justice would skin us alive if we did. Those referrals are very confidential. We can't prosecute anyone ourselves. All we can do is refer it to Justice.

DeConcini: They make their own decision whether to prosecute?


12/01/39


 

Yes. I also want to mention that we are already investigating Arthur Anderson because of their role in the file stuffing. We don't know whether they knew the purpose for which they were preparing the materials. I don't want to get harassed . . . no, that's not the right word; I don't want to get criticized if we find out that AA was involved criminally and we have to make a referral on them. Don't want them to claim retaliation.

✓
We're in a tough spot.

With regard to what you can say to Lincoln, you might want to simply have them call us. If you really want to talk to them you can say that it will take us 7 to 10 days to finish the exam.


Riegle: Is this institution so far gone that it can't be salvaged?



I don't know. They've got enough risky assets on their books that a little bad luck could nail them. You can't remove the risk of what they already have. You can reduce what new risks they would otherwise add on.

b6
b7C

b6
b7C


12/01/8

JTE

b6
b7c

They have huge holdings in Tucson and Phoenix. The market can't absorb them for many years. You said earlier that ACC was extremely good, but ACC has gotten out of its former primary activity, homebuilding. I'm not saying they're bad businessmen, but they had to get out of one homebuilding market after another. They had to get out of Colorado when they had bad models and soil problems. They also had to get out of their second leading activity, mortgage banking. They're now down to Arizona.

That's not a bad market, but no one knows how well it will do over the many years that it would take to absorb such huge holdings in Tucson and Phoenix.


JTE

DeConcini: So you don't know what you'd do with the property even if you took them over.

[redacted] doesn't. [redacted] is a lawyer. We hire experts to do this work. Our study of their Arizona holdings was done by top experts. Our study of below investment grade corporate debt securities; what folks usually call junk bonds, but I avoid it because I don't know where you stand on such bonds; was done by top outside

b6
b7c

12/01/99



experts. I see in this Arthur Young letter that they criticize us for having an accountant with "only" eight years of experience -- well I think . . . I don't see how you can claim eight years as inexperienced. But we didn't simply rely on him, we had, wasn't it [redacted] . .

b6
b7C

[redacted] Yes. [redacted]


[redacted] We had [redacted] outside accountants, work on this. These are also some of the reasons the exam took time.

[redacted] I think my colleague [redacted] put it right when he said that it's like these guys put it all on 16 [redacted] in Roulette. Maybe they'll win, but I can guarantee you that if an institution continues such behavior it will eventually go bankrupt.

Riegle: Well, I guess that's pretty definitive.

DeConcini: I'm sorry, but I really do have to leave now.

[The meeting broke up at this point, approximately 8:20 p.m.]



12/07/89

Field File No. 58C-PX-44605

Serial # of Originating Document _____

OO and File No. PX - 58C-PX-44605-1A8

Date Received 11/8/89

From _____
(Name of Contributor)

(Address of Contributor)

(City and State)

By _____
(Name of Special Agent)

To Be Returned ☐ Yes ☒ No Receipt Given ☐ Yes ☐ No

Grand Jury Material - Disseminate Only Pursuant to Rule 6(e), Federal Rules
of Criminal Procedure ☐ Yes ☐ No

Title: SENATOR
Alan Cranston, ET AL.
Corruption of Federal Public Officials -
Legislative
OO: PX/LA

Reference: _____
(Communication Enclosing Material)

Description: ☒ Original notes re interview of

b6
b7C

OFFICE -
ad.

①

11/8/89.

SEC-PX-41605-1A8

April 2, 1989 -

Prior to ^{going} [] WAS DISTRACTED - + IRRITATED -
ABOUT HAVING TO GO W/O STAFF -
Normally includes STAFF -
~~WAS~~ NOT INVOLVED IN RECEIVING THE CALL IN =
FOR THE MEETING. RECALLS + BELIEVES [] DID
IN FACT TAKE THE CALL - AF KLUMBERS
Him coming out of his OFFICE + WAS IRRITATED.

b6
b7C

[] MAY HAVE TAKEN CALL + TRANSFERRED -
(TERM OF SEC. - []

RECALLS [] COMING OUT OF HIS
OFFICE []

CAME IN THE SAME DAY -

NO MEMO EXISTS RE MEETING

INDICATED TO EXPECT TO STAY AROUND UNTIL HE RETURNED -
PERCEIVED [] WASN'T REAL SURE AS TO THE
COMPLETE SUBSTANCE OF THE MEETING - [] ALSO
WANTED TO TALK ABOUT THE FSIC RECAP.
THAT WAS ON HIS MIND

(2)

Doesn't Recall Time Returned -
Does Recall He Was Upset -
Tradition to do a De-Briefing After
Meetings -

He Didn't Write Up Memo's -
Used Others to Tell ~~us~~ About Meetings -
Usually a Meeting of This Caliber -
He Would Expect Someone on Staff to
Take Notes at the Debriefing

This Meeting Was Completely Out of the Normal
Crunch Time of Balance -

Debriefing ~~wasn't~~ - Informal - Was Not Formal -

[REDACTED]

b6
b7c

Recalls -

[REDACTED]

[REDACTED]

Home Loan Program - Was Discussed.

This Would Have Been an Important Issue

[REDACTED]

[REDACTED] He Was Upset That He Was
Asked to Withdraw the Regulation -
Clear He Was Upset He Had No Input
With the Agency.

Clear Ed Was Upset They (H-Sen) Didn't
Inform to BL on His - Had Concern About Recall.

[REDACTED] Mentioned the Appraisal Issue But Didn't
Seem to BL That Upset.

Was Now Concerned About Recall.

Appraisal -

[redacted] would be more detailed.
AF - [redacted] needs request to witness
delegation.

[redacted] + staff were very vulnerable -
Due to FSEI recap.
Had sense [redacted] felt coerced - by
the Senators.

Now letting off steam -

[redacted]

AF - Not aware of memo until [redacted]
Heard it up at the testimony -
Didn't know it even existed -
Now read about it in newspaper -

[redacted]

Return to statement -

[redacted] told by [redacted]
[redacted] went to [redacted] - immediately -
[redacted] went with him -
It was known [redacted] was financially in
bad shape - maintaining two residences -

[redacted]

[redacted] wanted [redacted] to be honest -

[redacted] went back [redacted]

[redacted]

b6
b7C

b6
b7C

KEATINGE REPRESENTATIVE.

LOOT

AGAIN.

b6
b7C

Simply told ~~THE~~ THAT TO BE
w/ KEATINGE.

RECEIVED A CALL FROM KEATINGE REPRESENTATIVE.
SETTING MEETING UP AT 4-SEASONS
Met on 11/22/85 -

They stated they knew HER -
SHE HAD NOT PREVIOUSLY MET KEATINGE -
DIDN'T KNOW WHO LOOKS BL THAT
OTHER THAN KEATINGE.

MISCOMMUNICATION - AS TO WHERE TO MEET.

HER OFFICE GOT A CALLED -

LOCATION DETERMINED TO BL LEXINGTON - (DURING
RECONSTRUCTION).

DID MEET w/ KEATINGE -

HE STATED HIS PHILOSOPHY -

PAID A LOT OF MONEY NOT TO BL LIMITED
ON DIRECT INVESTMENT.

KEATINGE, ONE OTHER INDIVIDUAL -

AT ABOUT PHILOSOPHY -
RE FUND, + ACTIVITIES - ETC. + DIRECT
INVESTMENT.

They all engaged in THE DISCUSSION -

KEATINGE INSISTED SOMEBODY TO EXPRESS HIS VIEWS
TO THE BOARD - HE WAS BEING UNHEARD.

WHEN SHE DISCOVERED IT WAS P.R. POSITION -
SHE BECAME UPSET + SAID GARY WOULD NOT
BE INVOLVED. - HE BASICALLY SAID FINE +
DROPPED THE ISSUE.

RECALL TELLING THEM SHE DID NOT WANT
TO BE CONTACTED. DID NOT WANT TO BE
A CONSULT POINT. ~~BETTER~~ SHE DID NOT
GET INTO THE MONEY ISSUE.

SFC-PX-41605

Serial # of Originating Document

OO and File No.

PX/4A-58C-PX-45605-1A

Date Received

11/9/89

From

(Name of Contributor)

(Address of Contributor)

(City and State)

By

To Be Returned ☐ Yes ☐ No Receipt Given ☐ Yes ☐ No

Grand Jury Material - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure ☐ Yes ☐ No

Title:

SENATOR ALLAN CRANSTON, ET AL
CORRUPTION OF FEDERAL PUBLIC OFFICIALS, -
LEGISLATIVE
OO: PX/LA.

Reference:

(Communication Enclosing Material)

Description:

Original notes re interview of

PM 1-11-90

b6
b7C

580-PX-41605-1A9

(1)

b6
b7C

Confirmed - WAS

RECALLS meeting. 4/2/87 WAS AT OFFICE
WHEN HE RETURNED
RECALLS HE WAS VERY UPSET -

b6
b7C

DOES NOT RECALL MAKING A CALL - ~~W/STAFF~~
SET UP THAT 4/2/87 MEETING.

MEETINGS WERE GENERALLY SET UP W/STAFF
NOT THE SENATOR HIMSELF.

DELOMONTE'S

WAS PARTIAL OF THE MEETING PRIOR TO
LEAVING -

[REDACTED]

b6
b7C

Does recall something about [REDACTED] going to the meeting alone - However does not recall how she got the message - Could have been told by [REDACTED] Could have taken the message - just doesn't recall taking call. [REDACTED] did not keep a calendar - Received "Dance Cards" each night - for the next day.

Belief -

Normally after meetings - [REDACTED] would

b6
b7C

First question is "do you have [REDACTED] before the [REDACTED] - IF you are meeting w/ FBI - possibly staff.

[REDACTED]

NO - was to first start after a meeting - [REDACTED] would not meet w/ anyone who had business before the board - [REDACTED] - of my staff.

[REDACTED]

Usually has staff w/ him when going to meetings - Congressional meetings - would + does to [REDACTED] - very loyal to [REDACTED]

[REDACTED] meets w/ people who have business - before the board.

Has witnessed seating in the office - on one occasion. 9/87 - was alone - know of two additional times - in office - well known + documented - 88 + 89.

Field File No. 58C-PX-41605-1A10

Serial # of Originating Document _____

OO and File No. _____

Date Received 1/11/90

From _____

(Name of Contributor)

(Address of Contributor)

By SA _____ State) _____

(Name of Special Agent)

To Be Returned ☐ Yes ☐ No Receipt Given ☐ Yes ☐ No

Grand Jury Material - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure ☐ Yes ☐ No

Title: _____

Reference: _____

(Communication Enclosing Material)

Description: ☒ Original notes re interview of

92
4-23-90

b6
b7C

58C-PX-41605-1A1D

b6
b7C

- private consult

was close to

Lincoln

due to insufficient capital
failed, - then
tried w/ Rousselot

ran into trouble for supposed antagonism to thrift
industry + after Sen. Dole + Proxmire objected, he was
never nominated.

Grabbed [] who had been slated for another
position + had security clearance.

Press reported that Mattingly + McCain (then in house)
supported Henkel.

Henkel brought his own secty from Atlanta to PHZBS.

Inspector General - bank board - did investigation -
not aggressive

Night before at mtg -

Henkel discussed plan to modify direct investment
rule - but key provision introduced next day (12/18)
~~also~~ was not discussed day before.

Henkel proposal also helped by

- 1) lowering capital requirement
- 2) permitted future direct investment

Some of Henkel's loans were reclassified from ADC
to direct investment + therefore could not
be ~~be~~ extended w/o violating direct investment rule,
unless Lincoln got the relief from Henkel's
proposal.

There is a SF FICLB report of Lincoln's dealings
w/ Henkel.

Potential Q — When Henkel repaid the ^{Lincoln} loans, how were
the repayments funded?

Field File No. SFC-PX-41605-1A-11

Serial # of Originating Document _____

OO and File No. SFC-PX-41605

Date Received 1/31/90

From _____
(Name of Contributor)

(Address of Contributor)

(City and State)

By _____
(Name of Special Agent)

To Be Returned ☐ Yes ☐ No Receipt Given ☐ Yes ☐ No

Grand Jury Material - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure ☐ Yes ☐ No

Title: Alvin Cronin, Et AL
@ Federal Bribery Statutes
OO: PX/LA

Reference: _____
(Communication Enclosing Material)

Description: ☒ Original notes re interview of

b6
b7C

4-23-90

58C-PX-41605-1A11

1/21/00

Does not recall getting APPRAISAL REPORT -

AND/OR LINCOLN OFFICIALS

KEATING + CRANSTON WAS TOGETHER ONE DAY -
+ WERE

BELIEVES CRANSTON PROPERTY WAS IN PALO ALTO.

RECEIVED CALL FOR QUICK APPRAISAL OF
CRANSTON PROPERTIES. MAY HAVE COME FROM
KEATING OR [REDACTED] SOMEONE HIGH -

"GET WITHIN YOU CAN AS FAST AS YOU CAN
ON THE PROPERTY."

+ OTHERS
SHE WAS RIDING IN LIMO W/ CRANSTON -
RIDING AROUND LOOKING AT CRANSTON PROPERTY -
ENDED UP PROPPING HER OFF AT CURB - CRANSTON
WAS LATE -

Issue came up one day + was gone
THE NEXT.

Does not BELIEVE ANY LOAN MATERIALIZED -
FOR CRANSTON. IF SO NOT AWARE

Knows no loans to OTHER POLITICIANS -

Lincoln
in
Loan
Dept.

Field File No. 58C-PX-4160J - 1A12

Serial # of Originating Document _____

OO and File No. PX - 58C-PX-4160J

Date Received 2/5/90

From [Redacted]
(Name of Contributor)

(Address of Contributor)

(City and State)
By [Redacted] (Signature)

To Be Returned ☐ Yes ☐ No Receipt Given ☐ Yes ☐ No

Grand Jury Material - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure ☐ Yes ☐ No

Title: U.S. SENATOR ALLAN CRANSTON ET AL.
FEDERAL BRIBERY
OO: PX/LA

Reference: _____
(Communication Enclosing Material)

Description: ☒ Original notes re interview of
[Redacted]

b6
b7C

9
4-23-90

58C-PX-4V605-1A12

2/5/90

b6
b7c

Letter of Opinion -
Only Lincoln Work -
BHills Savings + Southwest - was doing
work for them -

Wanted Book, Conservative Appraisal -
Drive By -
CHIEF Corps

did call - + REQUESTED -

TOLD - CRANSTON was doing small
REFINANCING on property -
MAYBE TO HELP w/ Campaign

(2)

Not many letters or opinion.

Facts: Called

Believes on or about 10/6 - 10/7
was called by [redacted]

b6
b7C

Information given -

Address - & then pulled
info out of [redacted]
Sq. Footage is [redacted]

2.50 - per month -

Not Surprised those business
could support the rent.

Was very familiar w/ rents
plus 180 per S.F. is a Corp.

Currently - 200 - 220 per Sq. Foot.

No other Politicians -
No further contact w/ [redacted] - on anyone else -
Did not meet Cranston.

This is a Letter of Opinion - Not an Appraisal -
Full Appraisal - \$1,500 - 2,000

On loan - additional security
would normally be included.

Field File No. SPC-PX-41605-1A13

Serial # of Originating Document _____

OO and File No. LA SPC-PX-41605

Date Received 3/5/90

From [Redacted]
(Name of Contributor)

(Address of Contributor)

(City and State)

By [Redacted]
(Name of Special Agent)

To Be Returned ☐ Yes ☐ No Receipt Given ☐ Yes ☐ No

Grand Jury Material - Disseminate Only Pursuant to Rule 6(e), Federal Rules of Criminal Procedure ☐ Yes ☐ No

Title: U.S. SENATOR ALLAN CRANSTON, ET AL
FEDERAL BRIBERY
OO: PX/LA

Reference: _____
(Communication Enclosing Material)

Description: ☐ Original notes re interview of

COPIES OF APPRAISAL LETTERS ON
CRANSTON PROPERTY

RAY STUB FROM LINCOLN STC.

BILLING TO LINCOLN

REAL ESTATE DATA, INC. - CRANSTON PROPERTY


8/4-26-90

b6
b7C

IVAN G. EAGLESON & ASSOCIATES
REAL ESTATE APPRAISERS
175 S. San Antonio Road, Suite 214
Los Altos, California 94022
(415) 949-3870

October 23, 1986

58C-PX-41605-1A13


Lincoln Savings
2735 East Camelback
Phoenix, AZ 85016

b6
b7C

Re: Cranston, Alan. Property located at 215 Main Street, Los Altos, County of Santa Clara, State of California.

In accordance with your telephone request of October 22, 1986 I have conducted a drive-by inspection of the above referenced property for the purpose of providing you with an estimate of value on a conservative basis.

Assessors Parcel Number: 167-40-016.

Title to Property: Alan Cranston

Zoning: Store building, Major Business District (central business district of Los Altos).

Location: South side of Main Street 2 blocks west of San Antonio Road. Main Street is the principal retail street in the approximately 20 block area of old downtown Los Altos area. Rated 100% location for retail occupancy.

Type of Improvement: One story retail store front building of average quality and better than average condition. Recorded size of building is 5,000 SF. Built around 1928. Designed for 2 tenants.

Tenancy: Two tenants (Helen Habit for womens clothing) and the Quilting Bee (cloth, knitting, sewing machines, etc.). 100% occupied. Vacancy along Main Street is 0% at this time. Rents are \$2.50 to \$3.00 per SF.

Site: 5,000 square feet.

Negative Factors: None. Very marketable.

RESIDENTIAL

APARTMENTS

COMMERCIAL

October 23, 1986

[REDACTED]

Lincoln Savings

Page 2

Estimated Value: \$900,000 @ \$180.00 per SF.

[REDACTED]

2-5-90

[REDACTED]
State Class IV

Photos and location map attached.

IGE/p

b6
b7C

300 327 1085

Real Estate Data, Inc.

AL-AL

OWNER ADDRESS CITY STATE ZIP	TAX AREA	PHONE #	YEARS WITH SAME PHONE #	LAND USE/PROPERTY CLASS LOT SIZE / ACRES / SQFT STATISTICAL INFORMATION IMPROVEMENT INFORMATION	VERIFIED SALES AMOUNT DATE MORTGAGE INFORMATION DATE TYPE	SALE AMOUNT TYPE DOC NUMBER INFORMATION AMOUNT	TOTAL LAND IMPRV OTHER VALUE
118-000 LOS ALTOS MUTUAL BLDG & LOAN AT WESTERN SAVINGS & LOAN ASSOC PO BOX 1020 LOS ALTOS CA 91326 MAIN ST LOS ALTOS	11001			59 -OFFICE/BANK/CLINIC 244 -OFFICE BUILDING ZONING-CRS 5,995-SQFT BLDG SQFT -3,655 YRBLT-1955 UNITS-1		01-77 73 869747	\$300,047 \$75,750 \$235,386
118-000 LOS ALTOS CA 94022 MAIN ST LOS ALTOS	11001		10+	55 -MAJOR BUSINESS DIST 278 -STORE BUILDING ZONING-CRS 2,400-SQFT BLDG SQFT -2,439 YRBLT-1955 UNITS-1		01-73 73 617254	\$79,232TV \$32,481LV \$46,751IV
118-000 LOS ALTOS HILLS CA 94022 MAIN ST LOS ALTOS	11001		10+	55 -MAJOR BUSINESS DIST 278 -STORE BUILDING ZONING-CRS 2,400-SQFT BLDG SQFT -1,872 YRBLT-1950 UNITS-1		04-80 80 6712696	\$63,221TV \$32,481LV \$30,740IV
118-40-016 CRANSTON ALAN 770 S O HAWLEY REALTOR PO BOX 128 PALO ALTO CA 94302 MAIN ST LOS ALTOS	11001			55 -MAJOR BUSINESS DIST 278 -STORE BUILDING ZONING-CRS 5,000-SQFT BLDG SQFT -5,002 YRBLT-1947 UNITS-3		01-73 73 1101848	\$124,362TV \$67,750LV \$56,612IV
118-30-072 REVOCABLE TRUST AGREEMENT THE 216 A MAIN ST LOS ALTOS CA 94022 MAIN ST LOS ALTOS	11001			55 -MAJOR BUSINESS DIST 278 -STORE BUILDING ZONING-CRS 2,400-SQFT BLDG SQFT -2,941 YRBLT-1938 UNITS-2		10-83 83 7848398 5002956	\$82,942TV \$37,585LV \$45,357IV
118-30-072 AL 220 MAIN STREET SUITE 200 LOS ALTOS CA 94022 MAIN ST LOS ALTOS	11001			55 -MAJOR BUSINESS DIST 278 -STORE BUILDING ZONING-CRS 6,500-SQFT BLDG SQFT -6,506 YRBLT-1945 UNITS-1		\$1,400,000F 03-85 J3041-0211 01-85 85 831312 * MORTGAGE INFORMATION * 03-85	\$1,428,000TV \$408,000LV \$1,020,000IV
118-40-016 770 S O HAWLEY REALTOR PO BOX 128 PALO ALTO CA 94302 MAIN ST LOS ALTOS	11001			55 -MAJOR BUSINESS DIST 278 -STORE BUILDING ZONING-CRS 2,500-SQFT BLDG SQFT -2,501 YRBLT-1948 UNITS-1		05-84 84 8064905 1101849	\$58,464TV \$33,873LV \$24,591IV

b6
b7c

301 327 1035

Real Estate Data, Inc.

				LAND USE-PROPERTY CLASS	VERIFIED SALE	DATE	AMOUNT	TOTAL
				LOT SIZE / ACRES - SQFT	AMOUNT	DATE	TYPE	AND
				STATISTICAL INFORMATION	DATE	DOC	NUMBER	MPR
				IMPROVEMENT INFORMATION	DATE	MORTGAGE	INFORMATION	OTHER
					DATE	TYPE	AMOUNT	
				01 - SINGLE FAMILY RESID				
				ZONING-C2				
				6,438-SQFT				
				LIVING SQFT-1,246				
				ROOMS -6				
				BEDRMS-3				
				BATHS -1.0				
				EXEMPTION-HOMEOWNERS				
				01 - SINGLE FAMILY RESID	\$192,500			\$400,857TV
				ZONING-R1	09-77			\$191,318LV
				22,374-GROSS				\$209,539IV
				LIVING SQFT-2,659				
				GARAGE -DETACHED 2-CAR				
				YRBLT-1918				
				ROOMS -11				
				BEDRMS-6				
				BATHS -2.0				
				EXEMPTION-HOMEOWNERS				
				02 -2 FAMILY RESID				\$72,388TV
				115 -DUPLEX-2 FAM DWLG				\$25,868LV
				ZONING-C2				\$46,520IV
				5,170-SQFT				
				LIVING SQFT-1,129				
				UNITS-2				
				55 -MAJOR BUSINESS DIST				\$69,137TV
				278 -STORE BUILDING				\$4,121LV
				ZONING-CCP				\$2,116IV
				2,600-SQFT				
				BLDG SQFT -2,405				
				YRBLT-1925				
				UNITS-1				
				55 -MAJOR BUSINESS DIST				\$190,143TV
				278 -STORE BUILDING				\$124,134LV
				ZONING-CCP				\$66,009IV
				8,000-SQFT				
				BLDG SQFT -6,401				
				YRBLT-1926				
				UNITS-4				
				01 -SINGLE FAMILY RESID				\$25,051TV
				ZONING-C2				\$17,166LV
				4,400-SQFT				\$7,885IV
				LIVING SQFT-1,504				
				YRBLT-1920				
				ROOMS -6				
				BEDRMS-3				
				BATHS -1.0				
				EXEMPTION-HOMEOWNERS				

b6
b7c



CONVENTIONAL • FHA • VA
AMERICA'S LARGEST SAVINGS & LOAN ASSOCIATION
1730 SOUTH EL CAMINO REAL, SAN MATEO, CA 94402

TERRI GELARDI
Loan Consultant
Business: (415) 574-9100
7-3006



*Lincoln Savings
2735 East Camelback
Phoenix 85016*



CONVENTIONAL • FHA • VA
AMERICA'S LARGEST SAVINGS & LOAN ASSOCIATION
1730 SOUTH EL CAMINO REAL, SAN MATEO, CA 94402

(TERRI GELARDI)
Loan Consultant
Business: (415) 574-9100
Residence: (408) 327-3006

b6
b7C

*properties
2 homes as collateral
for Senator Cranston
1-215 Main Street, Los Altos
Lots 9 & 10, Blk 8
\$258,750
2-318-324 University
Avenue, Palo Alto
Rtn Lot 6, Blk 21
50% interest \$468,500*

BORROW FROM THE LEADER

Home leads all other financial institutions in Real Estate loan volume

BORROW FROM THE LEADER

Home leads all other financial institutions in Real Estate loan volume

306295



LINCOLN
SAVINGS

P.O. Box 29099/Phoenix, AZ 85038

VENDOR NUMBER	VENDOR NAME
000003506	& ASSOC

DATE	INVOICE NO.	DESCRIPTION	NET AMOUNT
10/23/86	SER1086	318 THRU 324 UNIVERSITY AVE	100.00
10/23/86	SER102385	3215 MAIN STREET	100.00
CHECK NUMBER	CHECK DATE		CHECK AMOUNT
306295	11/26/86		200.00

DETACH AND RETAIN THIS STATEMENT THE ATTACHED CHECK IS IN PAYMENT OF THE ITEMS DESCRIBED ABOVE IF NOT CORRECT, PLEASE NOTIFY PROMPTLY. NO RECEIPT DESIRED.

STATEMENT

LINCOLN SAVINGS
2735 East Camelback
Phoenix, AZ 85016

318 thru 324 University Ave., Palo Alto \$ 100.00

PLEASE RETURN THIS STUB WITH YOUR REMITTANCE. YOUR CANCELLED CHECK IS YOUR RECEIPT.

DATE	DESCRIPTION	CHARGES	CREDITS	BALANCE
10/23/86	Appraisal fee: 318 thru 324 University Ave. Palo Alto, CA (CRANSTON <input type="text"/>) Billing Date: 10/27/86 OUR TERMS ARE NET 30 DAYS.	100.00		100.00

PAY LAST AMOUNT IN BALANCE COLUMN ▲

REDIFORM 85 874

POLY PAK (50 SETS) 8P874

carbonless

pd
12-2-86
#306295

STATEMENT

LINCOLN SAVINGS
2735 East Camelback
Phoenix, AZ 85016

215 Main Street, Los Altos

\$ 100.00

PLEASE RETURN THIS STUB WITH YOUR REMITTANCE. YOUR CANCELLED CHECK IS YOUR RECEIPT.

DATE	DESCRIPTION	CHARGES	CREDITS	BALANCE
10/23/86	Appraisal fee: 215 Main Street Los Altos, CA (CRANSTON) Billing Date: 10/27/86 OUR TERMS ARE NET 30 DAYS.	100.00		100.00

PAY LAST AMOUNT IN BALANCE COLUMN ▲

REDIFORM 85 874

POLY PAK (50 SETS) 8P874

carbonless

pd
12-2-86
#306295

Field File No. 58C-PX-41605 - 1A14

Serial # of Originating Document _____

OO and File No. PX-58C-PX-41605

Date Received 2/7/90

From
(Name of Contributor)

(Address of Contributor)

By
(City and State)

To Be Returned ☐ Yes ☐ No Receipt Given ☐ Yes ☐ No

Grand Jury Material - Disseminate Only Pursuant to Rule 6(e), Federal Rules
of Criminal Procedure ☐ Yes ☐ No

Title: Allan Cunnison, Et Al.
Federal Bribery
OO: PX

Reference: _____
(Communication Enclosing Material)

Description: ☒ Original notes re interview of

b6
b7C

9
4-26-90

58C - PX / 41605-1A14

①

2/7/90

b6
b7C

Vallejo, Ca. 94590 -
H- 707-643-6940

W -

DOB:

POB:

SSAN:

CPD -

2/88 - 8/88 -

Hard Project Organizer -

By:

By Phone -

Training: Cal State - 2/11 - 2/21 - East LA.

When returned was made:

Project Coordinator -

Intense Training -

Goals - + Program of CPD -

- Parts of the training was video taped -

- During training [redacted] quit.

Flew to training - no reimbursement -

W/ Organizing Inst.

(2)

REGISTERED DEMOCRAT -

[REDACTED]

b6
b7C

SAR, OAK, STON, SF.

SEEMED TO BE ON THE ROAD -

PROXY MUST ON THEIR OWN THE COORDINATION

PROJECT ADMINISTRATION -

[REDACTED]

SHE FOUND THE OFFICE

PROJECT ORGANIZER 1500 -

PROJECT COORD - 2,000.

PROJECT ADMINISTRATION 1500

(INTERNAL ORGANIZATION) - payroll -

ORGANIZER WAS TO SOLICIT VOLUNTEERS -
+ GET PARTICIPATION -

BOTH REGISTERING PEOPLE + GET VOLUNTEERS -

Met w/ [REDACTED] ONCE A WEEK -
USUALLY TALKED #'S -

FELT REAL OBJECTION WAS PARTITION -
IF #'S CAME IN AND MORE REPUBLICANS
HAD BEEN REGISTERED - THEY ACCUSED THEM
OF WRONG TARGETING -

BASED ON TRAINING + KEY PHRASES -

AND TARGETING - IT WAS PARTISAN -

TARGETED PEOPLE - 18-25 & MINORITY -

Project Coordination Meeting -

TRUTH WOULD COME OUT -

is intelligent & MASTER MANIPULATOR

ENCOURAGED ~~HE~~ TO NOT SOLICIT FROM
SOMEONE IN TARGET RANGE -

ONE VOLUNTEER - REGISTERED MORE REPUBLICANS
& LEFTISTS - IN THE BEGINNING -

SOME STATISTICS - & OTHER
PROBLEMS WITH THE ^{WORKER} VOLUNTEERS

DIDN'T LIKE

DIDN'T LIKE

(FROM O.I.) -

DIDN'T LIKE HIS ATTITUDE -

SITE CHANGED THE SITE WAS AT

WAS PRODUCING & BOTH SITES -

TOOK HIM TO PROPS & TOLD
HIM TO FIRE HIM.

REASON - THEY DIDN'T LIKE HIS ATTITUDE -

TWO OTHERS WERE FIRED - DUE TO
NO PRODUCTION.

b6
b7c

Summary - left too many
inconsistencies -

[REDACTED]

b6
b7C

Headings -

18-25

Minority

Black

Latin

White

Other (Ethnic)

Sim

Ref

Other

#15

[REDACTED]

[No listing of only Democrats -]

Below O.I. would have
TAPED OF TRAINING SESSION -

5/88

In Project Coordination meeting
in [REDACTED]

just for Coordinators -

[REDACTED]

stated the real purpose
was to register Democrats - &

[REDACTED]

- was very upset

& made statements to the contrary

WATKINS -

[REDACTED]

[REDACTED]

OBJECTIVE -

Community Involvement -
in Registering Voters -

DID ZENEX AFFIDAVIT -
COUNCIL DID IT.

[REDACTED] INSTRUCTED THE
TO BE ZENEXED -

b6
b7C

AFFIDAVITS -

FIRST REVIEWED BY [REDACTED]
THEN REVIEWED BY [REDACTED]
INCOMPLETE WOULD BE GIVEN BACK
TO ORGANIZATION TO GET COMPLETED
THE [REDACTED] WOULD TAKE THEM
DOWN TO REGISTRATION OF VOTERS - TWICE
A WEEK.

COPIES WOULD THEN BE USED TO CALL
PEOPLE - TO SOLICIT VOLUNTEERS.

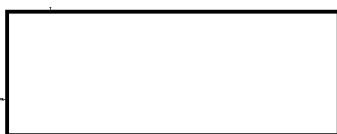
DID MAKE SURE NEW EMPLOYEES / AND / OR
VOLUNTEERS WERE REGISTERED
PROPER. [REDACTED] THIS WAS CHANGED -

AFFIDAVITS WOULD SOMETIMES SIT
ON A TABLE OR IN A [REDACTED]
FOR TWO OR THREE DAYS AT THE MOST
BEFORE BEING TAKEN DOWN TO THE REGISTRATION
OF VOTERS -

[REDACTED] WHY WENT ON FOR A SHORT

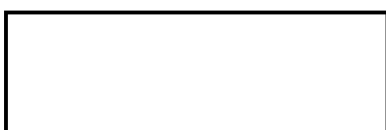
PERIOD OF TIME AT THE BEGINNING -

Attorneys were not locked
up - anyone had access -
to them.



b6
b7c

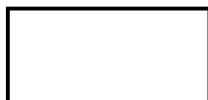
Was told Mr. RPD would
end - they could go to
work - for the Democratic
Party - many people did -
Some players - different organization.



Also has ^{Daily} ~~from~~



Tally sheet - then totals were called
in to LA - to be computerized -
The next morning FAL would
come in showing all offices
& their production -



or



Changed the order of
parties on the tally sheet - placed
Republicans first - previously Democrats.